
RIDGECREST REDEVELOPMENT AGENCY

AND

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

INDENTURE OF TRUST

SECURING \$ _____
RIDGECREST REDEVELOPMENT PROJECT
TAX ALLOCATION REFUNDING BONDS
SERIES 2008

Dated as of August 1, 2008

THIS INDENTURE OF TRUST, dated as of August 1, 2008, is entered into between the Ridgecrest Redevelopment Agency, a public body corporate and politic (the "Agency"), and U.S. Bank National Association, a national banking association, duly authorized to accept and execute trusts of the character herein set forth, as trustee (the "Trustee").

RECITALS

WHEREAS, the Agency is a redevelopment agency (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California), and the powers of the Agency include the power to issue bonds or notes for any of its corporate purposes; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the "Ridgecrest Redevelopment Project" has been adopted and approved by Ordinance No. 86-37 of the City of Ridgecrest on November 16, 1986, and amended by Ordinance No. 91-14 adopted on April 17, 1991 and amended by Ordinance No. 95-04 adopted on March 15, 1995 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Agency has previously issued its Ridgecrest Redevelopment Project 1999 Tax Allocation Refunding Bonds in a principal amount of \$7,860,000 (the "1999 Bonds"); and

WHEREAS, the Agency has previously issued its Ridgecrest Redevelopment Project 2002 Tax Allocation Refunding Bonds in a principal amount of \$_____ (the "2002 Bonds"); and

WHEREAS, for the corporate purposes of the Agency, the Agency deems it necessary to issue at this time tax allocation refunding bonds in a principal amount of _____ Dollars (\$_____) (the "Bonds"), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the 1999 Bonds, to finance a portion of the costs of implementing the Redevelopment Plan, to pay costs in connection with the issuance of the Bonds and to make certain other deposits as required by this Indenture; and

WHEREAS, the execution and delivery of the Bonds and of the Indenture have been duly authorized and all things necessary to make the Bonds, when executed by the Agency and authenticated by the Trustee, valid and binding legal obligations of the Agency and to make this Indenture a valid and binding legal instrument for the security of the Bonds, have been done.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Agency, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, and of other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure on a parity with the 2002 Bonds the payment of the principal of, premium, if any, and interest on all Bonds Outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the Agency of all the covenants expressed or implied herein and in the Bonds, does hereby convey, pledge and assign unto the Trustee, and unto its successors and

assigns forever and does hereby grant to it and them a security interest, together with all right, title and interest of the Agency, in:

GRANTING CLAUSE

The Pledged Revenues (as hereinafter defined) together with all other revenues, and all moneys and securities held by the Trustee in any Fund or Account together with investment earnings thereon established pursuant to the terms of this Indenture and any and all other property of each name and nature from time to time hereafter by delivery or by writing of any kind pledged or assigned as and for additional security hereunder, by anyone, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof (the "Trust Estate").

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trusts and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds, from time to time issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds on a parity with the 2002 Bonds.

PROVIDED, HOWEVER, that if the Agency, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the interest and premium, if any, due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Special Fund as required hereunder or shall provide, as permitted by Article XI hereof, for the payment thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and all Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease, determine and be void, otherwise this Indenture is to be and remain in full force and effect.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and the Pledged Revenues hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Agency has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions.

(a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(i) “This Indenture” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

(ii) All references in this Indenture to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this Indenture. The words “herein,” “hereof,” “hereto,” “hereby,” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(iii) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular.

(iv) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

(v) Every “request,” “order,” “demand,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent,” or similar action hereunder by the Agency shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized officer or agent of the Agency with a duly authorized signature.

(b) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

“Agency” means the Ridgecrest Redevelopment Agency.

“Alternate Reserve Account Security” means one or more letters of credit, surety bonds, bond insurance policies, or other form of guaranty from a financial institution for the benefit of the Trustee, the long-term debt, unsecured obligations of which or the claims paying ability are rated not less than “Aa” (or its equivalent) by Moody’s Investors Service, or “AA” (or its equivalent) by Standard & Poor’s Corporation in substitution for or in place of all or any portion of the Reserve Requirement which shall be approved by the Agency.

“Annual Debt Service” means, for any Bond Year, the total aggregate principal and interest payable on the Outstanding Bonds in such Bond Year.

“Authorized Officer” or “Authorized Officers” means the Chairman, Executive Director or any officer of the Agency designated from time to time as an Authorized Officer of the Agency, and when used with reference to any act or document also means any other person duly authorized by the Agency to perform the act or sign the document in question.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

“Bond” or “Bonds” means the “Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2008” authorized by this Indenture.

“Bond Counsel” means an attorney or firm of attorneys acceptable to the Agency of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

“Bondowner” or “Owner of Bonds,” or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee, or representative of any Outstanding Bond. For the purpose of Bondowners’ voting rights or consents, Bonds owned by or held for the account of the Agency, or the City, directly or indirectly, shall not be counted.

“Bond Year” means the twelve (12) month period commencing on July 1 of each year, provided that the first Bond Year shall extend from the Delivery Date to June 30, 2009.

“Business Day” means a day of the year other than (i) a Saturday, Sunday, legal holiday or day on which banking institutions in the city in which the corporate trust office of the Trustee is located are required or authorized to remain closed, or (ii) a day on which the New York Stock Exchange is closed.

“Certificate” or “Certificate of the Agency” means a certificate signed by an Authorized Officer of the Agency.

“Chairman” or “Chair” means the chairman of the Agency appointed pursuant to Section 33113 of the Health and Safety Code of the State of California, or other duly appointed officer of the Agency authorized by the Agency by resolution or bylaw to perform the functions of the chairman in the event of the chairman’s absence or disqualification.

“City” means the City of Ridgecrest, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing the Code.

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

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds including the acceptance and initial fees and expenses of the Trustee, legal fees and expenses of the Trustee and the Agency, costs of printing the Bonds and Official Statement, fees of financial consultants and other fees and expenses set forth in a Certificate of the Agency.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.2.

“County” means the County of Kern, California.

“Delivery Date” means the date the Bonds are delivered to the original purchaser thereof.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to this Indenture.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agreement” means the Escrow Agreement relating to the refunding of the Refunded Bonds, dated as of August 1, 2008, by and between the Agency and the Escrow Bank, together with any amendments thereto.

“Escrow Bank” means U.S. Bank National Association, N.A.

“Event of Default” means any of the events described in Section 8.1 hereof.

“Excess Investment Earnings Fund” means the fund by that name established pursuant to Section 3.2 and 5.1.

“Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

“Government Obligations” means direct general obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury, and CATS and TGRS) of the United States of America and shall include cash or other coin or currency of the United States of America that is legal tender for payment of public or private debts.

“Incremental Assessed Valuation” means the excess assessed valuation of property over the assessed valuation of such property as of the date of the effective date of the ordinance approving the Redevelopment Plan or, as to territory added to the Project Area by amendment to the Redevelopment Plan, the effective date of the ordinance approving the amendment thereto, as applicable.

“Indenture” means this Indenture of Trust between the Agency and the Trustee, as originally adopted or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions hereof.

“Independent Financial Consultant,” “Independent Certified Public Accountant” or “Independent Redevelopment Consultant” means any individual or firm engaged in the profession involved, appointed by the Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and:

- (1) Is in fact independent and not under 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 an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Information Services” means one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called bonds as the Agency may designate in a Certificate of the Agency delivered to the Trustee.

“Interest Payment Date” means June 30 and December 31 of each year commencing December 31, 2008.

“Law” means the Community Redevelopment Law of the State of California (commencing with Health and Safety Code Section 33000).

[“Maximum Annual Debt Service” means the largest of the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

- (1) The principal amount of all serial Bonds, serial 2002 Bonds and serial Parity Bonds, if any, and the amount of minimum sinking account payments payable in such Bond Year; and**
- (2) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds, the 2002 Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds, the 2002 Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedules for the serial Bonds, the 2002 Bonds and serial Parity Bonds. At the time and for the purpose of making such computation, the amount of term Bonds, the 2002 Bonds and term Parity Bonds already retired in advance of the above-mentioned schedules shall be deducted pro rata from the remaining amounts thereon.]**

“1999 Bonds” means the Agency’s 1999 Tax Allocation Refunding Bonds issued pursuant to the 1999 Indenture of Trust.

“1999 Indenture” means the Indenture of Trust dated as of November 1, 1999 between the Agency and State Street Bank and Trust Company of California, N.A.

“1999 Insurer” means _____.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous.

“Outstanding,” when used as of any particular time with reference to Bonds, means, subject to the provisions of Article XI, all Bonds except:

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid pursuant to Section 11.1 and Section 3.6 hereof; 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 or any Supplemental Indenture.

“Parity Bonds” means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Agency as permitted by Section 2.14 of this Indenture payable out of Pledged Revenues and ranking on a parity with the Bonds and the 2002 Bonds.

“Participating Underwriter” means the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Pass-Through Agreements” means the agreements entered into on or prior to the date hereof pursuant to Section 33401 of the Health and Safety Code with the County of Kern.

“Paying Agent” means any paying agent appointed by the Agency pursuant to this Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (1) Government Obligations;
- (2) bonds, debentures, notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Rural Economic Community Development Administration, Federal Housing Administration, U.S. Maritime Administration, Government National Mortgage Association;
- (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Federal Home Loan Bank System Senior debt obligations; Federal Home Loan Mortgage Corporation, Senior debt obligations (rated Aaa by Moody’s and AAA by S&P); Federal National Mortgage Association senior debt obligations (rated Aaa by Moody’s and AAA by S&P); government sponsored agency’s senior debt obligations;
- (4) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating AAAM, or AAAM-G or better by S&P and “Aaa” by Moody’s, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;
- (5) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);

- (6) investment agreements including guaranteed investment contracts approved by the Agency;
- (7) commercial paper rated at the time of purchase “A-1+” by S&P or “P-1” by Moody’s and which mature not more than 270 days after the date of purchase;
- (8) general obligations issued by any state with a rating of at least “A2/A” or higher by both Moody’s and S&P;
- (9) repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity or the Trustee on behalf of the municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date;
- (10) the Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a Permitted Investment;
- (11) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

“Pledged Tax Revenues” means Tax Revenues, including that portion of taxes otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund but excluding less all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreements or Statutory Pass-Throughs.

“Rebate Regulations” means the Treasury Regulations issued under Section 148(f) of the Code.

“Redemption Fund” shall have the meaning set forth in Section 6.4 hereof.

“Redevelopment Fund” means the Fund by that name continued by Section 3.2 hereof.

“Redevelopment Plan” means the Redevelopment Plan for the Ridgecrest Redevelopment Project, approved and adopted by the City Council of the City by Ordinance No. 86-37 of the City of Ridgecrest on December 16, 1986 and amended by Ordinance No. 91-14 adopted on April 17, 1991 and amended by Ordinance No. 95-04 adopted on March 15, 1995, hereafter or heretofore made pursuant to the Law.

“Redevelopment Project Area,” “Redevelopment Project,” or “Project Area” means the project area defined and described in the Redevelopment Plan.

“Refunded Bonds” means the 1999 Bonds.

“Refunded Bonds Escrow Funds” means the funds by that name created by Section 3.2 hereof and any subaccounts therein.

“Regular Record Date” means the close of business on June 15 or December 15, preceding each Interest Payment Date, as applicable.

“Report” means a document in writing signed by an Independent Financial Consultant 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; and
- (3) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Representation Letter” means the representation letter from the Agency to DTC as described in Section 2.15.

“**Reserve Requirement**” means initially \$ _____, or thereafter, as of the date of computation, an amount equal to the lesser of (i) ten percent (10%) of Bond proceeds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service; or (iii) Maximum Annual Debt Service on the Bonds.

“Revenues” means the Pledged Revenues together with all other moneys held by the Trustee in any Fund or Account (except the Excess Investment Earnings Fund) and the interest earnings thereon.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 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; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses as such depositories may specify and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

“Six-Month Period” means the period of time beginning on the Delivery Date and ending six months thereafter, and each six-month period thereafter until the latest maturity date of the Bond issue (and any obligations that refund the Bond issue).

“SLG” means U.S. Treasury Securities State and Local Government Series.

“Special Fund” means the Fund by that name established and held by the Trustee pursuant to Section 3.2.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Group, New York, New York, and its successors and assigns.

“State” means the State of California.

“Supplemental Indenture” or “supplemental indenture” means any indenture then in full force and effect which has been duly entered into by the Agency under the Law, or any act supplementary thereto or amendatory thereof, at a meeting of the Agency duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means that certain Tax Certificate executed in connection with the issuance of the Bonds or any Parity Bonds.

“Tax Revenues” means that portion of taxes levied upon taxable property in the Project Area and received by the Agency on or after the date of issue of the Bonds for the Project Area of the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and (to the extent permitted by law) all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations.

“Treasurer” or “Treasurer of the Agency” means the officer who is then performing the functions of Treasurer of the Agency.

“Trustee” means the trustee appointed by the Agency pursuant to Section 9.1 hereof, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Indenture.

“2002 Bonds” means the Agency’s Tax Allocation Refunding Bonds, Series 2002 issued pursuant to the 2002 Indenture.

“2002 Indenture” means the Indenture of Trust dated as of May 1, 2002 by and between the Agency and State Street Bank and Trust Company of California, N.A.

ARTICLE II

THE BONDS

Section 2.1. Amount, Issuance and Purpose of Bonds. Under and pursuant to the Law and under and pursuant to this Indenture, Bonds of the Agency in a principal amount of _____ Dollars (\$ _____) shall be issued by the Agency for the corporate purposes of the Agency by providing funds for refunding the Refunded Bonds, for making certain other deposits as herein provided and for the financing of a portion of the costs of implementing the Redevelopment Plan which constitutes a “redevelopment activity” as such term is defined in Health and Safety Code Section 33678; and such issue of Bonds is hereby created and authorized.

Section 2.2. Nature of Bonds. The Bonds shall be and are special obligations of the Agency and are secured by an irrevocable pledge (which pledge shall be effected in the manner and

to the extent hereinafter provided) of, and are payable as to principal and interest from, Pledged Revenues and other funds as hereinafter provided in Section 4.1 on a parity with the 2002 Bonds. The Bonds and interest thereon are not a debt or obligation of the City, the State of California or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable on them. In no event shall the Bonds or interest thereon be payable out of any funds or properties other than the Pledged Revenues and other funds of the Agency as expressly set forth in this 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.

The Bonds shall be and are equally secured on a parity with the 2002 Bonds by an irrevocable pledge of the Pledged Revenues and other funds as hereinafter provided, without priority for number, date of sale, date of execution or date of delivery, except as expressly provided herein.

The validity of the Bonds is not and shall not be dependent upon: (a) the completion of the Project Area or any part thereof; (b) the performance by anyone of his/her obligations relative to the Project Area; or (c) the proper expenditure of the proceeds of the Bonds.

Nothing in this Indenture shall preclude: (a) the payment of the Bonds from the proceeds of refunding bonds issued pursuant to the Refunding Law; or (b) the payment of the Bonds from any legally available funds. Nothing in this Indenture shall prevent the Agency from making advances of its own funds, however derived, to any of the uses and purposes mentioned in this Indenture.

In the event of a defeasance of the Bonds in accordance with Article XI, the Trustee, upon the request of the Agency, shall release the rights of the Bondowners under this Indenture except: (i) the rights of the Trustee to receive compensation and indemnification pursuant to Article IX; and (ii) the right to receive interest and principal payments. In the event of such a defeasance, the Trustee shall execute and deliver to the Agency all such instruments as may be desirable to evidence such release, discharge and satisfaction, and upon written request of the Agency the Trustee shall pay over or deliver to the Agency all moneys or securities held by it pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and the Trustee's fees and expenses.

Provision shall be made by the Agency, satisfactory to the Trustee, for first class mailed notice, postage prepaid, to the Owners of such Bonds that such moneys are so available for such payment.

Section 2.3. Description of Bonds. The Bonds shall be issued in an aggregate principal amount of _____ Dollars (\$_____) and shall be designated "Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2008." The Bonds shall be issued in the form of fully registered bonds in denominations of \$5,000 each or any whole multiple thereof. The Bonds shall be initially dated as of the Date of Delivery and shall be lettered and numbered consecutively upwards. The Bonds shall mature on June 30 in the years and in the amounts and shall bear interest at the rates per annum as follows:

*Maturity Date
(June 30)*

Principal Amount

Interest Rate

Section 2.4. Interest. The Bonds shall bear interest at the rates set forth above per annum, payable semiannually on June 30 and December 31 of each year, commencing December 31, 2008. Each Bond shall bear interest until its principal sum has been paid; provided, however, that if funds are available for the payment thereof in full accordance with the terms of this Indenture, the Bond shall then cease to bear interest. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve (12) 30-day months.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) it is authenticated as of an Interest Payment Date, in which event it shall bear interest from that Interest Payment Date; (ii) it is authenticated after a Regular Record Date and before the following Interest Payment Date, and if the Agency shall not be in default in the payment of interest due on such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to **June 15, 20__**, in which event it shall bear interest from the Date of Delivery. Interest on the Bonds shall be paid by the Trustee (out of the appropriate funds) by check mailed by first class mail, postage prepaid on the Interest Payment Date to the registered Owner as his/her name and address appears on the register kept by the Trustee at the close of business on the Regular Record Date preceding the Interest Payment Date or, upon request in writing made before the Regular Record Date preceding the Interest Payment Date by a Bondowner of \$1,000,000 or more in principal amount of Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account in the United States designated by such Bondowner to the Trustee. Any such written request shall remain in effect until rescinded in writing by the Bondowner. Should payment come due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day without accruing additional interest from the Interest Payment Date.

Section 2.5. Place of Payment. The Bonds and the interest thereon shall be payable in lawful money of the United States of America and the Bonds shall be payable upon presentation at the corporate trust office of the Trustee in Los Angeles, California or such other location as designated by the Trustee (except interest which shall be payable by check as provided in Section 2.4) or any other location so designated by the Trustee.

Section 2.6. Form of Bonds. The Bonds shall be substantially in the form attached hereto and by this reference incorporated herein as Exhibit "A." This form is hereby approved and adopted

as the form of the Bond, and of the exchange, registration and assignment provisions pertaining thereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Any Bonds issued pursuant to this Indenture may be initially issued in temporary form exchangeable for definitive Bonds when the same are ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, shall be without coupons and may contain references to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Agency and authenticated and delivered by the Trustee upon the same conditions and in substantially the same form and manner as the definitive Bonds. If the Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and, thereupon, the temporary Bonds shall be surrendered for cancellation at the corporate trust office of the Trustee in Seattle, Washington, or at such other location as designated by the Trustee. The Trustee shall deliver in exchange for the surrendered temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of this same issue. Until exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds of this same issue.

Section 2.7. Execution of Bonds. The Bonds shall be signed on behalf of the Agency by its Chairman and by its Executive Director, by manual or facsimile signature, and the seal of the Agency shall be impressed, imprinted or reproduced thereon. The foregoing officers are hereby authorized and directed to sign the Bonds in accordance with this Section. If any Agency member or officer whose manual or facsimile signature appears on the Bonds ceases to be a member or officer before delivery of the Bonds, his/her signature is as effective as if he or she had remained in office.

The Trustee shall authenticate the Bonds on registration and/or exchange to effectuate the registration and exchange provisions set forth in Section 2.8, and only those Bonds that have endorsed on them a certificate of authentication, substantially in the form set forth in Exhibit A, duly executed by the Trustee, shall be entitled to any rights, benefits or security under this Indenture. No Bonds shall be valid or obligatory for any purpose unless and until the certificate of authentication has been duly executed by the Trustee. The certificate of the Trustee upon any Bond shall be conclusive and the only evidence that the Bond has been duly authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if manually signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds that may be issued hereunder.

Section 2.8. Registration and Exchange. The Bonds shall be issued only in fully registered form. The Bonds may be exchanged for other Bonds of equal aggregate denominations. Transfer of ownership of a Bond or Bonds shall be made by exchanging the same for a new Bond or Bonds. All exchanges shall be made in such a manner and upon such reasonable terms and conditions as may be determined and prescribed by the Agency. No transfer or exchange of Bonds for which notice of redemption has been given pursuant to Section 6.3 shall be made after the date of mailing of such notice. The person, firm or corporation requesting the registration or exchange shall pay any tax or governmental charge that may be imposed in connection with the registration or exchange. The Agency shall pay all other registration and exchange costs and charges including the cost of printing new Bonds.

Section 2.9. Bond Register. The Trustee will keep at its corporate trust office in Los Angeles, California, or at such other place as the Trustee may designate, sufficient books for the registration and transfer of the Bonds. The books shall be open to inspection by the Agency at all times during regular business hours; and, upon presentation for such purpose, the Trustee shall under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on the register, the Bonds as hereinbefore provided. The Trustee and Agency may conclusively rely upon the registration books of the Trustee as to the registered Owners and will not be affected by any notice to the contrary.

Section 2.10. Delivery of the Bonds. Upon the execution and delivery of this Indenture, the Agency shall execute and deliver to the Trustee, and the Trustee shall authenticate the Bonds and deliver them or make them available for pickup to the purchasers as directed by the Agency as provided in this Section 2.10.

Prior to the delivery by the Trustee of any of the Bonds there shall have been filed with the Trustee:

(a) A copy, duly certified by the Secretary of the Agency, of resolutions of the Agency authorizing the issuance of the Bonds and the execution and delivery of this Indenture;

(b) Original executed counterparts of this Indenture;

(c) An Opinion of Counsel that the issuance of the Bonds and the execution of this Indenture have been duly and validly authorized, that all requirements under this Indenture precedent to the delivery of the Bonds have been satisfied and that the Bonds and the Indenture are valid and binding obligations, enforceable against the Agency in accordance with their terms (subject to any applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditor's rights generally and subject also to the application of equitable principles if equitable remedies are sought);

(d) A request and authorization to the Trustee on behalf of the Agency directing the Trustee as to the amounts required to be deposited into the Costs of Issuance Fund;

(e) A request and authorization to the Trustee on behalf of the Agency to authenticate and deliver the Bonds to the purchasers therein identified upon payment to the Trustee, but for the account of the Agency, of a sum specified in such request and authorization. The proceeds of such payment shall be transferred and deposited pursuant to Article III hereof and as indicated in such request and authorization;

(f) An original executed counterpart of the Tax Certificate of the Agency establishing expectations to the effect that the Bonds will not be "arbitrage bonds" within the meaning of Section 148 of the Code; and

(g) Any additional agreements, certificates, documents or other items or matters authorized or required by the provisions of the Resolution.

Section 2.11. Lost, Stolen, Destroyed or Mutilated Bonds. Should any Bond become mutilated or be lost or destroyed, the Agency shall cause to be executed, and the Trustee shall authenticate and deliver, a new Bond of like outstanding principal amount and maturity in exchange

and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond; provided, however, that the Agency and the Trustee shall so execute, authenticate and deliver only if the Bondowner has paid the reasonable expenses and charges of the Trustee in connection therewith and, in the case of a lost or destroyed Bond, has furnished to the Trustee evidence of such loss or destruction and indemnity satisfactory to it. If any such Bond shall have matured, instead of issuing a new Bond the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity.

Section 2.12. Cancellation of Bonds. All Bonds surrendered to the Trustee for payment at maturity or, in the case of call and redemption prior to maturity, at the redemption date, shall upon payment therefor be cancelled immediately and destroyed by the Trustee. A certificate of destruction shall forthwith be transmitted to the Treasurer upon request. Any Bonds purchased by the Agency shall be transferred to the Trustee and shall be cancelled immediately and destroyed.

Section 2.13. Validity of the Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Agency or the Trustee. The recital contained in the Bonds that they are issued in accordance with the Constitution and laws of the State and the laws of the Agency shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Section 2.14. Issuance of Parity Bonds. If at any time the Agency determines it needs to do so, the Agency may provide for the issuance of, and sell, Parity Bonds in such principal amounts as it estimates will be needed. The issuance and sale of any Parity Bonds shall be subject to the following conditions precedent:

(a) The Agency shall be in compliance with all covenants in this Indenture and the 2002 Indenture so long as the 2002 Bonds are Outstanding;

(b) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental resolution or indenture, which shall provide for (i) bonds substantially in accordance with this Indenture and the 2002 Indenture so long as the 2002 Bonds are Outstanding, (ii) the deposit of moneys into the Reserve Account in an amount (which may be represented by an Alternate Reserve Account Security described in Section 4.2(c)) sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Outstanding Bonds and Parity Bonds, and (iii) the disposition of surplus Pledged Revenues in substantially the same manner as Section 4.2(d) hereof;

(c) Receipt of a certificate or opinion of an Independent Financial Consultant showing:

(i) For the current and each future Bond Year the debt service for each such Bond Year and Maximum Annual Debt Service with respect to all Bonds, 2002 Bonds and Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds;

(ii) For the then current Fiscal Year, the Pledged Revenues to be received by the Agency based upon the most recent assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County; and

(iii) That for the then current Fiscal Year, the Pledged Revenues referred to in item (ii) are at least equal to the sum of 125% of the Maximum Annual Debt Service referred to in item (i) above, (excluding debt service with respect to any portion of the Parity Bonds deposited in an escrowed proceeds account to the extent such debt service is paid from earnings on the investment of such funds) and 110% of Maximum Annual Debt Service with respect to the Bonds, 2002 Bonds, Parity Bonds and any subordinated debt, and that the Agency is entitled under the Law and the Redevelopment Plan to receive taxes under Section 33670 of the Law in an amount sufficient to meet expected debt service with respect to all Bonds, 2002 Bonds and Parity Bonds.

(d) The Parity Bonds shall mature on and interest shall be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Parity Bonds until the next succeeding June 30 or December 31). No variable rate Parity Bonds shall be issued and no derivatives shall be permitted.

If all or a portion of the proceeds of the Parity Bonds or the Bonds are to be applied under Sections 33334.2 of the Law, Pledged Revenues for purposes of this Section 2.14 shall include that portion of taxes allocated under Section 33670 of the Law for payment of the Bonds or the Parity Bonds which are applied for the purposes of Sections 33334.2 and specifically pledged to the repayment of such Bonds or Parity Bonds, to the maximum extent permitted by the Law.

Notwithstanding the foregoing, if the Agency is in compliance with all covenants set forth in this Indenture, the Agency may issue and sell obligations pursuant to the Law, having a lien on the Pledged Revenues which is junior to the Bonds and which shall be payable solely from surplus as then declared or which may thereafter be declared pursuant to Section 4.2(d) of this Indenture (as used herein “obligations” shall include, without limitation, bonds, notes, interim certificates, debenture or other obligations, loans, advances or other forms of indebtedness incurred by the Agency).

Section 2.15. Book Entry System.

(a) The Bonds shall be initially delivered in the form of a separate single certificated fully registered Bond for each of the series and maturities set forth in Section 2.3 hereof. Upon initial delivery, the ownership of each Bond shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC. Except as provided in paragraph (d) of this Section 2.15, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any direct or indirect participant in the DTC book entry system (each, a “Participant”) with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Bond, as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than an Owner of a Bond, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Agency and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute Owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving

notices of redemption, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners of the Bonds, as shown in the registration books kept by the Trustee, as provided in Section 2.9 of this Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the registration books kept by the Trustee, shall receive a certificated Bond evidencing the obligation of the Agency to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for the DTC's book-entry system, an Authorized Officer of the Agency is hereby authorized to execute and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way impose upon the Agency any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The Trustee agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter to the extent that such action is not inconsistent with this Indenture. In addition to the execution and delivery of the Representation Letter, an Authorized Officer of the Agency, is hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for DTC's book-entry program.

(d) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Agency determines that:

(a) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(b) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of the Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection 2.15(d)(ii)(b) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.15(d)(i) or subsection 2.15(d)(ii)(a) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Agency, is willing and able to undertake such functions upon reasonable and customary terms, the Agency is obligated to deliver the Bonds at the expense of the beneficial owners of the Bonds, as described in this Indenture and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or

names of Owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(e) Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE III

REVENUES AND FUNDS

Section 3.1. Source of Payment of Bonds. The Bonds and all payments required of the Agency hereunder are not general obligations of the Agency but are limited obligations as described in Section 2.2 hereof. The Pledged Revenues and all moneys held in the Special Fund or any of the Accounts thereunder and the Redemption Fund are hereby conveyed, pledged and assigned absolutely and as a first lien pledge as security for the equal and ratable benefit of the owners of the Bonds and shall be used for no other purpose than payment of the principal of, premium (if any) and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture.

Section 3.2. Creation of Funds and Accounts. There is hereby continued with the Treasurer a fund called the “Ridgecrest Redevelopment Project, Redevelopment Fund” (hereinafter sometimes called the “Redevelopment Fund”) which may upon the written request of the Agency be held by the Trustee. There is hereby created with the Trustee a trust fund called the “Ridgecrest Redevelopment Project, Special Fund” with special trust accounts contained therein known as the “Interest Account,” the “Principal Account,” the “Reserve Account” and the “Surplus Account,” a trust fund called the “Costs of Issuance Fund,” and a trust fund called the “Excess Investment Earnings Fund.” Notwithstanding any other provision of this Indenture, neither the Excess Investment Earnings Fund nor amounts credited or properly creditable thereto shall be deemed to be pledged to secure the Bonds. Article VI of this Indenture creates the Redemption Fund described therein.

So long as any of the Bonds, or any interest on them, remain unpaid, the Agency shall not have any beneficial right or interest in the Pledged Revenues except as provided in this Indenture and the moneys in the foregoing Funds and Accounts shall be used for no purposes other than those required or permitted by this Indenture, the Refunding Law and the Law and the foregoing Funds and Accounts on deposit with the Trustee shall be pledged to the payment of the Bonds.

Each Fund and Account (other than the Redevelopment Fund) shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in this Indenture. All moneys deposited in the Funds and Accounts shall be used solely for the purposes set forth in this Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and Account and all disbursements therefrom (other than the Redevelopment Fund as to which the Agency will keep such records).

Section 3.3. Sale of Bonds; Disposition of Bond Proceeds; Costs of Issuance Fund; and Redevelopment Fund. The Agency may provide by resolution for the sale of the Bonds in the manner provided by the Refunding Law.

(a) Upon the delivery of the Bonds to the purchasers thereof, the Trustee, on behalf of the Agency, shall receive from the Trustee for the Refunded Bonds the moneys remaining in the Funds and Accounts held by the 1999 Bonds Trustee, including any accounts therein in an amount set forth in a Certificate of the Agency, which the Trustee shall deposit in the Refunded Bonds Escrow Funds as directed by the Agency.

(b) Upon the delivery of the Bonds to the purchasers thereof, the Trustee, on behalf of the Agency, shall receive the proceeds from the sale of the Bonds together with the moneys transferred pursuant to paragraph 3.3(a) hereof and shall deposit such proceeds and transfers as follows:

(i) Deposit in the Interest Account of the Special Fund an amount equal to \$ _____ representing accrued interest on the Bonds;

(ii) Deposit in the Reserve Account of the Special Fund an amount equal to the Reserve Requirement, initially \$ _____;

(iii) Deposit in the Costs of Issuance Fund an amount equal to \$ _____ as set forth in a Certificate of the Agency to pay Costs of Issuance;

(iv) Transfer to the Escrow Bank an amount equal to \$ _____ which when added to other moneys on deposit therein, as set forth in a Certificate of the Agency will be sufficient, together with interest thereon, to pay the principal of, premium, if any, and interest on the 1999 Bonds through the date specified in the Escrow Agreement;

(v) After making the above deposits, the balance of the proceeds from the sale of the Bonds, if any, shall be transferred to the Agency for deposit in the Redevelopment Fund.

(c) Except as hereinafter provided, the moneys set aside in the Redevelopment Fund shall remain there until from time to time expended for the purpose of financing a portion of the costs of the Project Area and other related costs, and also including in such costs:

(i) The payment of an amount of money in lieu of taxes as authorized by Section 33401 of the Law in any year during which the Agency owns property in the Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt;

(ii) The cost of any lawful activities in connection with the implementation of the Project Area, including, without limitation, those activities authorized by Section 33445 of the Law; and

(iii) The necessary expenses in connection with the issuance and sale of the Bonds and fees and expenses of the Trustee not otherwise paid under paragraph (d) below.

If any sum remains in the Redevelopment Fund after the full accomplishment of the objects and purposes for which the Bonds were issued, that sum shall be transferred to the Trustee for deposit in the Special Fund pursuant to written instructions from the Agency. Moreover, all interest and income earned from the Redevelopment Fund on or prior to the date established by resolution of the Agency shall be retained therein.

All of the above uses constitute a “redevelopment activity” as that term is defined in Health and Safety Code Section 33678.

(d) The moneys deposited in the Costs of Issuance Fund shall be applied by the Trustee to the payment of Costs of Issuance as directed by a Certificate of the Agency. Any moneys remaining in the Costs of Issuance Fund on October 1, 2008, shall be transferred by the Trustee to the Agency for deposit in the Redevelopment Fund. Thereafter, the Costs of Issuance Fund shall be closed and all further responsibility for payment of Costs of Issuance shall belong solely to the Agency.

(e) Moneys deposited in the Refunded Bonds Escrow Funds pursuant to Sections 3.3.(a) and 3.3.(b) hereof shall be held by the Escrow Bank, and used to pay the principal of, premium and interest on the Refunded Bonds in accordance with the provisions of the Escrow Agreement. The Agency shall direct the Escrow Bank to withdraw from the Refunded Bonds Escrow Funds an amount sufficient to pay the principal of, premium (if any) and interest on the Refunded Bonds on the date specified in the Escrow Agreement and to apply such amount to such payment, all in accordance with the terms of the Escrow Agreement.

Section 3.4. Final Balances. Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds and any Parity Bonds, and upon satisfaction of all claims against the Agency hereunder, including all fees, charges and expenses of the Trustee and any Paying Agent which are properly due and payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all Funds and Accounts shall be paid to the Agency.

Section 3.5. Security of Funds. All moneys deposited with the Trustee or with any agent of the Trustee appointed pursuant to Section 9.5 of this Indenture shall be held in trust and (except for moneys held by the Trustee, as paying agent, or remitted to any Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds) shall, while held by the Trustee, constitute part of the Trust Estate and shall be and remain entitled to the benefit and shall be subject to the security of this Indenture for the equal and proportionate benefit of the Owners of all Outstanding Bonds.

Section 3.6. Non-Presentation of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if moneys sufficient to pay such Bond shall have been deposited in the Special Fund or Redemption Fund, as applicable, all liability of the Agency to the Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys in trust subject to the limitation set forth in Section 11.1, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on, or with respect to, said Bond.

Section 3.7. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee under any provisions of this Indenture shall be held by the Trustee in trust and applied for the purposes herein specified.

ARTICLE IV

REVENUES AND APPLICATION

Section 4.1. Pledged Revenues. As provided in the Redevelopment Plan, pursuant to Article 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Redevelopment Project Area each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “taxing agencies”) after the effective date of the ordinances approving the Redevelopment Plan (being Ordinance No. 86-37 of the City of Ridgecrest, which became effective on December 16, 1986, shall be divided as follows:

(a) That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to December 16, 1986 (being the effective date of Ordinance No. 86-37, referred to above), shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amounts shall be allocated to and when collected shall be paid to the Agency. This portion of the levied taxes and (to the extent permitted by law) all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations are herein referred to as “Tax Revenues.”

(c) The Pledged Revenues consist of Tax Revenues, including that portion of such taxes otherwise required by Section 33334.2 of the Law to be deposited in the Low and Moderate Income Housing Fund, but excluding all other amounts of such taxes (if any) payable or required to be set aside by the Agency under the Pass-Through Agreement.

The foregoing provisions of this Section are a portion of the provisions of Article 6 of Chapter 6 of the Law as applied to the Bonds and shall be interpreted in accordance with Article 6 of Chapter 6, and the further provisions and definitions contained in Article 6 of Chapter 6 are incorporated by reference herein and shall apply.

The Pledged Revenues received by the Agency on or after the date of issue of the Bonds shall be delivered by the Agency to the Trustee for deposit in the Special Fund held by the Trustee and are hereby irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds, any Parity Bonds, and until all of the Bonds and all interest thereon, have been paid (or until moneys for that purpose have been irrevocably set aside), the Pledged Revenues (subject to the exception set forth in Section 4.2(d) shall be applied solely to the payment of principal of the Bonds and any Parity Bonds plus premium, if any, and the interest thereon as provided in this

Indenture. This allocation and pledge is for the exclusive benefit of the Owners of the Bonds and shall be irrevocable.

Section 33645 of the Health and Safety Code provides, in applicable part as follows: “The resolution, trust indenture, or mortgage shall provide that tax increment funds allocated to an agency pursuant to Section 33670 shall not be payable to a trustee on account of any issued bonds when sufficient funds have been placed with the trustee to redeem all outstanding bonds of the issue.” This Indenture is intended to comply with the above-quoted provision and shall be so construed.

Section 4.2. Special Fund. The Agency shall pay or cause to be paid to the Trustee for deposit in the Special Fund in accordance with this Section and Section 4.1 hereof all Pledged Revenues in the amounts and within the times set forth herein; provided that the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Pledged 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, Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to Section 4.3. Such excess Pledged Revenues may be used for any lawful purpose of the Agency. The interest on the Bonds until maturity shall be paid by the Trustee on behalf of the Agency from the Interest Account of the Special Fund. At the maturity of the Bonds, and after all interest then due on the Bonds then Outstanding has been paid or provided for, moneys remaining in the Special Fund shall be applied to the payment of the principal of any of such Bonds.

Without limiting the generality of the foregoing and for the purpose of assuring that the payments referred to above will be made as scheduled, the Pledged Revenues accumulated in the Special Fund shall be used in the following priority; provided, however, 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) Interest Account. Deposits shall be made into the Interest Account so that the balance in the Account at least five (5) days prior to each Interest Payment Date shall be equal to interest due and payable on the then Outstanding Bonds on such Interest Payment Date. Moneys in the Interest Account shall be used solely for the payment of interest on the Bonds as interest becomes due, including accrued interest on any Bonds purchased or redeemed prior to maturity.

(b) Principal Account. After the deposits have been made pursuant to paragraph (a) above, deposits shall next be made into the Principal Account so that the balance in the Account at least five (5) days prior to each June 30 is equal to the principal coming due on such date on the then Outstanding Serial Bonds or the amount of the minimum sinking account payments due on the Term Bonds on such date. All monies in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying principal and minimum sinking account payments on the Bonds as they shall become due and payable.

(c) Reserve Account. After deposits have been made pursuant to paragraphs (a) and (b) above, deposits shall be made to the Reserve Account, if necessary, in order to cause the amount on deposit therein to equal the Reserve Requirement. Moneys in the Reserve Account shall be transferred to the Interest Account or the Principal Account to pay interest on and principal of the Bonds either (i) as it becomes due to the extent moneys on deposit are insufficient therefor or (ii) at

the final maturity of the Bonds. Any portion of the Reserve Account which is in excess of the Reserve Requirement shall be transferred at least semiannually to the Interest Account.

Anything to the contrary herein notwithstanding the Agency may at any time substitute an Alternate Reserve Account Security, and upon such substitution, the Agency shall be entitled to receive all moneys then held in the Reserve Account free and clear of the lien of this Indenture. In the event the Agency delivers an Alternate Reserve Account Security, the Trustee shall hold and apply such instrument pursuant to this Indenture so as to have moneys available thereunder for the purposes and at the times required under this Indenture.

(d) Surplus Account. It is the intent of this Indenture: (i) that the deposits in paragraphs (a) and (b) above to the Interest Account and the Principal Account, respectively, shall be made as scheduled, and (ii) that the deposits in paragraph (c) above to the Reserve Account shall be made as necessary to maintain a balance equal to the Reserve Requirement, if and only if the Pledged Revenues are sufficient therefor. Should it be necessary to defer all or part of any deposits referred to in paragraph (c) above, such deferred deposits shall be cumulative and shall be made when the Pledged Revenues are sufficient to make the deposits required by paragraphs (a) and (b) and thereafter make the deposits required by paragraph (c). Any monies remaining in the Special Fund following the deposits referred to above shall be deposited in the Surplus Account.

If: (i) the above transfers have been made so that the required amounts as of that time are in the above mentioned Accounts and the required transfer has been made to the Excess Investment Earnings Fund as set forth below, (ii) the Pledged Revenues to be received by the Agency in the current Fiscal Year, based upon the most recent assessed valuation of taxable property in the Redevelopment Project Area, furnished by the appropriate officer of the County, are at least equal to 125% of the Maximum Annual Debt Service on all Bonds, Parity Bonds and any loans, advances or indebtedness payable from Pledged Revenues on a parity with the Bonds pursuant to Section 33670 of the Law, as shown by the certificate or opinion of an Independent Financial Consultant employed by the Agency, and (iii) there has been no material change in the status of the Redevelopment Project which in the opinion of an Independent Redevelopment Consultant, said opinion having been filed with the Trustee, would be likely to result in diminution of increment in the succeeding Fiscal Year, upon the written request of the Agency, together with a certification that the requirements of subsections (i), (ii) and (iii) have been satisfied, any balances in the Surplus Account may be declared surplus by the Agency and transferred to the Agency for deposit in the Redevelopment Fund and used and applied by the Agency for any lawful purpose, including without limitation, the purchase and/or call and redemption of Bonds and Parity Bonds.

Section 4.3. Payments of Principal, Premium and Interest. The Trustee shall make available to the Paying Agent, if any, from the Pledged Revenues, sufficient amounts to pay the principal of, premium, if any, and interest on, the Bonds as the same become due and payable.

Section 4.4. Revenues to be Held for All Bondowners; Certain Exceptions. The Revenues shall, until applied as provided in this Indenture, be held by the Trustee for the benefit of the Owners of all Outstanding Bonds, except as provided in Section 3.2 hereof and except that any portion of the Revenues held pursuant to Section 3.6 hereof representing principal or redemption price of and interest on, any Bonds previously called for redemption in accordance with Article VI of this Indenture or previously matured shall be held for the benefit of the Owners of such Bonds only and shall not be deposited or invested pursuant to Article V hereof, notwithstanding any provision of Article V.

ARTICLE V

INVESTMENT OF MONEYS

Section 5.1. Excess Investment Earnings Fund.

(a) Establishment. A special fund is hereby created and designated the “Excess Investment Earnings Fund” (the “Excess Investment Earnings Fund”) which is to be held by the Trustee and in which there shall be established two separate sub-accounts designated the “Rebate Account” and the “Alternative Penalty Account.” Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the applicable Bonds will not be adversely affected, the Agency shall cause to be deposited in each such account of the Excess Investment Earnings Fund such amounts as are required to be deposited therein pursuant to this Section 5.1 and the Tax Certificate. All money at any time deposited in the Rebate Account or the Alternative Penalty Account shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Excess Investment Earnings Fund shall be governed by this Section 5.1 and the Tax Certificate, unless and to the extent that the Agency delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Excess Investment Earnings Fund. The following requirements shall be satisfied with respect to the Rebate Account:

(A) Computation. Within 55 days of the end of each fifth Bond Year and the date all the Bonds are retired, the Agency shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made, for this purpose treating the last day of the applicable Bond Year (or retirement date) as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The Agency shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(B) Transfers. Within 55 days after the end of each fifth Bond Year and the date all the Bonds are retired, upon the written direction of the Agency, an amount shall be deposited to the Rebate Account by the Trustee from any Revenues legally available for such purpose (as specified by the Agency in the aforesaid written direction), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with (a) of this subparagraph (a)(i). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from the Agency, the Trustee shall withdraw the excess from the Rebate Account and then credit the excess to the Special Fund.

(C) Payment to the Treasury. The Trustee shall pay, as directed in writing by the Agency, to the United States Treasury, out of amounts in Rebate Account:

(1) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(2) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subparagraph (a)(i) shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Agency and provided to the Trustee or shall be made in such other manner as the Agency shall direct.

(ii) Alternative Penalty Account.

(A) Six-Month Computation. If the 1½% Penalty has been elected, within 85 days of each particular Six-Month Period, the Agency shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The Agency shall obtain expert advice in making such determinations.

(B) Six-Month Transfer. Within 85 days after the close of each Six-Month Period, upon the written direction of the Agency, the Trustee shall deposit in the Alternative Penalty Account from any legally available source of funds (as specified by the Agency in the aforesaid written direction), if and to the extent required, so that the balance in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in subparagraph (a)(ii)(A) above. In the event that immediately following the transfer provided in the previous sentence, the amount then on deposit to the credit of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by this subparagraph (a)(ii)(B), the Trustee, at the written direction of the Agency, may withdraw the excess from the Alternative Penalty Account and credit the excess to the Special Fund.

(b) Disposition of Unexpended Funds. Any funds remaining in the Excess Earnings Fund after redemption and payment of the Bonds and the payments described in subparagraph (a)(i)(C) or (a)(ii) (whichever is applicable), may be withdrawn by the Trustee and paid to the Agency in accordance with the Agreement.

(c) Survival of Defeasance. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Bonds.

(d) Trustee Responsible. The Trustee shall have no obligations or responsibilities under this Section other than to follow the written directions of the Agency. The Trustee may rely conclusively upon all calculations and directions made and furnished by the Agency under this Section 5.1 and the Trustee shall have no responsibility to independently make any calculations, determinations or to review the Agency's calculations hereunder. The Trustee shall not incur any liability whatsoever in reasonably acting upon and as instructed by such calculations and directions.

Section 5.2. Investment of Moneys in Funds and Accounts. Moneys in the Special Fund and the Accounts therein (other than the Reserve Account), the Costs of Issuance Fund and the Redemption Fund shall be invested and reinvested by the Trustee in Permitted Investments, provided that such investments mature by their terms prior to the date on which such moneys are required to be paid out hereunder. Moneys in the Reserve Account shall be invested by the Trustee solely in (i) Permitted Investments having a maturity not greater than 5 years or beyond the date it is anticipated that such moneys will be needed, whichever comes first or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account. Such investments shall be made in specific investments meeting the requirements of this section as directed in writing by an Authorized Officer (such written request to be received by 12:00 noon two (2) Business Days prior to such investment) or, in the absence of such written direction, by the Trustee in Permitted Investments described in part (4) of the definition thereof. The Trustee shall not be liable to the Agency or the City in acting in accordance with this section or the Agency's direction. Moneys in the Redevelopment Fund shall be invested as directed by the Agency by the Treasurer in any legal investments for Agency funds or if held by the Trustee, as directed in writing by the Agency in any Permitted Investment. Moneys in the Excess Investment Earnings Fund shall be invested in Government Obligations which mature before the date such amounts are required to be paid to the United States as directed by an Authorized Officer, and in the absence of such direction, such amounts shall be held uninvested. Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee hereunder shall be deemed to be part of such Fund or Account. Any or all interest or gain received from such investments of moneys in any Fund or Account shall be deposited by the Trustee in the respective Fund or Account and any loss incurred in connection with such investments shall be debited against the Fund or Account from which the investment was made. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Section 5.2. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee.

Section 5.3. Investments. The Trustee may make any and all investments permitted by the provisions of Section 5.1 hereof and Section III (h) of the Tax Certificate delivered on the Delivery Date, through its own bond or investment department; provided, however, that the Trustee shall establish to the satisfaction of the Agency that such investments have been made at fair market value. As and when any amount invested pursuant to this Article may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such Funds or Accounts. Until receipt of written notice to the contrary, the Trustee shall be entitled to assume that all investments directed by an Authorized Officer of the Agency are permitted by law for the funds invested and are Permitted Investments. The Agency acknowledges that to the extent that the Comptroller of the Currency or other applicable regulatory agency grant the Agency the right to receive brokerage confirmations, the Agency waives receipt of such confirmations. The Trustee shall furnish to the Agency monthly statements which include detail of all investment transactions made by the Trustee, provided that the Trustee shall not be obligated to provide an accounting for any account or fund that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date. The Trustee is hereby authorized in making or disposing of any

investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

ARTICLE VI

REDEMPTION OF BONDS BEFORE MATURITY

Section 6.1. Limitation on Redemption. The Bonds shall be subject to redemption prior to maturity only as provided in this Article VI.

Section 6.2. (a) Optional Redemption. The Bonds maturing on or before June 30, 20__, are not subject to call and redemption prior to maturity. The Bonds maturing on or after June 30, 20__, may be called before maturity and redeemed at the option of the Agency, in whole or in part, from proceeds of refunding bonds or other available funds, on June 30, 20__ or on any date thereafter, prior to maturity, in the manner determined by the Agency and by lot within any maturity. The date on which Bonds are to be presented for redemption is sometimes referred to as the "redemption date." Bonds called for redemption shall be redeemed at the redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) plus accrued interest to the redemption date as shown in the following table:

Redemption Dates

Redemption Price

[No Sinking Acct Redemption/Term Bonds?]

Section 6.3. Call and Redemption; Notice of Redemption. The Agency may by resolution direct the call and redemption prior to maturity of Bonds by the Trustee pursuant to Section 6.2(a) hereof in such amounts as there are funds available for use in redemption and shall give notice to the Trustee of the redemption at least sixty (60) days prior to the redemption date.

Notice of redemption prior to maturity shall be given by first class mail, postage prepaid not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered Owner of each such Bond at the address shown on the registration books of the Trustee. Neither the failure to receive such notice nor any defect in any notice mailed shall affect the sufficiency of the proceedings for the redemption of any Bonds. The notice of redemption shall: (a) state the redemption date; (b) state the redemption price; (c) if less than all of the Bonds of a maturity are to be redeemed, state the numbers of the Bonds to be redeemed; provided, however, that whenever any call for redemption includes all of the Outstanding Bonds, the numbers of the Bonds need not be stated; (d) state, as to any Bonds redeemed in part only, the Bond numbers and the principal portion thereof to be redeemed; (e) state that interest on the principal portion of the Bonds designated for redemption shall cease to accrue from and after the redemption date and that on the redemption date there shall become due and payable on each of such Bonds the redemption price for each Bond; and (f) state that the redemption of the Bonds is subject to there being on deposit with the Trustee at the time of such redemption, moneys sufficient to redeem the portion of the Bonds as set forth in the Notice. The notice may state that it is conditioned upon the receipt of proceeds of refunding bonds on or prior to the Redemption Date in an amount sufficient to redeem that portion of the Bonds as set forth in the notice.

The actual receipt by the Bondowner of notice of redemption shall not be a condition precedent to redemption, and failure to receive notice shall not affect the validity of the proceedings for the redemption of the Bonds or the cessation of interest on the redemption date. Notice of redemption of Bonds shall be given by the Trustee on behalf of the Agency and at the request and expense of the Agency.

A certificate by the Trustee that notice of redemption has been given in accordance with this Indenture shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object to the redemption or the cessation of interest on the redemption date by claiming or showing that it failed to receive actual notice of call and redemption.

Section 6.4. Redemption Fund. Prior to the mailing of notice as required above, the Trustee shall establish, maintain and hold in trust a separate fund which is hereby created for the purpose of this Indenture entitled "Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, 2008 Tax Allocation Refunding Bonds, Redemption Fund" (hereinafter referred to as the "Redemption Fund"). There shall be set aside in the Redemption Fund prior to mailing notice of optional redemption, moneys (or Government Obligations as provided in Section 11.1(c)) for the purpose of and sufficient to redeem, at the premiums, if any, payable as provided in this Indenture, the Bonds designated in the notice of redemption. The moneys must be set aside in the Redemption Fund (or other special trust fund pursuant to Section 11.1) and pledged solely for that purpose and shall be applied on or after the redemption date to the payment (principal, interest and premium, if any) of the Bonds to be redeemed upon presentation and surrender of the Bonds. Any moneys in excess of the amount required to redeem Bonds shall be transferred to the Special Fund.

Section 6.5. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the registered Owner, at the expense of the Agency, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and same maturity. A partial redemption shall be valid upon payment of the amount required to be paid to the registered Owner, and the Agency and the Trustee shall be released and discharged from all liability to the extent of such payment.

Section 6.6. Effect of Redemption. Notice of redemption having been duly given as provided above, and moneys for payment of the principal of, premium, if any, and interest payable upon redemption of the Bonds being set aside as provided above, the Bonds, or parts thereof, called for redemption shall, on the redemption date, become due and payable at the redemption price specified in the notice. Interest on the Bonds, or parts thereof, as the case may be, called for redemption shall cease to accrue and be payable from and after the redemption date. The Bonds, or parts thereof redeemed, shall cease to be entitled to any lien, benefit or security under this Indenture, and the Owners of the Bonds shall have no rights except to receive payment of the redemption price upon surrender of the Bonds, and, in the case of partial redemption of Bonds, also to receive a new Bond or Bonds for the unredeemed balance as provided above. All Bonds, or parts thereof, as the case may be, redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and delivered to, or destroyed upon the order of the Agency.

Section 6.7. Purchase of Bonds. In lieu of redemption or otherwise, the Agency is hereby authorized to purchase Bonds on the open market at any time and the Trustee will upon written direction of the Agency settle these purchases from moneys deposited by the Agency with the

Trustee at a price not to exceed the principal amount of Bonds plus the applicable premium and accrued interest, if any, to the date of purchase plus brokerage fees, if any.

ARTICLE VII

PAYMENT; COVENANTS OF THE AGENCY

Section 7.1. Payment of Principal or Redemption Price and Interest on Bonds. The Agency shall promptly pay or cause the Trustee to pay the principal or redemption price of, and the interest on, every Bond issued hereunder according to the terms thereof, but shall be required to make such payment or cause such payment to be made only out of Revenues.

Section 7.2. Covenants of the Agency. As long as the Bonds are Outstanding and unpaid, the Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Indenture or in any Bond issued hereunder, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and will tend to make them more marketable; provided, however, that the Covenants do not require the Agency to expend any funds other than amounts credited to the Redevelopment Fund to the extent required to fulfill the Agency objectives with respect to Covenant 1 and Covenant 2, Pledged Revenues and the income thereon:

Covenant 1. Complete Redevelopment Project; Amendment to Redevelopment Plan. The Agency covenants and agrees that it will diligently carry out and continue to completion in a sound and economical manner, with all practicable dispatch, the Redevelopment Project in accordance with its duty to do so under and in accordance with the Law and the Redevelopment Plan. The Redevelopment Plan may be amended as provided in the Law but no amendment shall be made unless it will not substantially impair the security of the Bonds or the rights of the Bondowners, as shown by an Opinion of Counsel, based upon a certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 2. Use of Proceeds, Management and Operation of Properties. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in this Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner consistent with the Redevelopment Plan.

Covenant 3. No Priority. The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Revenues which have any lien upon Pledged Revenues prior to or superior to the lien of the Bonds or any Parity Bonds. Except as permitted by Section 2.14 hereof, it will not issue any obligations, payable as to principal or interest, from the Pledged Revenues which have any lien upon the Pledged Revenues on a parity with the Bonds or any Parity Bonds. Notwithstanding the foregoing, nothing in this Indenture shall prevent the Agency: (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds or Parity Bonds; (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Revenues which is junior to the Bonds or any Parity Bonds; or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Pledged

Revenues. As used herein “obligations” shall include, without limitation, bonds, notes, interim certificates, debentures or other obligations, loans, advances, or other forms of indebtedness incurred by the Agency.

Covenant 4. Punctual Payment. The Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds on the date, at the place and in the manner provided in the Bonds.

Covenant 5. Payment of Taxes and Other Charges. The Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Pledged Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds and any Parity Bonds shall be preserved; provided, however, that nothing in this Covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of the payment.

Covenant 6. Books and Accounts; Financial Statements. The Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Pledged Revenues and other funds relating to the Redevelopment Project. The Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year, in reasonable detail covering the Pledged Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the statement or statements to the Trustee and any rating agency which maintains a rating on the Bonds and, upon written request, to any Bondowner. The Trustee shall have no duty to review the Agency’s financial statements.

Covenant 7. Eminent Domain Proceedings. The Agency covenants and agrees that if all or any part of the Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year valuation of the Project Area.

Covenant 8. Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date this Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in the security of the Bonds or the rights of Bondowners being substantially impaired, as shown by an Opinion of Counsel addressed to the Agency and the Trustee, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 9. Protection of Security and Rights of Bondowners. The Agency covenants and agrees to preserve and protect the security of the Bonds and any Parity Bonds and the rights of the Bondowners and any Parity Bondowners and to contest by court action or otherwise: (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that (i) the Law is unconstitutional or (ii) that the Pledged Revenues pledged hereunder cannot be paid to the Agency for the debt service on the Bonds, or (b) any other action affecting the validity of the Bonds or diluting the security therefor. The Agency covenants and agrees to take no action which, in the Opinion of Counsel would result in: (a) the Pledged Revenues being withheld unless the withholding is being contested in good faith; and (b) the interest received by the Bondowners becoming includable in gross income under federal income tax laws.

Covenant 10. Tax Covenants. The Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Bondowners is includable in gross income of the recipient under federal income tax laws. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Bonds and any Parity Bonds will not be adversely affected for federal income tax purposes, the Agency covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

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

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

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

(4) Information Reporting. The Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(5) Hedge Bonds. The Agency will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds or any Parity Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds and any Parity Bonds for federal income tax purposes; and

(6) Miscellaneous. The Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the

Agency in connection with each issuance of Bonds and any Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Covenant 11. Taxation of Leased Property. Whenever any property in the Project Area has been redeveloped and thereafter is leased by the Agency to any person or persons (other than a public agency), or whenever the Agency leases real property in the Project Area to any person or persons (other than a public agency) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law, and the lease or contract shall provide: (a) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest; and (b) that if for any reason the taxes levied on the property in any year during the term of the lease or contract are less than the taxes which would have been levied if the entire property had been 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 the year become payable to the taxing agencies and in no event later than the delinquency date of such taxes established by law. All such payments shall be treated as Pledged Revenues, and when received by the Agency shall be used as provided herein. As an alternative to payment to the Agency pursuant to (b) above, the new owner or owners of property becoming exempt from taxation may elect to make payment to the Agency in a single sum equal to the amount estimated by an Independent Financial Consultant to be receivable by the Agency from taxes on said property from the date of said payment to the maturity date of the Bonds, less a reasonable discount value. All such single sum payments in lieu of taxes shall be treated as Pledged Revenues and shall be transferred to the Trustee for deposit in the Special Fund.

Covenant 12. Compliance With Law. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Pledged Revenues including, without limitation, the timely filing of any necessary statements of indebtedness with appropriate officials of the County. The Agency further covenants and agrees that, except for the Pass-Through Agreements, it has not entered into any agreements with other tax entities as of the date of this Indenture for the pass-through of any Pledged Revenues to such entities and will not hereafter enter into any such agreement which requires payment to such taxing entities prior to deposit of Pledged Revenues in the Special Fund.

Covenant 13. Limitation on Indebtedness. The Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Pledged Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plan, when added to any predecessor debt, the total aggregate debt service on the Bonds and any Parity Bonds, will exceed the maximum amount of Pledged Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plan.

Covenant 14. Further Assurances. The Agency covenants and agrees to 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 and any Parity Bonds of the rights and benefits provided therein.

Covenant 15. Continuing Disclosure Agreement. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement dated the Delivery Date. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of

Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 7.3. Compliance with Indenture, Contracts, Laws and Regulations. The Agency shall faithfully observe and perform all the covenants, conditions and requirements of this Indenture, shall not issue any Bonds in any manner other than in accordance with this Indenture, and shall not exercise its discretion in any way that might materially weaken, diminish or impair the security intended to be given pursuant to this Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the Agency shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of the Bonds or the Pledged Revenues. The Agency shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted, prescribed, imposed or entered by any competent governmental authority or agency applicable to or affecting the Redevelopment Project; provided that the Agency reserves the right to withhold compliance while it is contesting in good faith any such statute, law, ordinance, order, rule, regulation, judgment, decree, direction or requirement if such non-compliance based on an Opinion of Counsel, will not materially impair the interests of the Owners in the Bonds.

ARTICLE VIII

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDOWNERS

Section 8.1. Defaults.

(a) Events of Default. Each of the following shall constitute an Event of Default:

(i) Default in the due and punctual payment by the Agency of any installment of interest on any Bond when the interest installment becomes due and payable;

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

(iii) Default made by the Agency in the observance of any of the covenants, agreements or conditions contained in this Indenture or in the Bonds, where the default continues for a period of thirty (30) days following written notice to the Agency; or

(iv) The Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction 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.

In each Event of Default described in (i) or (ii) above the Trustee shall, and in each Event of Default described in (iii) or (iv) above, the Trustee shall upon written request of the Owners of not less than a majority of the aggregate principal amount of the Bonds at the time Outstanding (such request to be in writing to the Trustee and to the Agency), declare the principal of all of the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately. Upon any such declaration the Bonds shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding.

The declaration may be rescinded by the Owners of not less than a majority of the Bonds then Outstanding provided the Agency cures the default or defaults and deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of twelve percent (12%) per annum on the overdue installments of principal and, to the extent the payment of interest on interest is lawful at that time, on such overdue installments of interest, so that the Agency is currently in compliance with all payment, deposit and transfer provisions of this Indenture, and has paid or provided for the payment of any expenses incurred by the Trustee in connection with the default.

(b) Certain Remedies of Bondowners. Any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated—

(i) by mandamus, suit, action or proceeding, to compel the Agency and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Agency and the fulfillment of all duties imposed upon it by the Law;

(ii) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights; or

(iii) upon the happening of any Event of Default (as defined in this Section), by suit, action or proceeding in any court of competent jurisdiction, to require the Agency and its members and employees to account, as to Pledged Revenues in the Agency's possession or control, as if it and they were the trustees of an express trust.

(c) Non-Waiver. Nothing in this Section or in any other provisions of this Indenture, or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at the date of maturity, as herein provided, or affect or impair the right, which is also absolute and unconditional, of the Owners to institute suit to enforce the payment by virtue of the contract embodied in the Bonds.

No remedy conferred upon any Bondowner or Trustee by the Indenture is intended to be exclusive of any other remedy, but each remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law of the State of California. No waiver of any default or breach of any duty or contract by any Bondowner or Trustee shall affect any subsequent default or breach of any duty or contract or shall impair any rights or remedies on the subsequent default or breach. No delay or omission of any Bondowner or Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any default or acquiescence

therein. Every substantive right and every remedy conferred upon the Bondowners or Trustee may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right, or exercise any remedy, shall be brought and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or Trustee, then, and in every such case, the Agency, Trustee or the Bondowners shall be restored to their former positions, rights and remedies as if the suit, action or proceeding had not been brought or taken.

(d) Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Bondowner 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 of Bonds similarly situated 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 respective Owners of the Bonds for the purpose of bringing any suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as attorney-in-fact; provided, however, the Trustee shall not be required to act hereunder pursuant to this subsection (d) unless and until it shall receive indemnification satisfactory to it for the payment of its fees and the reimbursement of all fees and expenses (including its reasonable attorneys fees and expenses) to which it may be put and to protect it against all liability, except liability which is to be adjudicated to have resulted from its active or passive negligence or willful misconduct in connection with any action so taken.

(e) General. After the issuance and delivery of the Bonds, this Indenture, and any supplemental indentures hereto, shall be irrevocable, but shall be subject to modification or amendment to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

Section 8.2. Application of Funds Upon Acceleration. Upon any acceleration of the Bonds, the Trustee shall, following payment of the costs and expenses (including compensation to their agents, attorneys and counsel) of the Trustee and the Bondowners in declaring such Event of Default or any outstanding fees and expenses, transfer first to the Interest Account an amount equal to (i) the interest due on the Bonds to the date of acceleration minus the amount of moneys then held by the Trustee in the Interest Account and then to the Principal Account all of the moneys held in the Reserve Account and any other moneys held in the Special Fund and the Accounts therein or in the Redemption Fund. After the above transfers have been made, all sums in the Special Fund and the Accounts therein upon the date of the declaration of acceleration as provided in Section 8.1, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee to the payment of all other outstanding fees and expenses of the Trustee and thereafter in the following order upon presentation of the Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, moneys in the Principal Account, if any, shall be applied to the payment in full of the principal of the Outstanding Bonds;

Second, moneys in the Interest Account shall be applied to the payment of interest coming due and payable on the Bonds as of the date of acceleration.

ARTICLE IX

THE TRUSTEE AND THE PAYING AGENT

Section 9.1. Appointment, Duties, Immunities and Liabilities of Trustee.

(a) The Agency hereby appoints U.S. Bank National Association as Trustee and Paying Agent, such appointment to remain in effect until a successor Trustee is appointed and serving. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture. All references to the Trustee in this Article IX include references to the Trustee when it is acting as Paying Agent and bond registrar.

(b) The Agency may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and the Bondowners, by first class mail. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Promptly upon such acceptance, the Agency shall notify the Bondowners in writing. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, any Bondowner (on behalf of himself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and

deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. The Trustee's rights to indemnification hereunder and to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or commercial bank having trust powers and having a corporate trust office located within or without the State, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of this Section, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

(g) The permissive right of the Trustee to do things enumerated or contemplated by this Indenture shall not be construed as a duty and the Trustee shall not be liable in the performance of its obligations hereunder except for its active or passive negligence, bad faith or willful misconduct.

(h) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or be deemed to have notice of any Event of Default hereunder unless and until an officer thereof shall have actual knowledge except the Trustee shall have such knowledge if the Agency shall fail to make or cause to be made any of the payments to the Bondowners required to be made by Article IV or XI hereof, or if, the Trustee shall be specifically notified in writing of such Event of Default by the Agency or by the Registered Owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder.

(j) Before taking any action under Article VIII hereof, except the declaration of acceleration, or this Section at the request of the Bondowners, the Trustee may require that a satisfactory indemnity bond be furnished by the Bondowners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its active or passive negligence, bad faith or willful misconduct in connection with any action so taken.

(k) All moneys received by the Trustee or any Paying Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received and shall not be commingled with the general funds of the Trustee or any Paying Agent, but need not be segregated from other funds except to the extent required by law.

(l) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Trustee shall not be liable hereunder for any error of judgment made in good faith by an officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds Outstanding relating to the time, method and place of conducting any proceeding or any remedy available to the Trustee, or the exercise of any trust or power conferred upon the Trustee, under this Indenture; and

(iv) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(m) The Agency agrees to pay the reasonable fees, costs and expenses of the Trustee including its usual and ordinary counsel fees and expenses made or incurred by the Trustee pursuant to this Indenture, as set forth in the fee schedule delivered to the Agency from time to time.

(n) The immunities extended to the Trustee by this Section also extend to its officers, directors, employees and agents.

(o) The Trustee's rights to immunities and protection from liability hereunder and its rights of payments of its fees, expenses and indemnification shall survive its resignation or removal, the final payment of defeasance of the Bonds and the discharge of this Indenture.

Section 9.2. Liability of Trustee. The recitals, statements and representations by the Agency contained in this Indenture or in the Bonds shall be taken and construed as made by and on the part of the Agency, and not the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. In accepting the trust hereby created, the Trustee acts solely as Trustee for the

Bondowners and not in its individual capacity. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The Trustee shall not be accountable for the use or application by the Agency or any other party of any funds which the Trustee has released under this Indenture.

The Agency covenants to the extent permitted by law to indemnify the Trustee and to hold it harmless against any loss, liability, expenses or advances, including, but not limited to fees and expenses of counsel and other experts, incurred or made without active or passive negligence, bad faith or willful misconduct on the part of the Trustee: (i) in the exercise and performance of any of the powers and duties hereunder by the Trustee; (ii) relating to or arising out of the Redevelopment Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Redevelopment Project or any part thereof; or (iii) arising out of material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Bonds, including the reasonable costs and expenses of defending itself against any claim of liability arising under this Indenture.

The Trustee may become the owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee shall represent the Bondowners of a majority in principal amount of the Bonds then Outstanding.

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

Section 9.3. Right of Trustee to Rely on Documents. The Trustee shall be protected hereunder in acting in good faith upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties, including, without limitation, all funding and disbursement requisitions and notices. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of such attorney, agent or receiver selected by it with reasonable care.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith

under the provisions of this Indenture in good faith reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 9.4. Intervention by Trustee. In any judicial proceedings to which the Agency is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Owners of the Bonds, the Trustee may in its discretion intervene on behalf of Bondowners and, upon being indemnified to its satisfaction therefor, shall do so if requested in writing by the Owners of a majority in aggregate principal amount of all Bonds then Outstanding.

Section 9.5. Designation and Successor of Paying Agent; Agreement with Paying Agent. The Trustee shall be the Paying Agent for the Bonds. Any Successor Paying Agent appointed under the provisions of this Section shall be a commercial bank or trust company eligible to act as Trustee hereunder. The Agency or the Trustee may remove or replace any Paying Agent by written instrument, which removal or replacement shall not require any consents or approvals. The Agency or the Trustee shall notify the other party and all Bondowners by first-class mail of and upon appointment, removal or replacement of the Paying Agent, such notice to include the name and address of the then appointed Paying Agent, if any.

Any commercial bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Indenture. If the position of Paying Agent shall become vacant for any reason, the Agency may appoint a bank or trust company as such Paying Agent to fill such vacancy. The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in Sections 9.1, 9.2, 9.3 and 9.4 hereof with respect to the Trustee insofar as such provisions may be applicable.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 10.1. Amendments: Supplemental Indentures. This Indenture, and the rights and obligations of the Agency and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by Supplemental Indenture adopted by the Agency: (a) without the consent of Bondowners, if the modification or amendment is for the purpose of preserving the exclusion of interest on the Bonds (or any refunding obligations therefor) from gross income for federal income tax purposes or if the modifications or amendment is for the purpose of adding covenants and agreements further to secure Bond payment, to prescribe further limitations and restrictions on Bond issuance, to surrender rights or privileges of the Agency, to make modifications not affecting any Outstanding series of Bonds only with the consent of the Trustee, for the purpose of curing any ambiguities, defects or inconsistent provisions in this Indenture or to insert such provisions clarifying matters or questions arising under this Indenture as are necessary and desirable to accomplish the same, provided that the modifications or amendments do not adversely affect the rights of the Owners of any Outstanding Bonds; or (b) for any purpose with the consent of the Bondowners holding not less than sixty percent (60%) in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the Agency or the City, and obtained as hereinafter set forth; provided, however, that no modification or amendment shall, without the express consent of the Bondowner or registered owner of the Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable on it, extend its maturity or the times for paying interest, change the

monetary medium in which principal and interest is payable, or create a mortgage, pledge or lien upon the Pledged Revenues superior to or on a parity (except as provided in Section 2.14) with the pledge and lien created for the Bonds and any Parity Bonds or reduce the percentage of consent required for amendment or modification and provided further, that no amendments affecting the duties, obligations or rights of the Trustee shall take effect without the consent of the Trustee.

Any act done pursuant to a modification or amendment permitted by this Section 10.1 shall be binding upon the Owners of all of the Bonds, and shall not be deemed an infringement of any of the provisions of this Indenture or of the Law, whatever the character of the act may be, and may be done and performed as fully and freely as if expressly permitted by the original terms of this Indenture and after consent as required in Section 10.1(b) above has been given, no Bondowner shall have any right or interest to object to the action, to question its propriety or to enjoin or restrain the Agency or its officers from taking any action pursuant to such modification or amendment. The Trustee may obtain an Opinion of Counsel that any such Supplemental Indenture complies with the provisions of this Article X, is not materially adverse to the interests of the Owners, if applicable, and will not cause the interest on the Bonds to be includable in the gross income of the Owners of the Bonds for federal income tax purposes, and the Trustee may conclusively rely upon such opinion.

(a) Calling Bondowners' Meeting. If the Agency shall desire to obtain the Bondowners' consent, it shall duly adopt a resolution calling a meeting of the Bondowners for the purpose of considering the action for which consent is desired.

(b) Notice of Meeting. Notice specifying the purpose, place, date and hour of a Bondowners' meeting shall be mailed, postage prepaid by the Agency, to the respective registered Owners at their addresses appearing on the bond register as maintained by the Trustee. The notice shall set forth the nature of the proposed action for which consent is desired. The place, date and hour of the meeting and the date or dates of mailing the notice shall be determined by the Agency in its discretion; provided that such notice shall be mailed at least 15 days prior to the date of the Bondowners' meeting.

The actual receipt by any Bondowner of notice of any Bondowners' meeting shall not be a condition precedent to the holding of the meeting, and failure to receive notice shall not affect the validity of the proceedings at the meeting. A certificate by the Secretary of the Agency approved by resolution of the Agency, that the meeting has been called and that notice has been given as provided herein, shall be conclusive as against all parties and no Bondowner shall have the right to show that he failed to receive actual notice of the meeting.

(c) Voting Qualifications. The Trustee shall prepare and deliver to the chairman of the meeting a statement of the names and addresses of the registered Owners of Bonds. This statement shall show maturities, serial numbers and principal amounts so that voting qualifications can be determined. No Bondowners shall be entitled to vote at the meeting unless their names appear upon the statement. No Bondowners shall be permitted to vote with respect to a larger aggregate principal amount of Bonds than is set against their names on the statement.

(d) Issuer-Owned Bonds. The Agency covenants that it will present at the meeting a certificate, signed and verified by one of its members and by the Treasurer, stating the Bond numbers and principal amounts of all Bonds owned by, or held for account of, the Agency or the City, directly or indirectly. No person shall be permitted at the meeting to vote or consent with respect to any Bond appearing upon the certificate, or any Bond which is established at or prior to the

meeting to be owned by the Agency or the City, directly or indirectly, and no such Bond (in this Indenture referred to as “issuer-owned Bonds”) shall be counted in determining whether a quorum is present at the meeting; provided, however, that the Trustee shall have no duty to investigate whether Bonds are registered in the names of any nominees.

(e) Quorum and Procedure. A representation of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of issuer-owned Bonds, if any) shall be necessary to constitute a quorum at any meeting of Bondowners, but less than a quorum may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, whether such adjournment shall have been held by a quorum or by less than a quorum. The Agency shall, by an instrument in writing, appoint a temporary chairman of the meeting, and the meeting shall be organized by the election of a permanent chairman and secretary. At any meeting each Bondowner shall be entitled to one vote for every \$5,000 principal amount of Bonds with respect to which he shall be qualified to vote as set forth above, and the vote may be given in person or by proxy duly appointed by an instrument in writing presented at the meeting. The Agency and/or the Trustee by their duly authorized representatives and counsel, may attend any meeting of the Bondowners, but shall not be required to do so.

(f) Vote Required. At any Bondowners meeting there shall be submitted for the consideration and action of the Bondowners a statement of the proposed action for which consent is desired. If the action is consented to and approved by Bondowners holding at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of issuer-owned Bonds), the chairman and secretary of the meeting shall promptly so certify in writing to the Agency. The certificate shall constitute complete evidence of consent of the Bondowners under the provisions of this Indenture. A certificate signed and verified by the chairman and the secretary of any Bondowners meeting shall be conclusive evidence and the only competent evidence of matters stated in the certificate relating to proceedings taken at the meeting.

ARTICLE XI

DEFEASANCE

Section 11.1. Defeasance. If the Agency shall pay or cause to be paid, or there shall be otherwise paid or provisions for payment made to or for the holders and Owners of the Bonds, the principal, premium, if any, and interest due or to become due thereon at the time and in the manner stipulated therein, and if the Agency shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, and shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions hereof including fees and expenses of the Trustee, then this Indenture and the lien, rights and interest created hereby shall cease, determine and become null and void (except as to any surviving rights of registration, transfer or exchange of Bonds herein provided for and except for the rights of the Trustee to receive compensation and indemnification in accordance with Article IX hereof), whereupon the Trustee shall cancel and discharge this Indenture, and execute and deliver to the Agency such instruments in writing as shall be requested by the Agency and requisite to discharge this Indenture, and release, assign and deliver unto the Agency any and all the estate, right, title and interest in and to any and all right assigned or pledged to the Trustee or otherwise subject to this Indenture, except moneys or securities held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

The lien of the Indenture shall be discharged, if the Agency shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(a) By well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, together with all amounts due the Trustee as and when the same become due and payable;

(b) By depositing with the Trustee, in a special trust fund created for such purpose, at or before maturity, moneys which, together with moneys then on deposit in the Special Fund and Accounts therein, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums together with all amounts due the Trustee; or

(c) By depositing with the Trustee, in a special trust created for such purpose, moneys invested in non-callable Government Obligations in such amount as an Independent Financial Consultant shall determine will, together with the interest to accrue thereon without reinvestment and moneys then on deposit in the Special Fund and Accounts therein, be fully sufficient to pay and discharge any indebtedness on all Bonds (including all principal, interest, redemption premiums) at or before maturity; then, at the option of the Agency, and notwithstanding that all Bonds shall not have been surrendered for payment, the pledge of the Pledged Revenues and other funds provided for in this Indenture and all other obligations of the Agency under this Indenture with respect to all Bonds Outstanding shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon out of the money deposited with the Trustee and the other funds described in this paragraph (c), and the rights of the Trustee to indemnification and payment of fees and expenses under Article IX hereof. Notice of the exercise of such option shall be filed with the Trustee.

Any funds held by the Trustee after discharge of the lien of the Indenture including any funds which have not been claimed by the person entitled thereto within two (2) years of the date upon which such funds were scheduled to be paid, or which are not required for said purpose, shall be paid over to the Agency and thereafter Bondowners shall look only to the Agency for payment.

Notwithstanding the discharge of this Indenture with respect to the lien of the Bonds, the provisions of Section 5.1 of Article V of this Indenture will continue in full force and effect until all required payments under that section hereof have been made.

ARTICLE XII

MISCELLANEOUS

Section 12.1. Consents, Etc. of Bondowners. Any consent, approval, direction or other instrument required by this Indenture to be signed and executed by the Bondowners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such consent, approval, direction or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such instrument or writing may be proved by the certificate of any officer in any jurisdiction who by law has power to

take acknowledgments within such jurisdiction that the person signing such instrument or writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the registration books maintained by the Trustee pursuant to Section 2.9 thereof.

Section 12.2. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided.

Section 12.3. Severability. If any provision of this Indenture shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 12.4. CUSIP Numbers. CUSIP identification numbers will be imprinted on the Bonds, but numbers shall not constitute a part of the contract evidenced by the Bonds and no liability shall attach to the Agency or the Trustee or any of their officers or agents because of or on account of said numbers. Any error or omission with respect to the numbers shall not constitute cause for refusal by the successful bidder to accept delivery of and pay for the Bonds.

Section 12.5. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee shall inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.6. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.7. Applicable Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

Section 12.8. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Indenture.

Section 12.9. Compliance Certificates and Opinions. Every certificate (except the certificate provided for in Section 2.12) or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) A statement that the person or persons making such certificate or opinion have read such covenant or condition and the definitions herein relating thereto;

(b) A brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) A statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) A statement as to whether or not, in the opinion of the signers, such condition or covenant has been complied with.

Section 12.10. Conflict with Trust Indenture Act of 1939. If this Indenture is qualified as exempt from registration under the Trust Indenture Act of 1939, as amended (the “1939 Act”) and any provision of the 1939 Act limits, qualifies or conflicts with another provision hereof which is required to be included in this Indenture by the 1939 Act in order to maintain the exemption, such required provision shall control.

Section 12.11. Successors. Whenever in this Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.12. Execution of Documents and Proof of Ownership by Bondowners. Any request, declaration or other instrument which this Indenture may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor, and shall be executed by the Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be provided by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the amount of Bonds transferable by delivery held by any such person executing such request, declaration or other instrument or writing as a Bondowner, and the numbers thereof, and the date of his owning such Bonds, may be proved by the registration books to be maintained pursuant to Section 2.9. The Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The ownership

of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the aforesaid registration books.

Any request, declaration or other instrument or writing of the Bondowner of any Bond shall bind all future Owners of such Bonds in respect of anything done or suffered to be done by the Agency or the Trustee in good faith and in accordance therewith.

Section 12.13. Waiver of Personal Liability. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 12.14. Notices. All written notices to be given under this Indenture shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such other address as the party may provide to the other parties in writing from time to time. Notice shall be effective upon receipt or, in the case of personal delivery, upon delivery to the address set forth below:

If to the Agency	Ridgecrest Redevelopment Agency 100 W. California Avenue Ridgecrest, California 93555 Attn: Executive Director
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If to the Trustee	U.S. Bank National Association 633 W. Fifth Street, 24th Floor Los Angeles, CA 90071 Attn: Corporate Trust Services
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Section 12.15. Accounting Records and Reports. The Trustee shall at all times keep proper books of record and accounts in which complete and accurate entries shall be made of all transactions relating to the proceeds of Bonds and all funds and accounts established pursuant to this Indenture. Not later than 45 Business Days following each Interest Payment Date, the Trustee shall prepare and file with the Agency a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under this Indenture; (ii) the balance on deposit in each fund and account as of the Interest Payment Date for which such report is prepared, and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed or delivered to any Owner of any Bond upon the Owner's written request at a cost to be paid by such Owner, not to exceed the Trustee's actual costs of duplication and mailing of delivery.

The Trustee agrees to cooperate with any consultant hired by the Agency to certify compliance with any State or Federal tax requirements and to provide any information requested on a timely basis.

Section 12.16. Bank Qualification. **The Agency hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.]**

[CONFIRM]

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, the Ridgecrest Redevelopment Agency, California has caused these presents to be signed in its name and on its behalf by its Chairman and its seal to be hereunto affixed and attested by its Secretary and to evidence its acceptance of the trusts hereby created the Trustee has caused these presents to be signed in its name and behalf by one of its duly authorized officers all as of the 1st day of July, 2008.

RIDGECREST REDEVELOPMENT AGENCY

By: _____
Chairman

(SEAL)

ATTEST:

Secretary

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A
[FORM OF BOND]

No. R-__ \$ _____

STATE OF CALIFORNIA
COUNTY OF KERN

RIDGECREST REDEVELOPMENT AGENCY
RIDGECREST REDEVELOPMENT PROJECT
TAX ALLOCATION REFUNDING BOND
SERIES 2008

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	June 30, ____	Date of Delivery	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The RIDGECREST REDEVELOPMENT AGENCY (hereinafter sometimes called (the “Agency”), a public body, corporate and politic, duly organized and existing under the laws of the State of California, for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner specified above or registered assigns (herein sometimes referred to as “registered owner”) the principal sum stated above on the date stated above and to pay the registered owner on each June 30 and December 31, commencing on December 31, 2008 (each such date an “Interest Payment Date”) by check mailed on the Interest Payment Date to him by first class mail, postage prepaid as his name and address appear on the register kept by the Trustee (defined below) as of the close of business on the fifteenth (15th) day of the month next preceding each Interest Payment Date (the “Regular Record Date”), interest on the principal sum from the Interest Payment Date next preceding the date of authentication hereof (unless (i) the date of authentication hereof is an Interest Payment Date, in which event from that Interest Payment Date, (ii) the date of authentication hereof is after the Regular Record Date and prior to the next succeeding Interest Payment Date, and if the Agency shall not default in the payment of interest due on said Interest Payment Date, from said Interest Payment Date, or (iii) the date of authentication hereof is prior to December 15, 2008, in which event from the Date of Delivery) until the principal hereof shall have been paid or provided for in accordance with the Indenture hereinafter referred to, at the rate per annum set forth above; provided that upon written request made before the Regular Record Date preceding the Interest Payment Date by a Bondowner of \$1,000,000 or more in principal amount of Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account in the United States designated by such Bondowner to the Trustee. Both principal and interest on this Bond are payable in lawful money of the United States of America, and (except for interest which is payable as stated above) are payable upon presentation of

this Bond at the corporate trust office of U.S. Bank National Association, as Trustee (the “Trustee”) in Los Angeles, California, or such other location as the Trustee may designate.

This Bond, the interest hereon and any premium due upon the redemption of this Bond prior to maturity are not a debt of the City of Ridgecrest, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable hereon, nor in any event shall this Bond, said interest or said premium be payable out of any funds or properties other than the funds of the Agency as set forth in the Indenture hereinafter mentioned. This Bond does 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 Bond are liable personally on this Bond by reason of its issuance.

This Bond is one of a duly authorized issue of bonds of the Agency designated “Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2008” (hereinafter called “Bonds”) in the aggregate principal amount of \$_____ all of like tenor (except for bond numbers, maturity dates and differences, if any, in interest rates) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and particularly the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) for the purpose of financing the Redevelopment Project and are authorized by and issued pursuant to Resolution No. _____ adopted by the Agency on _____, 2008 (the resolution being herein referred to as the “Resolution”), and that certain Indenture of Trust entered into by and between the Agency and the Trustee dated as of August 1, 2008 (the “Indenture”) and all of the Bonds are equally secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security therein provided for said Bonds, for the nature, extent and manner of enforcement of such security, for the covenants, and agreements made for the benefit of the Bondowners, and for a statement of the rights of the Bondowners, and by the acceptance of this Bond the registered owner hereof assents to all of the terms, conditions and provisions of said Indenture. In the manner provided in the Indenture, said Indenture and the rights and obligations of the Agency and of the Bondowners, may (with certain exceptions as stated in said Indenture) be modified or amended with the consent of the Owners of sixty percent (60%) in aggregate principal amount of outstanding Bonds, exclusive of issuer-owned bonds, unless such modification or amendment is for the purpose of curing ambiguities, defects, and such other matters not affecting the rights of the Bondowners as provided in the Indenture, in which case no Bondowner’s consent is required.

The principal of this Bond and the interest hereon are secured on a parity with the Ridgecrest Redevelopment Project, 2002 Tax Allocation Refunding Bonds (the “2002 Bonds”), remaining outstanding by an irrevocable pledge of, and are payable solely from, the Pledged Revenues (as such term is defined in said Indenture) and certain other funds, all as more particularly set forth in the Indenture. Said Indenture is adopted under and this Bond is issued under and is to be construed in accordance with the laws of the State of California.

The outstanding Bonds maturing on or after June 30, 20__, may be called before maturity and redeemed at the option of the Agency, in whole or in part, from the proceeds of refunding bonds or other available funds on June 30, 20__ or on any date thereafter prior to maturity. If less than all of the Bonds outstanding are to be redeemed at any one time, the Bonds to be redeemed shall be redeemed in the manner determined by the Agency, and by lot within a maturity. Bonds called for redemption shall be redeemed at a redemption price (expressed as a percentage of the principal

amount of Bonds to be redeemed) plus accrued interest to the redemption date as shown in the following table:

Redemption Dates

Redemption Price

For the purpose of selecting Bonds by lot, Bonds in excess of \$5,000 will be assigned a separate number for each \$5,000 of principal they represent.

[The Term Bonds maturing on June 30, 20__ and June 30, 20__ are also subject to mandatory redemption from minimum sinking account payments as provided in the Indenture.]

This Bond is issued in fully registered form and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue, all as more fully set forth in the Indenture. This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the corporate trust office of the Trustee in Los Angeles, or such other location as the Trustee may designate, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue will be issued to the transferee in exchange therefor.

The Agency and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

It is hereby recited, certified and declared that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the Ridgecrest Redevelopment Agency has caused this Bond to be signed on its behalf by its Chairman by facsimile signature and by its Executive Director by facsimile signature and the seal of said Agency to be imprinted hereon.

RIDGECREST REDEVELOPMENT AGENCY

Chairman

[SEAL]

Executive Director

[FORM OF CERTIFICATE OF AUTHENTICATION OF BOND]

This is one of the Bonds described in the within-mentioned Indenture.

Date of Authentication: _____, 2008

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Signatory

LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Executive Director
Ridgecrest Redevelopment Agency

[FORM OF ASSIGNMENT OF FULLY REGISTERED BONDS]

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

(Insert name, address and social security number or Tax ID Number of assignee)

the within-mentioned registered Bond, and do(es) hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement, or any change whatsoever.

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