

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2008

Standard & Poor's: "____";
Standard & Poor's Underlying Rating "____"

NEW ISSUE—FULL BOOK-ENTRY

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants of the Ridgcrest Redevelopment Agency (the "Agency") intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds, interest (and original issue discount) on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest (and original issue discount) is also exempt from present State of California personal income taxes. See "CONCLUDING INFORMATION—Tax Exemption" herein for a discussion of the effect of certain provisions of the Code on Owners of the Bonds.

\$29,970,000*

**RIDGCREST REDEVELOPMENT AGENCY
RIDGCREST REDEVELOPMENT PROJECT
TAX ALLOCATION REFUNDING BONDS
SERIES 2008**

Dated: Delivery Date

Due: June 30, as shown below

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the Book-Entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and semiannual interest (due June 30 and December 31 of each year, commencing December 31, 2008) on the Bonds will be payable by U.S. Bank National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see "THE BONDS—Book-Entry System" herein).

The Bonds are subject to optional [and mandatory sinking fund] redemption prior to maturity as described herein. See "THE BONDS—Redemption and Purchase of Bonds" herein.

The Bonds are being issued to refund the \$7,860,000 Ridgcrest Redevelopment Project 1999 Tax Allocation Bonds, finance a portion of the costs of the Redevelopment Project, to fund a reserve fund and to pay costs in connection with the issuance of the Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.

The Bonds are not a debt of the Ridgcrest Redevelopment Agency, the State of California or any of its political subdivisions and neither said Agency, said State or any of its political subdivisions is liable therefor. The principal of and interest on the Bonds are payable solely from the Pledged Tax Revenues allocated to the Agency from the Project Area as defined herein and in the Indenture.

The Bonds are being issued for sale to the Ridgcrest Financing Authority (the "Authority"). The Authority will resell the Bonds to the Underwriter, all as provided in the Bond Purchase Agreement.

MATURITY SCHEDULE

(See Inside Cover)

The Bonds are offered, when, as and if issued, subject to the approval of Stradling Yocca Carlson & Rauth, a professional corporation, Newport Beach, California, in the capacity of Bond Counsel and Disclosure Counsel. It is anticipated that the Bonds will be available for delivery in Book-Entry form through the facilities of DTC in New York, New York on or about _____, 2008.

Dated: _____, 2008

De La Rosa & Co.

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$ _____

<i>Maturity Date</i> <i>June 30</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP</i> [†]
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^(c) Priced to call on _____.

[†] CUSIP® is a registered trademark of the American Bankers Association. Copyright© 2008 Standard & Poor's, a Division of the McGraw Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

**RIDGECREST REDEVELOPMENT AGENCY
RIDGECREST, CALIFORNIA**

AGENCY GOVERNING BOARD

Chip Holloway, *Chairman*
Steven Morgan, *Vice Chairman*
Thomas Wiknich, *Member*
Dan Clark, *Member*
Ron Carter, *Member*

CITY COUNCIL

Chip Holloway, *Mayor*
Steven Morgan, *Mayor Pro-Tem*
Thomas Wiknich, *Councilmember*
Dan Clark, *Councilmember*
Ron Carter, *Councilmember*

CITY AND AGENCY STAFF

Michael Avery, *Executive Director and City Manager*
James C. Winegardner, *Administrative Services Director*
Jim McRea, *Public Services Director*
Rita Gable, *City Clerk*
[Wayne Lemieux, *City and Agency Attorneys*]

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

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

Trustee

U.S. Bank National Association
Los Angeles, California

Fiscal Consultant

Rosenow Spevacek Group
Santa Ana, California

Financial Advisor

KNN Public Finance
Oakland, California

Underwriter

De La Rosa & Co., Inc.
Los Angeles, California

Verification Agent

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For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, the Preliminary Official Statement and the Official Statement, as of their respective dates, are deemed final by the Agency, provided, however, that pricing, underwriting and other information contained in the Preliminary Official Statement is subject to completion or amendment in accordance with Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Agency. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the Project Area since the date hereof.

The information set forth herein has been obtained from official sources, and the Agency and the Underwriter have a reasonable basis for believing that the information set forth is accurate.

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

\$29,970,000*
RIDGECREST REDEVELOPMENT AGENCY
RIDGECREST REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2008

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Ridgecrest Redevelopment Agency (the "Agency") of \$29,970,000* aggregate principal amount of the Agency's Ridgecrest Redevelopment Project, Tax Allocation Bonds, Series 2008 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health and Safety Code of the State) (the "Law") and an Indenture of Trust, dated as of August 1, 2008 (the "Indenture"), by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee") approved by a resolution adopted by the Agency on July 16, 2008 (the "Resolution").

The Bonds will be sold to the Ridgecrest Financing Authority (the "Authority") pursuant to the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6484) of the California Government Code (the "JPA Law"). The Bonds purchased by the Authority will be resold immediately to De La Rosa & Co. Inc. (the "Underwriter"), all as further provided in the Bond Purchase Agreement, by and among the Agency, the Authority and the Underwriter. The Bonds are being issued to refund the \$7,860,000 Ridgecrest Redevelopment Project 1999 Tax Allocation Bonds, finance a portion of the costs of the Redevelopment Project, fund a reserve fund and to pay the costs of issuing the Bonds.

The City of Ridgecrest (the "City") is located in northeastern Kern County (the "County"). It is situated in the southern end of the Indian Wells Valley in the Mojave Desert and acts as the urban center for northeastern Kern, Inyo and San Bernardino Counties. Surrounded by four mountain ranges the Sierra Nevada on the west, the Cosos on the north, the Argus Range on the east, and the El Paso Mountains on the south, the City is approximately 120 miles from both Bakersfield and San Bernardino, the two nearest urban areas. During the 1950s and 1960s, Ridgecrest evolved as a support community to the Naval Ordnance Test Station providing housing and vital services for employees and contractors.

The City, incorporated in 1963, is the second largest city in the County. The City's incorporated area is approximately 13,020 acres, including approximately 5,000 acres located on the China Lake Naval Weapons Center. Located in the Mojave Desert, the City has a hot, desert type climate typified by hot summer days and cool summer nights. The winter climate features an average temperature of 65 degrees occasionally dropping below freezing during the months of November through February.

The Redevelopment Plan for Ridgecrest Redevelopment Project (the "Redevelopment Plan") was approved by Ordinance No. 86-37 adopted by the City Council of the City on November 16, 1986.

**Preliminary, subject to change.*

The Law authorizes the financing of redevelopment projects through the use of tax increment revenues. This method provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the “base year” valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter receive that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency is allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency may be pledged to the payment of agency obligations. Generally, tax increment revenues from one project area may not be used to repay indebtedness incurred for another project area. Redevelopment agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Continuing Disclosure

The Agency has undertaken for the benefit of the registered owners of the Bonds to provide certain financial information and operating data relating to the Agency on a continuing basis, and to provide notices of the occurrence of certain enumerated events relating to the Bonds, if material. The specific nature of the information to be disclosed and the material events subject to notice are described in APPENDIX E—“FORM OF CONTINUING DISCLOSURE AGREEMENT.” This undertaking has been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONCLUDING INFORMATION—Continuing Disclosure.”

Brief descriptions of the Bonds, the Indenture, the Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, the Indenture, the Law, the Constitution and the laws of the State as well as the proceedings of the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the offices of KNN Public Finance, 1333 Broadway, Suite 1000, Oakland, California 94612, Attention: John O’Sullivan, and thereafter from the City Clerk’s office, City of Ridgecrest, 100 West California Avenue, Ridgecrest, California 93555.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is summarized as follows:

Sources

Principal Amount of Bonds.....	\$
Net Original Issue Premium/Discount	
Total.....	\$

Uses

Underwriter's Discount.....	\$
Escrow Fund	
Reserve Account ⁽¹⁾	
Costs of Issuance Fund ⁽²⁾	
Redevelopment Fund	
Total Uses	\$

⁽¹⁾ An amount equal to the Reserve Requirement.

⁽²⁾ Includes legal fees, Financial Advisor fees, rating agency fees, printing fees, [the Insurance Policy premium in the amount of \$ _____] and other miscellaneous fees.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture approved by the Resolution.

Description of the Bonds

The Bonds will be issued as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "Book-Entry System" below. The initially issued Bonds will be dated the Delivery Date and mature on June 30 in the years and in the amounts shown on the cover page of this Official Statement. The Bonds will bear interest at the rates shown on the cover page of this Official Statement, payable semiannually on June 30 and December 31 (each an "Interest Payment Date") in each year, commencing on December 31, 2008, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated by such Owner to the Trustee on or before the Regular Record Date preceding the Interest Payment Date.

Book-Entry System

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners

should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on such websites is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s

records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Securities to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and Agency believe to be reliable, but the City and Agency take no responsibility for the accuracy thereof.

Discontinuance of Book-Entry. DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law or the Agency may terminate participation in the system of Book-Entry transfers through DTC or any other securities depository at any time. In the event that the Book-Entry system is discontinued, the Agency will execute, and the Trustee will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the following provisions would apply: the principal of and redemption premium, if any, on the Bonds will be payable at the principal corporate trust office of the Trustee, and interest on the Bonds will be payable by check mailed on each Interest Payment Date to the Owners thereof as shown on the registration books of the Trustee as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable Interest Payment Date, or by wire transfer to an account in the United States to Owners of \$1,000,000 or more in aggregate principal amount of Bonds, upon request, as provided in the Indenture. The Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture.

Transfer Fees. For every transfer and exchange of Bonds, Owners may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the DTC Participant in connection with such transfers or exchanges.

Redemption and Purchase of Bonds

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 the 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

Notice of Redemption. As provided in the Indenture, notice of redemption prior to maturity will 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 Bond at the address shown on the registration books of the Trustee. Neither failure to receive such notice or any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of any Bonds.

Purchase of Bonds

In lieu of redemption or otherwise, the Agency is 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.

THE FINANCING PLAN

The proceeds of the Bonds are expected to be used to refund the \$7,860,000 Ridgecrest Redevelopment Project 1999 Tax Allocation Bonds and finance various projects within the Redevelopment Project. These projects include capital infrastructure improvements at (i) West Ridgecrest Boulevard (from China Lake to Mahan Street) that include design and construction of a new right-of-way, four lanes of traffic improvements, curbs, gutters and sidewalk, (ii) College Height Street (from Dolphin Avenue to Jarvis Avenue) consisting of design, reconstruction and widening and (iii) Norma Street design, reconstruction, curbs, gutters and sidewalk where necessary (including the design and reconstruction of the Bowman Channel culverts under Norma Street). Additional projects within the Redevelopment Project being funded include the design and construction of a corporate city yards facility, creation of a funding pool to provide development, relocation or loan funding administered by the Economic Development Department and creation of a revolving loan fund to stimulate economic growth, business development and business retention within the agency Project Area.

SECURITY FOR THE BONDS

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 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 dates of the ordinances approving the Redevelopment Plan (being Ordinance No. 86-37 of the City of Ridgecrest, adopted on November 16, 1986 for the Project Area, will 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 Project Area as shown upon the assessment roll used in connection with the taxation of that property by the taxing agency, last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory within the Project Area on the effective date of the ordinance adopting the Redevelopment Plan for the Project Area, but to which that territory has been annexed or otherwise

included after that effective date, the assessment roll of the County last equalized on the effective date of the ordinance adopting the Redevelopment Plan with respect to the Project Area shall be used in determining the assessed valuation of the taxable property in the Project Area on the effective date); and

(b) Except as provided in subsections (c) and (d) below, that portion of the levied taxes each year in excess of that amount shall be allocated to and when collected shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, implementation of the Amendment. Unless and until the total assessed value of the taxable property in the Project Area exceeds the total assessed value of the taxable property in the Redevelopment Plan as shown by the last equalized assessment roll referred to in subsection (a) above as to the Redevelopment Plan for the Project Area shall be paid to the respective taxing agencies. When the bonds, loans, advances and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid to the respective taxing agencies as taxes on all other property are paid; and

(c) That portion of the taxes in excess of the amount identified in subsection (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 for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing agency. This subsection shall only apply to taxes levied to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989.

(d) That portion of tax revenues allocated to the Agency pursuant to subsection (b) above which is attributable to increases in the rate of tax imposed for the benefit of any affected taxing agency whose levy occurs after the tax year in which the ordinance adopting the Redevelopment Plan with respect to the Redevelopment Project Area, and with respect to the Added Territory the ordinance adopting the Amendment, become effective, shall be allocated to such affected taxing agency to the extent the affected taxing agency has elected in the manner required by law to received such allocation.

Any advanced moneys are irrevocably pledged for the payment of the principal of and interest on the advance of moneys, or making of loans, or the incurring of any indebtedness (whether funded, refunded, assumed, or otherwise) by the Agency to finance or refinance the implementation of the Amended Plan in whole or in part.

The Agency is authorized to make such pledges as to specific advances, loans and indebtedness as appropriate in carrying out implementation of the Amendment. Taxes shall be allocated and paid to the Agency consistent with the provisions of the Amendment only to pay the principal of and interest on the loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, implementation of the Amended Plan.

The Bonds 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 or any of its political subdivisions is liable

therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

THE INDENTURE

The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is hereby made to the Indenture and to Appendix A for the definition of certain terms used herein. Copies of the Indenture are available from the Agency upon request. All capitalized terms used herein and not otherwise defined shall have the same meaning as used in the Indenture.

Allocation of Bond Proceeds

The Indenture provides for the continuation with the Treasurer of special trust funds called the “Ridgecrest Redevelopment Project Redevelopment Fund” (the “Redevelopment Fund”) the “Ridgecrest Redevelopment Project Bond Fund” (the “Bond Fund”). The Indenture provides for the creation with the Trustee of a special trust fund called the “Ridgecrest Redevelopment Project Special Fund” (the “Special Fund”), with special trust accounts therein known as the “Interest Account”, the “Principal Account”, the “Reserve Account” and the “Surplus Account,” a special trust fund called the “Costs of Issuance Fund,” and a special trust fund called the “Excess Investment Earnings Fund.”

Pledged Tax Revenues – Application

The Agency shall pay or cause to be paid to the Trustee for deposit in the Special Fund all Pledged Revenues in the amounts and within the times set forth in the Indenture; 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 the Indenture. 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 on any 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 Tax Revenues accumulated in the Special Fund will 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 will be made into the Interest Account so that funds the balance in the Account five (5) days prior to each Interest Payment Date will be equal to interest due and payable on the then Outstanding Bonds on such Interest Payment Date. Moneys in the Interest Account will be used solely for the payment of interest on the Outstanding 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 (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 (a) and (b) above, deposits will 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 will 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 monies on deposit are insufficient therefore or (ii) at the final maturity of the Bonds. Any portion of the Reserve Account which is in excess of the Reserve Requirement will be transferred at least semiannually to the Interest Account.

Anything to the contrary in the Indenture 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 money then held in the Reserve Account free and clear of the lien of the Indenture. In the event the Agency delivers an Alternate Reserve Account Security, the Trustee shall hold and apply such instrument pursuant to the Indenture so as to have moneys available thereunder for the purposes and at the times required under the Indenture. The Trustee shall deliver a demand for payment under the Alternate Reserve Account Security not less than three days prior to the date upon which moneys are required under the Indenture.

(d) Surplus Account. It is the intent of the Indenture: (i) that the deposits in (a) and (b) above to the Interest Account and the Principal Account, respectively, will be made as scheduled, and (ii) that the deposits in (c) above to the Reserve Account will 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 (c) above, such deferred deposits will be cumulative and will be made when the Pledged Revenues are sufficient to make the deposits required by (a) and (b) and thereafter make the deposits required by (c). Any monies remaining in the Special Fund following the deposits referred to above shall be deposited in the Surplus Account.

Investment of Moneys in Funds and Accounts

Moneys in the Special Fund and the Accounts therein (other than the Reserve Account), 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 thereunder. Moneys in the Reserve Account shall be invested by the Trustee solely in (i) Permitted Investments having a maturity not greater than five years 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 in order to replenish the Reserve Account. Such investments shall be made in specific investments meeting the requirements of this paragraph as directed in writing by an Authorized Officer (such written request to be received by 12:00 noon two (2) days prior to such investment) or, in the absence of such written direction, by the Trustee in Permitted Investments as further provided in the Indenture. The Trustee shall not be liable to the Agency or the City in acting

in accordance with this paragraph or the Agency's direction. Moneys in the Redevelopment Fund shall be invested 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 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 shall be deemed to be part of such Fund or Account. Any or all interest or gain received from such investments of moneys in the Funds and Accounts shall be deposited by the Trustee in the respective Funds and Accounts 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 paragraph. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

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 amount as it estimates will be needed. The issuance and sale of any Parity Bonds will be subject to the following conditions precedent:

(a) the Agency shall certify that it is and shall be in compliance with all covenants in the Indenture, and the 2002 Indenture so long as the 2002 Bonds are Outstanding;

(b) the Parity Bonds will be on such terms and conditions as may be set forth in a supplemental resolution or indenture, which will provide for (i) bonds substantially in accordance with the 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 pursuant to the Indenture) 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 set forth in the Indenture;

(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, the

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 and 33334.6 of the Law, Pledged Revenues for purposes of the Indenture 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 Section 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 the 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 the Indenture (as used in the Indenture “obligations” shall include, without limitation, bonds, notes, interim certificates, debenture or other obligations, loans advances or other forms of indebtedness incurred by the Agency).

Covenants of the Agency

As long as the Bonds are Outstanding and unpaid, the Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, 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 will 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 the 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 in the Indenture, 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 the Indenture will 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 in the Indenture, “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 will be preserved; provided, however, that nothing in this covenant will require the Agency to make any such payment so long as the Agency in good faith contests 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 will 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 the year in reasonable detail covering the Pledged Tax 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 Proceeds. 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 will 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 the 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 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 under the Indenture 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 the 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, as more specifically provided in the Indenture.

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 Tax Revenues, and when received by the Agency shall be used as provided in the Indenture. 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 will 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 the 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 the 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.

Events of Default and Remedies

Each of the following shall constitute an Event of Default under the Indenture:

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

(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 the 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 the 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 the 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 the Indenture), 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 the 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 provided in the Indenture, 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.

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 the Indenture, and all sums thereafter received by the Trustee under the Indenture, 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.

Amendments; Supplemental Indentures

The Indenture, and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended at any time by Supplemental Indenture adopted by the Agency:

(a) Without the consent of Bondowners, 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, 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 the Indenture or to insert provisions clarifying matters or questions arising under the 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 Bond Owners holding not less than 60% in the 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 will, 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 on the revenues superior to or on a parity (except as specifically provided in the Indenture) 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 affect without the consent of the Trustee.

Any act done pursuant to a modification or amendment permitted by the Indenture will be binding upon the Owners of all of the Bonds, and shall not be deemed an infringement of any of the provisions of the 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 the Indenture and after consent as required in the Indenture 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. No Bondowner will 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 the Indenture, 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.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated March 1, 1993 by and between the City and the Agency. Such Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Bonds will be sold by the Agency to the Authority to be immediately sold to the Underwriter, all as provided in the Bond Purchase Agreement.

The Authority is governed by a five member Board of Directors (the “Board”) which consists of the members of the City Council of the City of Ridgecrest. The Mayor acts as Chairman of the Authority, the City Manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Treasurer of the Authority.

THE RIDGECREST REDEVELOPMENT AGENCY

The Agency was established on November 16, 1986 by the City Council of the City with the adoption of Ordinance No. 86-37, pursuant to the Law. The five members of the City Council serve as the governing body of the Agency, and exercise all the rights, powers, duties and privileges of the Agency.

Members and Officers

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

<i>Member</i>	<i>Term Expiration</i>
Marshall “Chip” Holloway, Chairman	December 2010
Steven Morgan, Member	December 2008
Thomas Wiknich, Member	December 2010
Dan Clark, Member	December 2008
Ron Carter, Member	December 2008

Agency Powers

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

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

Financial Consultant and Redevelopment Consultant

Rosenow Spevacek Group, of Santa Ana, California (“Rosenow Spevacek”), provides services in the areas of planning, redevelopment and finance to both governmental and private sector clients.

Rosenow Spevacek is currently engaged in consulting activities for a number of cities and redevelopment agencies in the State. Over the past five years, Rosenow Spevacek has completed planning, economic and financial consulting assignments for over 130 government clients in the State.

Rosenow Spevacek has acted as financial consultant and redevelopment consultant to the Agency concerning the Bonds. As financial consultant and redevelopment consultant, Rosenow Spevacek will receive compensation contingent upon the sale and delivery of the Bonds.

Tax Increment Financing

The Law authorizes the financing of redevelopment projects through the use of tax increment revenues. This method provides that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter receive that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency is allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency may be pledged to the payment of agency obligations. Generally, tax increment revenues from one project area may not be used to repay indebtedness incurred for another project area. Redevelopment agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

The Law authorizes redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. See “THE PROJECT AREA—Statutory Pass Throughs” herein.

Housing Set Aside

In accordance with Section 33334.2 of the Law, not less than twenty percent (20%) of all taxes which are allocated to the Agency shall be used by the Agency for purposes of improving, increasing and preserving the City's supply of housing for persons and families of low or moderate income. This requirement is applicable unless the Agency makes the finding that:

- (a) No need for such housing exists in the City;
- (b) Less than twenty percent (20%) is sufficient to meet such housing needs of the City;

or

- (c) A substantial effort is presently being carried out with other funds (either local, State or federal) and that such efforts are equivalent in impact to twenty percent (20%) of all taxes which are allocated to the Agency.

Both the "no need" finding (item (a) above) and the "less than 20% finding" (item (b) above) must apply to very low income as well as low and moderate income households, must be consistent with the housing element of the community's general plan and the annual report of its planning agency, and do not become effective until after certain filings have been made with the State Department of Housing and Community Development ("HCD"). Neither finding can be made unless the housing element is in proper form and up to date and has been filed with HCD.

The "equivalent effort" finding (item (c) above) must apply to the community's share of regional housing needs as well as its own existing and projected needs. After June 30, 1993, no agency may make this finding unless it can show evidence that it is required in order to meet contractual obligations to bondholders or other private entities incurred prior to May 1, 1991 and made in reliance on the ability to make the finding.

Funds available from the twenty percent (20%) requirement may be used outside the Project Area on a finding by the Agency and the City Council that such use will be of benefit to the Project Area. See "THE PROJECT AREA—Limitations and Requirements of the Redevelopment Plan." The Law also permits agencies with more than one project area to set aside less than twenty percent (20%) of the taxes allocated to the agency from one project area if the difference is made up from another project area in the same year and if the agency and the legislative body of the community find that such use of funds will benefit such other project area.

Factors Affecting Redevelopment Agencies Generally

Other features of California law which bear on redevelopment agencies include general provisions which require public agencies to let contracts for construction only after competitive bidding. The Law provides that construction in excess of \$5,000 undertaken by the Agency shall be done only after competitive bidding. California statutes also provide for offenses punishable as felonies which involve direct or indirect interest of a public official in a contract made by such official in his official capacity. In addition, the Law prohibits any Agency or City official or employee who, in the course of his duties, is required to participate in the formulation or approval of plans or policies, from acquiring any interest in property in the Project Area.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

California also has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally makes all Agency and City meetings open to the public.

THE PROJECT AREA

The Redevelopment Plan for the Ridgecrest Redevelopment Project was approved by Ordinance No. 86-37 adopted by the City Council of the City on November 16, 1986. The Project Area consists of approximately 7,988 acres.

The Redevelopment Plan will provide the Agency with a mechanism to revitalize and upgrade the Project Area to increase sales, business and property tax revenues, provide adequate roadways and related infrastructures, provide employment opportunities, provide improvements to community facilities, improve public utility infrastructure deficiencies, assure social and economic stability, and promote aesthetic and environmental actions and improvements.

Limitations and Requirements of the Redevelopment Plan

Pursuant to the Redevelopment Plan, the total amount of outstanding bonded indebtedness incurred by the Agency, payable from tax increment revenues, which can be outstanding at any one time cannot exceed \$194,191,242 as of January 2008.

In accordance with State Law, unless certain findings are made, not less than twenty percent (20%) of tax increment revenues allocated to the Agency from the Project Area shall be used for the purpose of increasing, improving and preserving the supply of housing for families of low or moderate income. See “THE CITY OF RIDGECREST—Housing Set Aside.”

The Redevelopment Plan is in effect until November 16, 2026. Pursuant to Ordinance No. ___, the Agency eliminated the final date to incur indebtedness.

Housing Set-Aside

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside at least 20 percent of all tax increment revenues allocated and paid to redevelopment agencies from redevelopment project areas adopted after December 31, 1976 in the Agency’s Low and Moderate Income Housing Fund to be expended for authorized low and moderate income housing purposes (the “Housing Set-Aside Payments”). Debt service on the Bonds is chargeable to such Housing Set-Aside Payments. Parity Debt may be issued with a claim against Housing Set-Aside Payments to the extent set forth in the proceedings for such Parity Debt. See “SECURITY FOR THE BONDS.”

The provisions of the Redevelopment Law regarding the funding of low and moderate income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and redevelopment agency counsels throughout the State have at times been subject to variation and change.

Statutory Pass Throughs; Tax Sharing Agreement

AB 1290 eliminated the statutory authority for negotiated pass through agreements and provided a formula for mandatory tax sharing, applicable to projects adopted after January 1, 1994 or amended after that date to add territory.

Generally speaking, under AB 1290, the Agency is to pay to the affecting taxing agencies percentages of tax increment generated in the Project Area as follows:

- (a) throughout the term of the Project Area eligibility to receive tax increment, 25% of post set aside revenues; plus,
- (b) for the eleventh year of the receipt of tax increment and thereafter, 21% of post set-aside revenues in excess of tenth year revenue; plus,
- (c) for the thirty first year of the receipt of tax increment and thereafter, 14% of post set-aside revenues in excess of thirtieth year revenues.

As indicated, amounts specified as payable to taxing agencies are to be computed after deducting the housing set aside amount.

The taxing agencies subject to Statutory Pass Throughs include the following: Ridgecrest Unified School District, Kern County General Fund, Ridgecrest Fire Protection District, Elsinore Area Elementary School Fund, Kern County Regional Office of Education, Mt. San Jacinto Community College, Kern County Flood Control District, Ridgecrest Public Library, Eastern Municipal Water District, Kern County Regional Parks & Open Space District, Ridgecrest Cemetery District, Ridgecrest County Water District, and City of Ridgecrest (but as to the City, excluding the amounts described in paragraphs (b) and (c) above.

See “PLEGGED TAX REVENUES—Projected Taxable Valuation and Pledged Tax Revenues” herein.

The Agency has entered into a tax sharing agreement with respect to the distribution of the tax increment revenues derived from the Project Area (the “Tax Sharing Agreement”). The Agency has entered into an agreement (the “County Agreement”) with the County of Kern (the “County”), which provides for a pass-through to the County a portion of its share of the tax revenues. Between 1987-88 and 1989-96 the County Agreement permitted the Agency to retain the County’s 37.27% share of the net tax increment revenue (net of 20% housing set aside deposits). Then beginning in fiscal year 1990-91, the County’s share is divided as follows:

1. Between 1990-91 and 2012-13, the Agency is to pay to the County 59.453% of the County’s 37.27% share of the net tax increment. During this time period, the remaining 40.547% of the County’s 37.27% share of the net tax increment is split between the Agency and the County. Pursuant to Section 4(b) of the County Agreement, the Agency retains the first \$403,690 of this remaining amount for Agency projects. Any remaining County share in excess of the \$403,690 base amount is restricted to fund County capital projects.

2. Beginning in fiscal year 2013-14, the Agency’s pass through to the County increases to 100% of the County’s share of the net tax increment revenue.

Under former Section 33676(a)(2) of the Redevelopment Law, certain public agencies are required to elect to receive the tax revenues generated by application of the annual 2% inflationary increase in assessments of property in the Project Area as permitted by Article XIII A of the California Constitution (the "2% Increase") unless provided otherwise in an agreement with the redevelopment agency. The County Agreement provides that the County Taxing Entities agree that the County Agreement supersedes any resolution approved by the County Taxing Entities electing to receive monies pursuant to Section 33676(a)(2) of the Redevelopment Law.

In 1986, three taxing entities adopted and transmitted such resolutions, specifically the Kern County Water Agency, Sierra Sands Unified School District, and the Kern County Superintendent of Schools. The Kern County Water Agency continues to receive their 0.7064% share of the property tax increment revenue generated by the Proposition 13 increase in the Project Area's base year value. In _____, Kern County Community College District also began receiving their 0.05979% share of the property tax increment revenue generated by the Proposition 13 increase in the Project Area's base year value.

In 1989, Sierra Sands Unified School District rescinded their resolution requesting their share of the inflationary growth and later replaced it with a public improvements agreement. The Superintendent of Schools has also rescinded its resolution and no longer receives any tax increment revenue from the Project Area.

Largest Local Secured Taxpayers

Set forth below are the ten largest local secured taxpayers in the Project Area based on the 2007-08 property tax roll. The total valuation of these taxpayers is \$1,361,113,192 which represents approximately 4.76% of the total secured valuation in the Project Area.

<i>Taxpayer</i>	<i>No. of Parcels</i>	<i>Landuse(s)</i>	<i>2007-08 Assessed Valuation</i>	<i>Percent of Assessed Value⁽¹⁾</i>
1. HD Development Maryland Inc.	1	Commercial, Large Store	\$ 8,290,916	0.62%
2. Carriage Inns	1	Commercial, Motel	7,854,571	0.59
3. New Albertsons Inc.	17	Commercial, Market	7,164,977	0.53
4. Ridgecrest Regional Hospital	4	Institution, Church Owned Property	7,121,118	0.53
5. Inland Westn Mds Portfolio LLC	2	Commercial, Large Store, Department	6,625,920	0.49
6. Wal Mart Real Est Bsns Trust	3	Commercial, Large Store	6,393,235	0.48
7. Drummond Medical Group Inc.	1	Institution, Hospital	5,364,924	0.40
8. Sb North China Lake Road LLC	1	Commercial, Markets, Supermarkets	5,306,039	0.40
9. Sakurai Giichi Rev Tr	1	Commercial, Large Store	4,889,879	0.36
10. Ridgecrest Heritage Inn	1	Commercial, Motel	<u>4,358,231</u>	<u>0.32</u>
Total	32		\$ 63,369,810	4.72
		Total Project Area AV	\$1,367,654,736	

⁽¹⁾ Based on Fiscal Year 2007-08 secured assessed valuation: \$1,361,113,192.
Source: Rosenow Spevacek Group.

A 154-room Marriott was just developed in the Project Area which added \$ _____ in assessed value to the 2007-08 property tax roll.

Land Use

A breakdown of total secured valuation by land use in Fiscal Year 2007-08 is as follows:

<i>Land Use</i>	<i>Number of Parcels</i>	<i>2007-08 Secured Assessed Valuation⁽¹⁾</i>	<i>Percent of Secured Assessed Valuation</i>
Residential	9,127	\$ 1,045,009,473	77.86%
Commercial	574	165,962,343	12.36
Vacant	2,385	45,665,044	3.40
Professional	97	25,904,225	1.93
Institutional	72	23,539,554	1.75
Industrial ⁽²⁾	142	20,823,195	1.55
Miscellaneous ⁽³⁾	924	5,940,843	0.44
Recreational	13	4,627,345	0.34
Agricultural	12	3,688,631	0.27
Government	138	1,070,550	0.08
Total	<u>13,484</u>	<u>\$ 1,342,230,843</u>	<u>100.00%</u>

⁽¹⁾ Secured Assessed Valuation is \$1,367,654,736 less \$25,423,893 for all exemptions except homeowners.

⁽²⁾ Industrial includes Manufacturing land use.

⁽³⁾ Miscellaneous includes Unknown land use.

Source: Rosenow Spevacek Group.

PLEGGED TAX REVENUES

Pledged Tax Revenues (as described in the section "SECURITY FOR THE BONDS" herein) are to be deposited in the Special Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Outstanding Bonds.

Schedule of Historical Pledged Tax Revenues

The following table is a schedule of the taxable valuations and resulting Pledged Tax Revenues in the Project Area for the fiscal years 2002-03 through 2006-07. The base year valuation for the Original Project Area was established in fiscal year 1998-99 and the base year valuation for the Added Territory was established in fiscal year 2005-06.

<i>Year</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>
Taxable Valuation					
Less: Base Year Valuation					
Incremental Assessed Valuation		\$ 362,475,298	\$ 439,974,067	\$ 563,714,446	\$ 721,772,994
Typical Tax Rate/\$100		1.000000%	1.000000%	1.000000%	1.000000%
Incremental Revenue		3,624,753	4,399,741	5,637,164	7,217,730
Less: Pass-Through Payments		(793,890)	(1,025,752)	(1,274,153)	(1,234,168)
[Less: County Admin Fee]		(88,280)	(110,801)	(101,166)	(93,939)
Pledged Tax Revenues		<u>\$ 3,046,360</u>	<u>\$ 3,976,085</u>	<u>\$ 4,742,721</u>	<u>\$</u>

Source: Rosenow Spevacek Group.

Projected Taxable Valuation and Pledged Tax Revenues

The Agency has retained Rosenow Spevacek to provide projections of Pledged Tax Revenues from developments in the Project Area. The table below sets forth those projections for fiscal years 2007-08 through 2013-14. The Agency believes the assumptions (set forth in the footnotes to the table) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material. A summary of the projected Pledged Tax Revenues is as follows:

<i>Fiscal Year</i>	<i>Taxable Valuation⁽¹⁾</i>	<i>Incremental Revenues⁽²⁾</i>	<i>Pass Through Payments</i>	<i>Total Pledged Tax Revenues</i>
2007-08	\$1,330,984,553	\$ 8,920,059	\$3,443,942	\$5,476,117
2008-09	1,404,624,847	6,258,090	2,547,736	3,710,353
2009-10	1,460,591,379	6,470,267	2,678,615	3,791,652
2010-11	1,489,803,206	6,687,468	2,812,389	3,875,079
2011-12	1,519,599,270	6,909,013	2,948,839	3,960,174
2012-13	1,519,599,270	7,134,989	3,088,018	4,046,971
2013-14	1,580,991,081	7,365,485	3,552,671	3,812,814

⁽¹⁾ Assessed valuation assumes a 20% decrease in assessed valuation for the 2008-09 fiscal year, and a 2% annual increase thereafter.

⁽²⁾ Incremental Revenues based on the incremental valuation times a tax rate of 1.00%. Base year assessed valuation of \$94,154,988.

Source: Rosenow Spevacek Group.

Annual Debt Service

Set forth below is the annual debt service (assuming minimum sinking account payments) for the term of the Bonds, the 1999 Bonds and the 2002 Bonds.

Ridgecrest Redevelopment Project Annual Debt Service

<i>Maturity Date (June 30)</i>	<i>1999 Bonds Debt Service</i>	<i>2002 Bonds Total Debt Service</i>	<i>2008 Bonds Total Debt Service</i>	<i>Total Debt Service</i>
2009	\$ 323,358.75	\$ 206,959.00		
2010	322,614.90	208,206.00		
2011	324,155.25	208,636.00		
2012	324,803.25	208,657.50		
2013	324,965.25	209,947.50		
2014	324,641.25			
2015	323,831.25			
2016	324,843.75			
2017	322,481.25			
2018	322,312.50			
2019	324,168.75			
2020	322,481.25			
2021	322,818.75			
2022	325,012.50			
2023	323,493.75			
2024	323,831.25			
2025	323,156.25			
2026	324,168.75			
2027	323,358.75			
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				

Source: Underwriter.

Debt Service Coverage

Set forth below is the estimated debt service coverage of the Bonds, the 1999 Bonds and the 2002 Bonds using Fiscal Years 2007-08 through 2013-14 projected Pledged Tax Revenues.

<i>Fiscal Year</i>	<i>Pledged Tax Revenues</i>	<i>1999 Bonds Debt Service</i>	<i>2002 Bonds⁽¹⁾ Debt Service</i>	<i>2008 Bonds Debt Service</i>	<i>Total Debt Service</i>	<i>Debt Service Coverage</i>
2007-08	\$5,476,117					
2008-09	3,710,353	\$ 323,358.75	\$ 206,959.00			
2009-10	3,791,652	322,614.90	208,206.00			
2010-11	3,875,079	324,155.25	208,636.00			
2011-12	3,960,174	324,803.25	208,657.50			
2012-13	4,046,971	324,965.25	209,947.50			
2013-14	3,812,814	324,641.25				

⁽¹⁾ Includes non-housing portions only.
Source: Rosenow Spevacek Group.

Statement of Direct and Overlapping Bonded Indebtedness

CITY OF RIDGECREST REDEVELOPMENT AGENCY

2007-08 Assessed Valuation:	\$ 1,360,270,431
Base Year Valuation:	<u>472,746,695</u>
Incremental Valuation:	\$ 887,523,736

<u>DIRECT DEBT:</u>	<i>% Applicable</i>	<i>Debt 6/1/08</i>
1999 Refunding Tax Allocation Bonds	100.0%	\$ 6,580,000 ⁽¹⁾
2002 Refunding Tax Allocation Bonds	100.	<u>2,470,000</u>
TOTAL DIRECT DEBT		\$ 9,050,000 ⁽²⁾

Ratio to Incremental Valuation: 1.02%

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Kern Community College District Safety Repair and Improvement District	1.896%	\$ 2,250,006
Sierra Sands Joint Unified School District	77.007	14,991,644
Kern Community College District Assessment District	2.042	113,535
City of Ridgecrest 1915 Act Bonds	100.	<u>115,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 17,470,185

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County Certificates of Participation	0.634%	\$ 317,254
Kern County Pension Obligations	0.634	3,043,841
Kern County Board of Education Certificates of Participation	0.634	354,755
Kern County Community College District Certificates of Participation	0.618	535,652
Sierra Sands Joint Unified School District General Fund Obligations	53.788	2,374,740
City of Ridgecrest Certificates of Participation	98.478	<u>9,050,128</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 15,676,370

COMBINED TOTAL DIRECT AND OVERLAPPING DEBT \$ 42,196,555⁽³⁾

⁽¹⁾ Expected to be refunded with proceeds of the Bonds.

⁽²⁾ Excludes tax allocation bonds to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:

Combined Total Direct and Overlapping Debt..... 3.10%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

Source: California Municipal Statistics.

RISK FACTORS

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

To estimate the Pledged Tax Revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Pledged Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected.

State Budget; Educational Revenue Augmentation Fund Shift

In connection with its approval of former budgets the State Legislature has in a number of fiscal years enacted legislation which, among other things, re allocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the ERAF. The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. Faced with a projected \$23.6 billion budget gap for fiscal year 2002-03, the State Legislature adopted and sent to the Governor of the State as urgency legislation, AB 1768 requiring redevelopment agencies to pay into ERAF in fiscal year 2002-03 an aggregate amount of \$75 million.

In 2003, the State Legislature adopted SB 1045 which required redevelopment agencies to make ERAF transfers in fiscal year 2003-04, based on a statewide aggregate transfer by redevelopment agencies of \$135 million. Due to continuing state budget problems, legislation was approved ("SB 1096"), which requires an ERAF shift of \$250 million for 2004-05 and 2005-06. As with previous ERAF shifts, the legislation requires that half of the shift be calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments.

As part of the 2004-05 State Budget, the Governor and the Legislature also agreed to place a constitutional amendment on the November 2004 ballot (the "Local Government Initiative"). The Local Government Initiative passed on November 2, 2004. The Local Government Initiative prohibits any further transfers of non education local government property taxes for the benefit of the State. However, the Local Government Initiative does not purport to change existing law with respect to the State's ability to transfer redevelopment agencies' property tax revenues.

The Agency cannot predict whether future State Budget legislation will further divert moneys from redevelopment agencies, and the effect such diversion would have on the receipt of Tax Revenues or Housing Set Aside Amounts and, accordingly, the payment of debt service on the Bonds. In order to help reduce the State's budget deficit, LAO has proposed to the Legislature that it take \$1.2 billion from redevelopment agencies over the next five years to offset the State's obligations to schools. This proposal is contained in the report to the Legislature responding to the

Governor's May 2008 revision of his proposed State Budget for 2008-09, which did not include a take from redevelopment agencies.

Reduction of Pledged Tax Revenues

Pledged Tax Revenues allocated to the Agency (which constitute the ultimate source of payments of principal and interest on the Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. The information contained under the heading "PLEDGED TAX REVENUES—Projected Taxable Valuation and Pledged Tax Revenues" assumes assessed valuation growth based on various annual increases.

Although the Agency believes these assumptions to be reasonable, several types of events which are beyond the control of the Agency could occur and cause a reduction in Pledged Tax Revenues. First, a reduction of taxable values of property or tax rates in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency's control (such as a relocation out of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value, a reduction of the general inflationary rate, a reduction in transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquake) could occur, thereby causing a reduction in Pledged Tax Revenues. The risk increases in proportion to the percent of total assessed value attributable to any single assessee in a Project Area. Second, the California electorate or Legislature could adopt limitations with the effect of reducing Pledged Tax Revenues. Third, a reduction in the tax rate applicable to property in a Project Area by reason of discontinuation of certain override tax levies in excess of the 1% basic levy, will reduce Pledged Tax Revenues. Such override can be expected to decline over time until it reaches the 1% basis levy and may be discontinued at any time, which may cause a reduction in Pledged Tax Revenues. Fourth, delinquencies in the payment of property taxes by the owners of land in the Project Area could have an adverse effect on the Agency's ability to make timely debt service payments.

In July 2008, Kern County reassessed all properties sold between July 2004 and December 2007. This reassessment resulted in a decrease of \$ _____ in assessed value in the Project Area. There can be no assurance that the assessed value in the Project Area will not be further reduced. [Describe current appeals]

Any reduction in Pledged Tax Revenues, whether for any of the foregoing reasons or any other reason, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Bonds or to issue refunding bonds to refund the Bonds at or prior to maturity.

Appeals of Assessed Values

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

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

Proposition 8 Adjustments.

Property owners may also appeal the value of property pursuant to Proposition 8. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed the following lien date up to the lower of the then-current fair market value or the factored base year value.

There were 14 Proposition 8 appeals in fiscal year 2005-06, and one Proposition 8 appeal in fiscal year 2006-07, all of which were denied or withdrawn.

Parity Bonds

The Agency may issue or incur obligations payable from Tax Revenues less the Housing Set-Aside Amount on a parity with its pledge of Pledged Tax Revenues to payment of debt service on the Bonds. The existence of and the potential for such obligations increase the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Pledged Tax Revenues. See "THE INDENTURE—Issuance of Parity Bonds" herein.

Hazardous Substances

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

Limited Obligations

The Bonds are special obligations of the Agency secured by and solely payable from amounts on deposit in the Special Fund established under the Indenture. The Bonds are not a debt of the City, the County, the State or any political subdivisions thereof and neither the City, the County, the State nor any political subdivisions thereof are liable for payment on the Bonds. The Bonds do not constitute an indebtedness within the meaning of any State constitutional or statutory debt limitation.

Development Risks

The Agency's collection of Pledged Tax Revenues is directly affected by the economic strength of the Project Area. Projected additional development within the Project Area will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected, causing a reduction in Pledged Tax Revenues available to pay debt service on the Bonds.

Property Held By FDIC

The ability of the Agency to receive Pledged Tax Revenues derived from delinquent taxes may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation ("FDIC") has or obtains an interest. In the event that any financial institution making any loan which is secured by real property within the Project Area is taken over by the FDIC and prior thereto or thereafter, the tax installments go into default, the ability of the County to collect interest and penalties specified by state law and to foreclose the lien of a delinquent unpaid taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that the FDIC intends to pay valid real property taxes, interest and penalties, in accordance with state law, on property which at the time of the tax levy is owned by institutions in an FDIC receivership, unless abandonment of the FDIC interest is determined to be appropriate.

Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, it will not permit its lien to be foreclosed out by a taxing authority without its

specific consent, nor will it pay or recognize liens for any penalties, fines, or similar claims imposed for the nonpayment of taxes.

The Agency is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within the Project Area in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale.

Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Other Changes in Redevelopment Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State of California resulting in a reduction of Tax Revenues, and consequently, have an adverse effect on the Agency's ability to pay debt service on the Bonds.

Low and Moderate Income Housing Fund

The Redevelopment Law currently requires that, except under certain limited circumstances, redevelopment agencies set aside 20% of all gross tax increment revenues derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. The provisions of the Redevelopment Law regarding the funding of low and moderate income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and redevelopment agency counsels throughout the State have at times been subject to variation and change. The Agency currently sets aside 20% of all gross Tax Revenues from the Project Area into the Low and Moderate Income Housing Fund. Such Tax Revenues required to be applied for purposes of such Fund are part of Tax Revenues available to pay debt service on the Bonds.

Natural Disasters and Seismic Factors

The City, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. The occurrence of severe

seismic activity in or near the City could result in substantial damage to property located in the Project Area and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Pledged Tax Revenues that secure the Bonds. The occurrence of any natural or man-made disaster or hazard including, without limitation, earthquakes, fires, floods, mudslides and other calamities, may significantly reduce Pledged Tax Revenues and may adversely impact the Agency's ability to pay debt service on the Bonds.

Risks Related to Current Market Conditions

The housing market in southern California and Kern County, like that in the country generally, appears to be weakening. A number of public home builders with significant operations in the southern California housing market have reported weakening new home market conditions nationally in their respective filings with the Securities and Exchange Commissions. In general, factors contributing to the weakening new home market reported by those homebuilders include: (i) generally lower demand for new homes, (ii) significant increases in cancellation rates, (iii) speculators exiting the new home market, (iv) increases in the supply of new and existing homes available to be purchased, (v) increases in competition for new home orders, (vi) prospective home buyers having a more difficult time selling their exiting homes in the more competitive environment, (vii) higher incentives required to stimulate new home orders and maintain homes under contract and (viii) reduced availability of mortgage loans. Softer housing market conditions may affect the value of the property.

Levy and Collections

Neither the Agency nor the Authority has any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues and, accordingly, could have an adverse impact on the ability of the Agency to pay debt service on the Bonds.

Reduction in Inflationary Rate and Changes in Legislation; Further Initiatives

As described in greater detail below under the caption "LIMITATIONS ON TAX REVENUES," Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Article XIII A of the California Constitution, which significantly affected the rate of property taxation, was adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the calculation of tax increment revenues, reduce the property tax rate, or broaden property tax exemptions. Future legislative reallocation of the 1% basic levy among the affected taxing entities could increase the taxes retained by certain taxing entities with a corresponding reduction in Tax Revenues. See the caption "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Article XIII A of the State Constitution."

In June 1978, Article XIII A of the California Constitution was amended by Proposition 13 to limit, among other things, a County assessor's ability to adjust for inflation to 2% per year. In a Minute Order issued on November 2, 2001 in *County of Orange v. Orange County Assessment Appeals Board No. 3*, Case No. 00CC03385 (the "Orange County Litigation"), the Orange County Superior Court held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIII A when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California Counties, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On December 12, 2002, the Orange County Superior Court certified the lawsuit as a class action lawsuit. The Orange County Superior Court entered a Final Judgment on April 18, 2003. On June 12, 2003, the Orange County Assessor and Tax Collector, in conjunction with the County of Orange, filed a notice of appeal of action in the Court of Appeal of the State of California, and on March 26, 2004, the Court of Appeal of the State of California, Fourth Appellate District, filed its opinion reversing the trial court's judgment, holding that the trial court erred in ruling that assessments are always limited to no more than two percent of the previous year's assessment and remanding to the trial court with directions to enter judgment in favor of the County of Orange petitioners. The Court of Appeal held that the 2% annual inflation adjustment provision permits a maximum 2% annual increase calculated against the original acquisition cost base, rather than calculated against any reduced base resulting from any intervening downward reassessment in the wake of a decline in property values, such as might happen in the case of a general deflation or a disaster. On May 5, 2004, the Respondent filed a petition to the California Supreme Court for a review of the decision published by the Court of Appeal on March 26, 2004. On July 21, 2004, the California Supreme Court declined to review the Court of Appeal decision. The Respondent did not file a petition for writ of certiorari to the U.S. Supreme Court. Thus, the Court's ruling in the Orange County litigation applies only to the assessments involved in the case.

Secondary Market

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

Loss of Tax Exemption

As discussed under the caption "MISCELLANEOUS—Tax Matters" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture.

LIMITATIONS ON TAX REVENUES

Property Tax Limitations – Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.

Article XIII A further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation.

Since its adoption, Article XIII A has been amended a number of times. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and, on or after November 5, 1986, buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers of assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within the State.

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

In March 1996, the voters approved a further amendment to Article XIII A which extended the above described parent child reassessment exemption to transfers from grandparents to grandchildren under certain circumstances.

Proposition 1 was adopted by initiative in the November 1998 general election. Proposition 1 further amends Article XIII A to allow the repair or replacement of environmentally contaminated property or structures without increasing the tax valuation of the original or replacement property.

In November 2000, the voters approved Proposition 39 which provided an alternative method of seeking voter approval for bonded indebtedness for school facilities.

There have been many challenges to Article XIII A of the California Constitution. In the early 1990's, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that each county will levy the maximum tax permitted by Article XIII A, \$1.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes).

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$1.00 per \$100 taxable valuation) and the bonded debt tax rate.

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

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

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

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

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

Historically, tax payment practices of the County provided for payment to the Agencies of approximately 50% of the secured taxes in early May of each year. In accordance with the County’s current policy, the Agency expects to receive approximately 50% of the secured taxes by the third week in January of each year, approximately 45% of the secured taxes in early May of each year and the remaining 5.1 of secured taxes by August of each year.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property become delinquent on August 31.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed below, the lien date was changed by legislation enacted in 1995) following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. As a result of legislation enacted in 1995 (SB 327 and SB 722, chaptered as Chapter 499 to 497, respectively), commencing as of January 1, 1997, the lien date for locally assessed property tax has been changed from March 1 to January 1; the initial change was implemented by the use of January 1, 1997 in place of March 1, 1997 as the lien date. The first day of January for each succeeding year shall be the lien date. Tax Increment Revenues resulting from supplemental assessments are not included in revenue projections of the Financial Advisor.

Tax Collection Fees

Recent legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. **[The projections of Tax Revenues pledged to the Bonds are net of such administrative costs.]**

Unitary Property

As the result of the passage of AB 2890 (Chapter 1457, Statutes of 1986) and AB 454 (Chapter 921, Statutes of 1987), commencing with the 1988/89 fiscal year, assessed value derived from State-assessed utility property (“Unitary Property”) is to be allocated as follows: (1) each jurisdiction, including the Project Areas, will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

Appropriations Limitations: Article XIII B of the California Constitution

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect

changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

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

Future Initiatives

Article XIII A, Article XIII B and Proposition 62 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

Levy and Collection of Taxes

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

Teeter Plan Termination

The County implemented the Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Teeter Plan, the County has elected to provide local agencies and taxing areas, including the Agency, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the Teeter Plan may help protect Owners of the Bonds from the risk of delinquencies in the payment of *ad valorem* taxes. However, the County is entitled, and under certain circumstances could be required, to terminate the Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the Agency would eliminate such protection from delinquent *ad valorem* taxes.

CONCLUDING INFORMATION

Ratings

As mentioned above, Standard & Poor's has assigned the respective municipal rating of "_____" to this issue of Bonds with the understanding that upon delivery of the Bonds, [**an Insurance Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by _____.** These ratings reflect the rating agency's view of the creditworthiness of the Bond Insurer.] In addition, Standard & Poor's has assigned an underlying municipal bond rating of "___" to the Bonds. This rating reflects the view of Standard & Poor's as

to the credit quality of the Bonds without regard to the delivery of the Insurance Policy. The explanation of the significance of the ratings may be obtained from Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 (212) 438-2124. There is no assurance that the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds have been sold at a net interest cost of _____%. The original purchase price to be paid is \$_____ for the Bonds (which represents the original aggregate principal amount of the Bonds of \$_____, plus original issue premium/less original issue discount of \$_____, less the Underwriter's discount of \$_____). The Underwriter intends to offer the Bonds to the public initially at the yields set forth on the cover page of this Official Statement, which yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

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

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the

Agency and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

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

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

It is possible that subsequent to the issuance of the Bonds there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. On May 19, 2008, the Supreme Court of the United States reversed and remanded a decision of the Court of Appeals of Kentucky which held that the Commerce Clause of the United States Constitution prohibits the Commonwealth of Kentucky from exempting interest on bonds issued by Kentucky and its localities and authorities from Kentucky state income tax while subjecting interest on bonds issued by other states and their localities and authorities to Kentucky state income tax. The Supreme Court held that Kentucky's differential tax scheme is not in violation of the Commerce Clause essentially affirming previously existing law in this area. Purchasers of the Bonds are urged to consult their own tax advisors regarding the impact of this decision with respect to the market price or marketability of the Bonds.

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

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Agency

continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

No Litigation

There is no action, suit or proceeding known to the Agency to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

Verification of Mathematical Computations

The Verification Agent, upon delivery of the Bonds, will deliver a report on the Mathematical accuracy of certain computations, contained in schedules provided to them which are prepared by the Underwriter, relating to the sufficiency of moneys and securities deposited into the Escrow Account to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the 1999 Bonds.

Legality for Investment in California

The Law provides that obligations authorized and issued under the Law shall be legal investments for all banks, trust companies and savings banks, insurance companies, and various other financial institutions, as well as for trust funds. The Bonds are also authorized security for public deposits under the Law.

The Superintendent of Banks of the State of California has previously ruled that obligations of a redevelopment agency are eligible for savings bank investment in California.

Continuing Disclosure

The Agency will enter into a Continuing Disclosure Agreement with Rosenow Spevacek Group as dissemination agent, pursuant to Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended and will undertake thereunder to provide certain financial information and operating data for each fiscal year, commencing with the report for the 2007-08 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "Repositories") and with the appropriate State repository, if any. The notices of material events will be timely filed by the Agency with the Municipal Securities Rulemaking Board and the appropriate State repository, if any. The Agency has never failed to comply in all material respects with any previous undertaking pursuant to Rule 15c2-12 to provide annual reports or notices of material events. The specific nature of the information to be disclosed and the material events subject to notice are described in APPENDIX E—"FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

All of the preceding summaries of the Indenture, the Law, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CITY OF RIDGECREST

By: _____
Chairman

APPENDIX A

SUPPLEMENTAL INFORMATION OF THE CITY OF RIDGECREST

The following information concerning the City of Ridgecrest and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds 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 therefor.

General Description and Background

Incorporated in 1963, the City now functions under a Council/Manager form of Government. A five-member City Council, including the Mayor, is elected at large. The City Manager is appointed by the City Council.

Population

The following sets forth the City, the County and the State population estimates from January 1, 2004 to January 1, 2007:

Kern County and State of California Estimated Population

<i>Year (January 1)</i>	<i>City of Ridgecrest</i>	<i>Kern County</i>	<i>State of California</i>
2004	27,182	730,493	36,199,342
2005	27,413	753,395	36,675,346
2006	27,465	777,719	37,114,598
2007	27,910	800,699	37,559,440
2008	28,038	817,517	38,049,462

Source: State of California Department of Finance, E-4 Reports, 2004-2008. Demographic Research Unit.

Economic Condition and Outlook

Ridgecrest is located in the southern portion of the Indian Wells Valley and in the northeast corner of Kern County, surrounded by four mountain ranges; the Sierra Nevada on the west, the Cosos on the north, the Argus Range on the east, and the El Paso Mountains on the south. It is approximately an hour and quarter from the Lancaster/Palmdale area and approximately two hours from both Bakersfield and San Bernardino. A favorable characteristic of the City is its proximity to two major highways, the 395 and 14. Air travel in and out of the city is provided through the Inyokern Airport. These attributes make Ridgecrest, a central location for shopping and business for the Eastern Kern County area. Ridgecrest is also easily accessible to the rest of southern California making it an ideal location for industry. Ridgecrest evolved into a growing and dynamic city during the 1950's and 1960's as a support community, vital to the mission of the Navy, by providing housing and services for Federal employees and contractors. Ridgecrest provides shopping for over 40,000 people throughout the Indian Wells Valley.

There were 585 building permits issued in the City for the fiscal year ended June 30, 2007, compared with 768, 465 and 473 for the three preceding fiscal years.

As with most cities, Ridgecrest has to rely on additional sales tax dollars to increase its general fund revenue. Notable developments include a Wal-Mart and Lowe's.

Several industrial projects have been completed, including some 300,000 square feet of space in the Cherry Street Business Park and about 65,000 square feet in Ridgecrest Business Park. The City stands to benefit from this and other development through additional property and sales taxes as well as the addition of jobs for its residents.

City's Financial Statistics

A summary of the City's tax levies and collections is as follows:

	Property Tax Levies and Collections Fiscal Years 2001-2002 to 2006-07					
	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>
Current Levy	3,311,476	3,446,694	3,915,945	4,958,439	5,822,621	7,413,971
Total Current Collections	<u>3,307,514</u>	<u>3,441,268</u>	<u>3,908,652</u>	<u>4,953,104</u>	<u>5,817,552</u>	<u>7,406,500</u>
Outstanding Delinquent Taxes	<u>3,962</u>	<u>5,426</u>	<u>7,293</u>	<u>5,335</u>	<u>5,070</u>	<u>7,471</u>

⁽¹⁾ Collection in excess of Current Levy is due to supplemental tax roll adjustment made during the year.
Source: Kern County Office of Auditor-Controller.

Property Taxes

[Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding March 1 (January 1 beginning for fiscal year 1999-00). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."]

Property taxes on the secured roll are due in two installments, on November 1 and March 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1½% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day

of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

A summary of the City's assessed values of taxable property is as follows:

**Assessed Values of Taxable Property
Fiscal Years 2000-01 to 2006-07**

<i>Fiscal Year</i>	<i>Secured Valuation</i>	<i>Unsecured Valuation</i>	<i>Non-Unitary Valuation</i>	<i>Total Assessed Valuation</i>
2000-01		26,111,600	300	785,099,850
2001-02		30,858,937	800	781,849,219
2002-03		28,203,161	800	78,870,650
2003-04		27,232,504	800	849,563,512
2004-05		28,626,479	842,761	950,834,838
2005-06		27,176,839	842,761	1,039,258,766
2006-07		29,827,806	842,761	1,197,591,821

Source: Kern County Office of Auditor-Controller.

The value of property by category for fiscal year 2006-07 is shown in the following table:

Basic Property Value Table

<i>Category</i>	<i>Parcels</i>	<i>Assessed Value</i>	<i>Net Taxable Value</i>
Residential		911,494,904	
Commercial		174,032,874	
Vacant		49,323,706	
Industrial		11,837,503	
Recreational		4,642,201	
Institutional		14,742,327	
Unknown		544,550	
Government		146,152	
Exempt		-	
Miscellaneous		<u>157,037</u>	
Total		<u>1,197,591,821</u>	

⁽¹⁾ Includes supplemental tax roll adjustments not included in table above.
Source: City of Ridgecrest Comprehensive Annual Financial Report.

Commerce

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions is presented in the following table.

**City of Ridgecrest
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(in Thousands of Dollars)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2002	345	193,865	679	216,536
2003	341	201,253	690	223,546
2004	335	222,934	687	245,237
2005	351	248,826	698	275,216
2006	380	259,975	701	285,824
2007 ⁽¹⁾	N/A	63,694	N/A	69,950

⁽¹⁾ Figures through second quarter 2007.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The City of Ridgecrest is included in the Kern County Area labor market. The following table shows the average annual estimated numbers of wage and salary workers by industry. Does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes. Employment reported by place of work.

<i>Industry</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Total Farm	41,900	39,500	44,400	45,300	45,200
Natural Resources and Mining	8,000	8,100	8,500	9,400	9,800
Construction	13,600	15,400	18,200	20,000	18,600
Manufacturing	12,600	12,700	12,400	13,000	13,300
Trade, Transportation and Utilities	39,700	41,100	43,600	46,200	46,600
Information	2,500	2,500	2,500	2,700	2,800
Financial Activities	8,300	8,600	8,700	9,000	9,100
Professional and Business Services	21,700	21,700	23,000	25,000	26,300
Educational and Health Services	21,300	21,600	22,200	23,000	24,400
Leisure and Hospitality	18,000	19,000	20,100	20,700	21,300
Other Services	6,900	7,000	7,100	6,800	6,800
Government	54,500	54,000	55,800	57,000	60,000
Total All Industries ⁽¹⁾	<u>249,000</u>	<u>251,300</u>	<u>266,500</u>	<u>278,600</u>	<u>283,900</u>
Total Civilian Labor Force ⁽²⁾	313,700	317,200	330,400	341,600	351,900
Total Unemployment	32,400	31,500	27,900	25,900	29,100
Unemployment Rate	10.3%	9.9%	8.4%	7.6%	8.3%

⁽¹⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

Source: State Employment Development Department, Labor Market Information Division.

Major Employers

The following listing sets forth the top employers in the City of Ridgecrest as of June 30, 2007:

<i>Company</i>	<i>Employees</i>	<i>Project/Service</i>
Naval Air Weapons Station China Lake	5764	Military
Sierra Sands Unified School District	600	Education
Searles Valley Minerals	550	Mining
Ridgecrest Regional Hospital	380	Healthcare
Cerro Coso Community College	317	Education
Wal-Mart	268	Retail
City of Ridgecrest	200	City Government
Wyle Laboratories	174	Engineering Firm
SA-Tech	164	Computer System Applications
Alta One Federal Credit Union	160	Banking

Source: Ridgecrest Chamber of Commerce.

Construction Activity

The following is a five-year summary of the valuation of residential building permits issued in the City.

City of Ridgecrest Building Permit Valuation (Valuation in Thousands of Dollars)

	2003	2004	2005	2006	2007
Residential					
New Single-Dwelling	6,030,443	6,971,888	25,534,091	21,086,580	5,740,026
New Multi-Dwelling	<u>0</u>	<u>0</u>	<u>0</u>	<u>700,760</u>	<u>8,043,419</u>
Total Residential	<u>6,798,932</u>	<u>7,880,716</u>	<u>23,955,747</u>	<u>23,279,405</u>	<u>14,672,724</u>
No. of New Dwelling Units					
Single-Dwelling	39	46	168	153	49
Multi-Dwelling	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>80</u>
Total Dwelling Units	<u>39</u>	<u>46</u>	<u>168</u>	<u>160</u>	<u>129</u>

Source: Construction Industry Research Board.

Utilities

Southern California Edison provides the City with electric power. Natural gas is provided by Southern California Gas Company. The City is served by four Water Districts: Eastern Municipal Water District, Elsinore Valley Municipal Water District, Ridgecrest County Water District and Rancho California Water District. Sewer services are provided by the following Districts: Eastern Municipal Water District, Ridgecrest County Water District and Rancho California Water District and refuse collection is provided by a private collector through a franchise arrangement with the City.

Transportation

The City is served by or is adjacent to a variety of excellent land and air transportation facilities. Air service to all points is approximately one hour away at the San Diego, Ontario, John Wayne and Palm Springs Airports. County-owned French Valley Airport is a general aviation facility and handles small crafts.

The City is served by Interstate 215 north to Kern and via to Los Angeles, Interstate 15 north to Barstow and Las Vegas and south to San Diego County, State Route 79 north to Hemet and State Route 79 east to Palm Springs. These principal arteries link the City to the vast interlocking freeway network of the Los Angeles and San Diego Areas.

Interstate bus service is available via Greyhound. Local bus service is provided by the Kern Transit Authority.

APPENDIX B
DEFINITIONS

[to come]

The following are definitions of certain terms contained in the Indenture and used in this Official Statement.

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

**[APPENDIX C
FORM OF INSURANCE POLICY]**

[TO COME]

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Ridgecrest Redevelopment Agency
Ridgecrest, California

Re: \$29,970,000 Ridgecrest Redevelopment Agency Ridgecrest Redevelopment Project
Tax Allocation Refunding Bonds Series 2008

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Ridgecrest Redevelopment Agency (the "Agency"), and to the issuance and sale by the Agency of its Ridgecrest Redevelopment Agency Tax Allocation Refunding Bonds Series 2008 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Agency, the original purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California, a resolution of the Agency adopted on July 16, 2008 (the "Resolution"), and in accordance with the terms and conditions of an Indenture of Trust dated as of August 1, 2008 (the "Indenture"), by and between the Agency and U.S. Bank National Association, as trustee. All terms not defined herein have the meanings ascribed to those terms in the Indenture.

The Bonds are dated the date of original delivery of the Bonds, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture. The Bonds are issued and secured on a parity with the Agency's 2002 Tax Allocation Bonds in the original aggregate principal amount of \$ _____, to the extent set forth in the Indenture.

Based upon our examination of all of the foregoing, and in reliance thereon, and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds have been duly and validly authorized by the Agency and are valid and binding special obligations of the Agency and, except as specifically limited in the Indenture, payable solely from Tax Revenues and other sources as and to the extent provided for in the Indenture. The Bonds are enforceable in accordance with their terms and the terms of the Indenture, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

2. The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency and is enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California, except that we express no opinion as to any provisions therein relating to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and such interest (and original issue discount) is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, we note that, with respect to corporations, such interest (and original issue discount) on the Bonds will be included as an adjustment in the calculation of alternative minimum taxable income which may affect such corporation's alternative minimum tax liability.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income tax.

6. The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received) and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions set forth in paragraphs 3, 5 and 6 above are subject to the condition that the Agency comply with certain covenants and the applicable requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will remain excludable from gross income for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements. We express no opinion regarding other tax consequences with respect to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture and the Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the Bonds and we express no opinion with respect thereto.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and purchasers of the Bonds should not assume that we have reviewed the Official Statement on their behalf.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the Ridgcrest Redevelopment Agency (the “Agency”) and _____ (the “Dissemination Agent”) in connection with the issuance of the Agency’s \$29,970,000 Ridgcrest Redevelopment Agency, Ridgcrest Redevelopment Project, Tax Allocation Bonds, Series 2008 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2008 (the “Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency and the Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) of the Securities Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Agreement, unless otherwise defined, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Agency pursuant to, and as described in Section 3 and 4 of this Disclosure Agreement.

“Central Post Office” means to Disclosure USA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Agreement.

“Dissemination Agent” shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

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

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

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

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provisions of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than seven (7) months after the end of the Agency’s fiscal year (which date currently would be January 31, based upon the June 30 end of the Agency’s fiscal year), commencing with the report for the 2007-08 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than the Agency, and if, and to the extent, the Agency has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the Agency certifying that the Annual Report has been provided to the Repositories pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency’s, the City’s or the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following financial information and operating data set forth in the final Official Statement:

(i) The information for the most recent Fiscal Year substantially in the format set forth under the heading “PLEDGED TAX REVENUES—Schedule of Historical Pledged Tax Revenues.”

(ii) The information for the most recent fiscal year substantially in the format set forth under the heading “THE PROJECT AREA—Largest Local Secured Taxpayers.”

(iii) The information concerning assessed valuation appeals within the Project Area to the extent the appeals would result in a reduction in a assessed value that materially reduces Pledged Tax Revenues.

(iv) The information for the most recent fiscal year substantially in the format set forth under the heading “THE PROJECT AREA—Land Use.”

(v) A description of all amendments to the Redevelopment Plan.

(vi) A description of all litigation effecting the Redevelopment Plan or the receipt of Pledged Tax Revenues.

(vii) A description of any changes in the law or any agreements effecting the amount of Statutory Pass-Throughs described under the heading “THE PROJECT AREA—Statutory Pass Throughs.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the Agency's determination.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Services Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

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

Section 7. Dissemination Agent.

(a) The Agency hereby appoints and engages Rosenow Spevacek Group as the Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Agreement. The Agency may replace the Dissemination Agent with or without cause. If at the time there is no designated Dissemination Agent appointed by the Agency, the Agency shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder at any time upon written notice to the Agency.

(b) The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees agreed to between the Dissemination Agent and the Agency from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Agency hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency,

holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Agency or an opinion of nationally recognized bond counsel.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

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

under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Indenture insofar as they relate to the Trustee shall apply to the Trustee and the Dissemination Agent in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Agency or an opinion of nationally recognized bond counsel. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Trustee or Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August 1, 2008

RIDGECREST REDEVELOPMENT AGENCY

Authorized Officer

_____, as Dissemination Agent

Authorized Officer

EXHIBIT A

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

Name of Issuer: City of Ridgecrest

Name of Bond Issue: \$29,970,000 Ridgecrest Redevelopment Agency,
Ridgecrest Redevelopment Project. Tax Allocation Bonds,
Series 2008

Date of Issuance: _____, 2008

NOTICE IS HEREBY GIVEN that the Ridgecrest Redevelopment Agency (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of August 1, 2008, by and between the Issuer and U.S. Bank National Association, as trustee. The Issuer anticipates that the Annual Report will be filed by _____.

Date: _____

RIDGECREST REDEVELOPMENT AGENCY

By: _____

Title: _____

cc:

APPENDIX F

FY 2006-07 AGENCY AUDITED FINANCIAL STATEMENTS