



## Supplemental Agenda Related Writings/ Documents Provided To A Majority Of The Ridgecrest City Council / Redevelopment Agency Board Members After Distribution Of The June 2, 2010 Agenda Packet

### 2. Resolutions Of The Ridgecrest City Council, Ridgecrest Redevelopment Agency, And The Ridgecrest Finance Authority Regarding Issuance Of Tax Allocation Bonds Rose

This item reviews the resolutions and associated documents necessary for the issuance of tax allocation bonds in an amount not to exceed \$35,000,000 in order to refund Ridgecrest Development Project 1999 Tax Allocation Bonds and to provide funds for various other projects. There are four resolutions required for the Bond Purchase. They are as follows:

- A resolution of the Redevelopment Agency approving the forms of and authorizing the execution of documents pertaining to the issuance of Tax Allocation Bonds, Series 2010.
- A resolution of the City Council approving the sale of tax allocation refunding bonds.
- A resolution of the Financing Authority establishing regular meeting dates.
- A resolution of the Financing Authority approving the forms of and authorizing the execution of documents pertaining to the issuance of Tax Allocation Bonds, Series 2010.

This information is available for viewing on  
The City of Ridgecrest web page

<http://ci.ridgecrest.ca.us>

City Council Agendas

**CITY COUNCIL/REDEVELOPMENT**  
**AGENCY/FINANCING AUTHORITY AGENDA ITEM**

**SUBJECT:**

- A resolution of the Redevelopment Agency approving the forms of and authorizing the execution of documents pertaining to the issuance of Tax Allocation Bonds, Series 2010.
- A resolution of the City Council approving the sale of tax allocation refunding bonds.
- A resolution of the Financing Authority establishing regular meeting dates.
- A resolution of the Financing Authority approving the forms of and authorizing the execution of documents pertaining to the issuance of Tax Allocation Bonds, Series 2010.

**PRESENTED BY:**

Harvey M. Rose, City Manager/Executive Director  
David McEwen, Attorney at Law, Stradling Yocca Carlson & Rauth  
John O'Sullivan, Senior vice President, KNN Public Finance  
Marian Breitbart, Vice President, KNN Public Finance  
Eric Scriven, Senior Vice President, De La Rosa & Co., Investment Bankers

**SUMMARY:** Attached please find resolutions and associated documents necessary for the issuance of tax allocation bonds in an amount not to exceed \$35,000,000 in order to refund Ridgecrest Development Project 1999 Tax Allocation Bonds and to provide funds for various other projects. Our financing advisory team is prepared to present information and guide you through this process.

**ACTIONS:**

1. Approve RESOLUTION OF THE RIDGECREST REDEVELOPMENT AGENCY APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION OF AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, AN ESCROW AGREEMENT, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT RELATING TO THE ISSUANCE OF THE AGENCY'S TAX ALLOCATION REFUNDING BONDS SERIES 2010, AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH.
2. Approve RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIDGECREST, CALIFORNIA APPROVING THE SALE OF TAX ALLOCATION REFUNDING BONDS.
3. Approve RESOLUTION OF THE RIDGECREST FINANCING AUTHORITY ESTABLISHING REGULAR MEETING DATES OF THE AUTHORITY.
4. Approve RESOLUTION OF THE RIDGECREST FINANCING AUTHORITY APPROVING THE FORMS OF AN INDENTURE OF TRUST, A PURCHASE

AGREEMENT, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AND AN OFFICIAL STATEMENT, AND AUTHORIZING THE EXECUTION OF THE PURCHASE AGREEMENT RELATING TO THE ISSUANCE OF THE AGENCY'S TAX ALLOCATION REFUNDING BONDS AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH. (RIDGECREST REDEVELOPMENT PROJECT)

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Actions as requested:

A handwritten signature in blue ink that reads "Harvey M. Rose". The signature is written in a cursive style with a prominent vertical stroke at the beginning.

Submitted by: Harvey M. Rose, City Manager/Executive Director

Action Date: 6/2/10

**RESOLUTION NO. \_\_\_\_\_**

RESOLUTION OF THE RIDGECREST REDEVELOPMENT AGENCY APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION OF AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, AN ESCROW AGREEMENT, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT RELATING TO THE ISSUANCE OF THE AGENCY'S TAX ALLOCATION REFUNDING BONDS SERIES 2010, AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

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

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

WHEREAS, the Agency previously issued its Ridgecrest Redevelopment Project, 1999 Tax Allocation Refunding Bonds (the "1999 Bonds") and the Ridgecrest Redevelopment Project Tax Allocation Refunding Bonds, Series 2002 (the "2002 Bonds"), a portion of which are currently outstanding; and

WHEREAS, the Agency desires to refund all of the 1999 Bonds and finance various projects within the Ridgecrest Redevelopment Project, including capital infrastructure improvements, the design and construction of a corporate city yard facility and the creation of a grant funding program for certain purposes of the Redevelopment Plan, by issuing at this time its approximate Thirty-Five Million Dollars (\$35,000,000) Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010 (the "Bonds"), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used, to pay costs in connection with the issuance of the Bonds and to make certain deposits as required by the Indenture of Trust (the "Indenture"); and

WHEREAS, the purposes stated above will be accomplished by issuing at this time such tax allocation bonds pursuant to the Indenture and this Resolution of the Agency; and

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (1) a draft of the Indenture of Trust;
- (2) a draft of the Continuing Disclosure Agreement;
- (3) a draft Escrow Agreement;

- (4) a draft of the Preliminary Official Statement of the Agency to be used in connection with the sale of the Bonds (such Preliminary Official Statement in the form presented at this meeting with such changes, insertions, and omissions as are made pursuant to this Resolution, being referred to herein as "Preliminary Official Statement"); and
- (5) a draft of the proposed Bond Purchase Contract; and

WHEREAS, the Agency now desires to authorize the execution of such documents and the performance of such acts as may be necessary or desirable to effect the issuance and sale of the Bonds.

NOW, THEREFORE, THE RIDGECREST REDEVELOPMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Subject to the provisions of Section 2 hereof, the issuance of the Bonds in the approximate aggregate principal amount of approximately Thirty-Five Million Dollars (\$35,000,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture on a parity with the 2002 Bonds, is hereby authorized and approved. The Bonds will be dated, will bear interest at the rate, will mature on the date, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the Bonds shall be applied as provided in the Indenture.

Section 2. The Indenture, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Chairman and the Secretary of the Agency are hereby authorized and directed to execute and deliver the Indenture in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Chairman, said execution being conclusive evidence of such approval.

Section 3. The Bond Purchase Contract, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Executive Director of the Agency is hereby authorized and directed to execute the Bond Purchase Contract in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Executive Director, said execution being conclusive evidence of such approval. The Bond Purchase Contract shall provide for an Underwriter's Discount of not to exceed 1% and an interest rate of not to exceed 7% per annum.

Section 4. The Continuing Disclosure Certificate of the Agency in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Executive Director of the Agency is hereby authorized and directed to execute the Continuing Disclosure Certificate in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Executive Director, said execution being conclusive evidence of such approval.

Section 5. The Escrow Agreement between the Agency and the 1999 Bonds Trustee, in substantially the same form submitted at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Executive Director of the Agency is hereby authorized and directed to execute the Escrow Agreement in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Executive Director, said execution being conclusive evidence of such approval.

Section 6. The Preliminary Official Statement in substantially the form presented at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved and with such changes, additions or deletions as may be approved by the Executive Director with the advice of Bond Counsel. The Executive Director is hereby authorized by the Agency to deem the Preliminary Official Statement final. The use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved.

Section 7. The preparation and delivery of an Official Statement, and its use by the Agency and the Underwriter, in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by the Executive Director of the Agency, such approval to be conclusively evidenced by the execution and delivery thereof. The Executive Director is hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Agency, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

Section 8. The Chairman of the Agency, the Executive Director of the Agency, the Treasurer, the Secretary of the Agency, and any other proper officer of the Agency, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, including any agreements with the Agency relating to the Bonds, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Bond Purchase Contract, the Continuing Disclosure Certificate, the Official Statement, this Resolution and any such agreements.

U.S. Bank National Association is hereby appointed as Trustee.

This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED this 2<sup>nd</sup> day of June, 2010.

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Chairman

(SEAL)

ATTEST:

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Secretary

STATE OF CALIFORNIA    )  
COUNTY OF KERN        ) ss  
CITY OF RIDGECREST     )

I, RACHEL FORD, Secretary of the Ridgecrest Redevelopment Agency, DO HEREBY CERTIFY the foregoing to be a true and correct copy of Resolution No. \_\_\_\_\_, adopted by Ridgecrest Redevelopment Agency at its meeting held on June 2, 2010.

AYES:

NOES:

ABSENT:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Rachel Ford, Secretary

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
RIDGECREST, CALIFORNIA, APPROVING THE SALE OF TAX  
ALLOCATION REFUNDING BONDS**

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

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

**WHEREAS**, the Agency has adopted its Resolution entitled:

“RESOLUTION OF THE RIDGECREST REDEVELOPMENT AGENCY  
APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION  
OF AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE  
AGREEMENT, AN ESCROW AGREEMENT, A BOND PURCHASE  
CONTRACT, AN OFFICIAL STATEMENT RELATING TO THE  
ISSUANCE OF THE AGENCY’S TAX ALLOCATION BONDS,  
SERIES 2010, AND APPROVING CERTAIN ACTIONS IN  
CONNECTION THEREWITH”

; and

**WHEREAS**, under and pursuant to the above Resolution, the Agency has authorized the issuance and sale of Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010 in an amount of approximately Thirty-Five Million Dollars (\$35,000,000) (the “Bonds”).

**NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE  
CITY COUNCIL OF THE CITY OF RIDGECREST, CALIFORNIA, AS FOLLOWS:**

Section 1. Approval of Issuance of Bonds. The issuance of approximately \$35,000,000 “Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010” in order to refund the Agency’s Ridgecrest Development Project, 1999 Tax Allocation Bonds (the “Refunded Bonds”), to finance various projects within the Ridgecrest Redevelopment Project, including capital infrastructure improvements, the design and construction of a corporate city yard facility and the creation of a grant funding program for certain purposes of the Redevelopment Plan, and to satisfy the Reserve Requirement and pay costs of issuance on the Bonds; and

Section 2. Effective Date. This Resolution shall take effect upon adoption.

**PASSED, APPROVED and ADOPTED** this 2<sup>nd</sup> day of June, 2010 by the following vote:

AYES:

NOES:

ABSENT:

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Mayor

(SEAL)

**ATTEST:**

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City Clerk  
City of Ridgecrest

STATE OF CALIFORNIA    )  
COUNTY OF KERN        )       ss  
CITY OF RIDGECREST     )

I, RACHEL FORD, City Clerk of the City of Ridgecrest, California, DO HEREBY CERTIFY the foregoing to be a true and correct copy of Resolution No. \_\_\_\_\_ was duly passed, approved and adopted by the City Council of the City of Ridgecrest at its meeting held on June 2, 2010 by the following vote:

AYES:

NOES:

ABSENT:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Rachel Ford, City Clerk

RESOLUTION NO. \_\_\_\_\_

RIDGECREST FINANCING AUTHORITY

RESOLUTION OF THE RIDGECREST FINANCING  
AUTHORITY ESTABLISHING REGULAR MEETING DATES OF  
THE AUTHORITY

WHEREAS, the Ridgecrest Financing Authority (the “Authority”) is a joint exercise of powers authority organized and existing under Article 1 and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Act”) for the purpose of assisting the City of Ridgecrest (the “City”) in the financing of the construction, reconstruction, modernization and equipping of certain capital improvements on behalf of the City; and

WHEREAS, to fulfill its purposes, the Authority, from time to time, authorizes the issuance of bonds pursuant to the JPA Act; and

WHEREAS, Government Code Section 6592.1 provides that the Authority may adopt a resolution authorizing bonds or any issuance of bonds or accepting the benefit of any bonds or the proceeds of bonds only during a regular meeting of the Authority held pursuant to Government Code Section 54954; and

WHEREAS, the Authority desires to adopt this resolution in accordance with the provisions of Government Code Section 54954 to establish regular meeting dates;

NOW, THEREFORE, the Board of Directors of the Authority does hereby resolve as follows:

SECTION 1. Recitals. Each of the foregoing recitals is true and correct.

SECTION 2. Regular Meeting Dates. Notwithstanding any provision to the contrary in the joint powers agreement establishing the Authority, any bylaws of the Authority or in any prior resolutions or actions of the Board of Directors of the Authority, from the date hereof, the regular meetings of the Authority shall be held on the first and third Wednesday’s at 6:30 p.m., and may be held as a joint meeting with the City Council of the City; provided, however, if the regular meetings of the City Council of the City are changed from the first and third Wednesday’s at 6:30 p.m., then the regular meeting dates and times for the Board of Directors of the Authority shall, without further action by the Board of Directors, be changed to be the same date and time as the regular City Council meetings. In the event that the Secretary determines that there is no business of the Authority to be conducted at a regular meeting, then the Chairman, the Secretary and other officers of the Authority are authorized to take whatever actions are required by law to cancel such regularly scheduled meeting.

SECTION 3. Other Actions. The Chairman, Vice Chairman, Executive Director, Treasurer, Secretary and other officers of the Authority are authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 4. Effect. This Resolution shall take effect from and after its date of adoption.

ADOPTED AND APPROVED this \_\_\_\_ day of \_\_\_\_\_, 2010, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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Chairman  
Board of Directors  
Ridgecrest Financing Authority

I hereby certify that the foregoing resolution was duly introduced, passed and adopted at the time and place and by the vote as noted above.

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Secretary  
Ridgecrest Financing Authority

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE RIDGECREST FINANCING AUTHORITY APPROVING THE FORMS OF AN INDENTURE OF TRUST, A PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AN OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION OF THE PURCHASE AGREEMENT RELATING TO THE ISSUANCE OF THE AGENCY'S TAX ALLOCATION REFUNDING BONDS AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH (RIDGECREST REDEVELOPMENT PROJECT)

WHEREAS, the Authority is a joint powers authority organized pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California; and

WHEREAS, for the corporate purposes of the Ridgecrest Redevelopment Agency (the "Agency"), the Agency deems it necessary to issue at this time tax allocation refunding bonds in a principal amount of approximately Thirty-Five Million Dollars (\$35,000,000) (the "Bonds"), and to use the proceeds of such Bonds to refund its Ridgecrest Redevelopment Project 1999 Tax Allocation Bonds to finance the costs of implementing the Redevelopment Plan, to satisfy the Reserve Requirement and pay costs of issuance on the Bonds; and

WHEREAS, the purposes stated above will be accomplished by the Authority purchasing such Bonds from the Agency and selling such Bonds to De La Rosa & Co. (the "Underwriter") pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Government Code Sections 6584, *et seq.*); and

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (1) a draft of the Indenture of the Agency;
- (2) a draft of the Preliminary Official Statement of the Agency to be used in connection with the sale of the Bonds (such Preliminary Official Statement in the form presented at this meeting with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as "Preliminary Official Statement"); and
- (3) a draft of the proposed Purchase Agreement between the Agency, the Authority and the Underwriter; and
- (4) a draft of the proposed Escrow Agreement between the Agency and Escrow Bank.

NOW, THEREFORE, BE IT RESOLVED by the Ridgecrest Financing Authority, as follows:

Section 1. Subject to the provisions of the Indenture referred to in Section 2 hereof, the purchase of the Bonds in the aggregate principal amount of approximately Thirty-Five Million Dollars (\$35,000,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture and the Purchase Agreement, is hereby authorized and approved. The Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be

subject to redemption, and will be as otherwise provided in the Indenture, as the same will be completed as provided in this Resolution.

Section 2. The Indenture, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved.

Section 3. The Purchase Agreement, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein are hereby approved. The Executive Director of the Authority, or his written designee, is hereby authorized and directed to execute the Purchase Agreement in the forms presented at this meeting with such changes, insertions and omissions as may be approved by the Executive Director, said execution being conclusive evidence of such approval.

Section 4. The Preliminary Official Statement in substantially the form presented at this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved.

Section 5. The preparation and delivery of an Official Statement, and its use by the Underwriter, in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by the Chairman of the Agency, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Chair of the Authority, the Treasurer, the Secretary of the Authority, and any other proper officer of the Authority, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, including any agreements with the Agency relating to the Bonds, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Purchase Agreement, the Official Statement, this Resolution and any such agreements.

Section 7. The Authority hereby appoints the City Attorney to act as Counsel to the Authority.

Section 8. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED and ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2010 by the following vote:

AYES:

NOES:

ABSENT:

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Chairman

(SEAL)

ATTEST:

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Secretary

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RIDGECREST REDEVELOPMENT AGENCY

AND

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

INDENTURE OF TRUST

SECURING \$35,000,000  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2010

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Dated as of June 1, 2010

THIS INDENTURE OF TRUST, dated as of June 1, 2010, is entered into between the Ridgecrest Redevelopment Agency, a public body corporate and politic (the "Agency"), and U.S. Bank National Association, a national banking association, duly authorized to accept and execute trusts of the character herein set forth, as trustee (the "Trustee").

## RECITALS

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

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as the "Ridgecrest Redevelopment Project" has been adopted and approved by Ordinance No. 86-37 of the City of Ridgecrest on November 16, 1986, and amended by Ordinance No. 91-13 adopted on April 17, 1991 and amended by Ordinance No. 95-04 adopted on March 15, 1995 and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Agency has previously issued its Ridgecrest Redevelopment Project 1999 Tax Allocation Refunding Bonds in an original aggregate principal amount of \$7,860,000, currently outstanding in the amount of \$6,385,000 (the "1999 Bonds"); and

WHEREAS, the Agency has previously issued its Ridgecrest Redevelopment Project 2002 Tax Allocation Refunding Bonds in an original aggregate principal amount of \$4,425,000, currently outstanding in the amount of \$1,725,000 (the "2002 Bonds"); and

WHEREAS, for the corporate purposes of the Agency, the Agency deems it necessary to issue at this time tax allocation refunding bonds in a principal amount of Thirty-Five Million Dollars (\$35,000,000) (the "Bonds"), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the 1999 Bonds, to finance a portion of the costs of the Redevelopment Project, fund a reserve fund and to pay costs in connection with the issuance of the Bonds and to make certain other deposits as required by this Indenture; and

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

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

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

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

## GRANTING CLAUSE

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

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

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

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

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

## ARTICLE I

### DEFINITIONS

#### Section 1.1. Definitions.

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

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

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

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

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

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

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

“Agency” means the Ridgecrest Redevelopment Agency.

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

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

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

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

“Bond” or “Bonds” means the “Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010” authorized by this Indenture.

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

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

“Bond Year” means the twelve (12) month period commencing on July 1 of each year, provided that the first Bond Year shall extend from the Delivery Date to June 30, 2011.

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

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

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

“City” means the City of Ridgecrest, California.

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

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

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

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

“County” means the County of Kern, California.

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

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

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

“Escrow Agreement” means the Escrow Agreement relating to the refunding of the Refunded Bonds, dated as of June 1, 2010, by and between the Agency and the Escrow Bank, together with any amendments thereto.

“Escrow Bank” means U.S. Bank National Association.

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

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

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

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

“Holding Fund” means the fund by that name established pursuant to Section 3.2.

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

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

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

- (1) Is in fact independent and not under domination of the Agency;
- (2) Does not have any substantial interest, direct or indirect, with the Agency; and
- (3) Is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Information Services” means one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with

respect to called bonds as the Agency may designate in a Certificate of the Agency delivered to the Trustee.

“Interest Payment Date” means June 30 and December 31 of each year commencing December 31, 2010.

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

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

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

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

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

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid pursuant to Section 11.1 and Section 3.6 hereof; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Supplemental Indenture.

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

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

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

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

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

- (1) Government Obligations;
- (2) bonds, debentures, notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Rural Economic Community Development Administration, Federal Housing Administration, U.S. Maritime Administration, Government National Mortgage Association;
- (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Federal Home Loan Bank System Senior debt obligations; Federal Home Loan Mortgage Corporation, Senior debt obligations (rated Aaa by Moody’s and AAA by S&P); Federal National Mortgage Association senior debt obligations (rated Aaa by Moody’s and AAA by S&P); government sponsored agency’s senior debt obligations;
- (4) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating AAAM, or AAAM-G or better by S&P and “Aaa” by Moody’s, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;
- (5) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);
- (6) investment agreements including guaranteed investment contracts approved by the Agency;
- (7) commercial paper rated at the time of purchase “A-1+” by S&P or “P-1” by Moody’s and which mature not more than 270 days after the date of purchase;
- (8) general obligations issued by any state with a rating of at least “A2/A” or higher by both Moody’s and S&P;

- (9) repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity or the Trustee on behalf of the municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date;
- (10) the Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a Permitted Investment;
- (11) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

“Pledged Revenues” means Tax Revenues, including that portion of taxes otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund but only to the extent necessary to repay that portion of the Bonds and any Parity Bonds which were issued or which shall be issued to finance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Law; but excluding (i) all other amounts of such taxes (if any) (a) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Law, and (ii) all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreements or Statutory Pass-Throughs.

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

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

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

“Redevelopment Plan” means the Redevelopment Plan for the Ridgecrest Redevelopment Project, approved and adopted by the City Council of the City by Ordinance No. 86-37 of the City of Ridgecrest on December 16, 1986 and amended by Ordinance No. 91-13 adopted on April 17, 1991 and amended by Ordinance No. 95-04 adopted on March 15, 1995, hereafter or heretofore made pursuant to the Law.

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

“Refunded Bonds” means the 1999 Bonds.

“Refunded Bonds Escrow Funds” means the funds by that name described in Section 3.3(a) and (b) hereof and any subaccounts therein.

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

“Report” means a document in writing signed by an Independent Financial Consultant and including:

- (1) A statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates;
- (2) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (3) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

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

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

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

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses as such depositories may specify and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

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

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

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

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

“State” means the State of California.

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

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

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

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

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

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

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

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

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

## ARTICLE II

### THE BONDS

Section 2.1. Amount, Issuance and Purpose of Bonds. Under and pursuant to the Law and under and pursuant to this Indenture, Bonds of the Agency in a principal amount of Thirty-Five Million Dollars (\$35,000,000) shall be issued by the Agency for the corporate purposes of the Agency by providing funds for refunding the Refunded Bonds, for making certain other deposits as herein provided and for the financing of a portion of the costs of implementing the Redevelopment Plan which constitutes a “redevelopment activity” as such term is defined in Health and Safety Code Section 33678; and such issue of Bonds is hereby created and authorized.

Section 2.2. Nature of Bonds. The Bonds shall be and are special obligations of the Agency and are secured by an irrevocable pledge (which pledge shall be effected in the manner and to the extent hereinafter provided) of, and are payable as to principal and interest from, Pledged Revenues and other funds as hereinafter provided in Section 4.1 on a parity with the 2002 Bonds. The Bonds and interest thereon are not a debt or obligation of the City, the State of California or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable on them. In no event shall the Bonds or interest thereon be payable out of any funds or properties other than the Pledged Revenues and other funds of the Agency as expressly set forth in this Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

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

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

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

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

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

Section 2.3. Description of Bonds. The Bonds shall be issued in an aggregate principal amount of Thirty-Five Million Dollars (\$35,000,000) and shall be designated "Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010." The Bonds shall be issued in the form of fully registered bonds in denominations of \$5,000 each or any whole multiple thereof. The Bonds shall be initially dated as of the Date of Delivery and shall be lettered and numbered consecutively upwards. The Bonds shall mature on June 30 in the years and in the amounts and shall bear interest at the rates per annum as follows:

<i><b>Maturity Date</b></i> <i><b>(June 30)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>
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Section 2.4. Interest. The Bonds shall bear interest at the rates set forth above per annum, payable semiannually on June 30 and December 31 of each year, commencing December 31, 2010. Each Bond shall bear interest until its principal sum has been paid; provided, however, that if funds are available for the payment thereof in full accordance with the terms of this Indenture, the Bond shall then cease to bear interest. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve (12) 30-day months.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) it is authenticated as of an Interest Payment Date, in which event it shall bear interest from that Interest Payment Date; (ii) it is authenticated after a Regular Record Date and before the following Interest Payment Date, and if the Agency shall not be in default in the payment of interest due on such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to December 15, 2010, in which event it shall bear interest from the Date of Delivery. Interest on the Bonds shall be paid by the Trustee (out of the appropriate funds) by check mailed by first class mail, postage prepaid on the Interest Payment Date to the registered Owner as his/her name and address appears on the register kept by the Trustee at the close of business on the Regular Record Date preceding the Interest Payment Date or, upon request in writing made before the Regular Record Date preceding the Interest Payment Date by a Bondowner of \$1,000,000 or more in principal amount of Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account in the United States designated by such Bondowner to the Trustee. Any such written request shall remain in effect until rescinded in writing by the Bondowner. Should payment come due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day without accruing additional interest from the Interest Payment Date.

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

Section 2.6. Form of Bonds. The Bonds shall be substantially in the form attached hereto and by this reference incorporated herein as Exhibit "A." This form is hereby approved and adopted as the form of the Bond, and of the exchange, registration and assignment provisions pertaining thereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

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

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

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

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

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

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

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

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

(b) Original executed counterparts of this Indenture;

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

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

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

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

(g) Any additional agreements, certificates, documents or other items or matters authorized or required by the provisions of the Resolution of the Agency or the Authority in connection with the issuance of the Bonds.

Section 2.11. Lost, Stolen, Destroyed or Mutilated Bonds. Should any Bond become mutilated or be lost or destroyed, the Agency shall cause to be executed, and the Trustee shall authenticate and deliver, a new Bond of like outstanding principal amount and maturity in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond; provided, however, that the Agency and the Trustee shall so execute, authenticate and deliver only if the Bondowner has paid the reasonable expenses and charges of the Trustee in connection therewith and, in the case of a lost or destroyed Bond, has furnished to the Trustee evidence of such loss or destruction and indemnity satisfactory to it. If any such Bond shall have matured, instead of issuing a new Bond the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity.

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

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

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

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

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

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

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

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

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

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

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

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

#### Section 2.15. Book Entry System.

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

(b) With respect to Bonds registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any direct or indirect participant in the DTC book entry system (each, a "Participant") with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Bond, as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than an Owner of a Bond, as shown in the registration books kept by the Trustee, of any

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

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

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

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

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

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

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection 2.15(d)(ii)(b) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.15(d)(i) or subsection 2.15(d)(ii)(a) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Agency, is willing and

able to undertake such functions upon reasonable and customary terms, the Agency is obligated to deliver the Bonds at the expense of the beneficial owners of the Bonds, as described in this Indenture and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names of Owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

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

### ARTICLE III

#### REVENUES AND FUNDS

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

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

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

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

therefrom (other than the Redevelopment Fund and the Holding Fund as to which the Agency will keep such records).

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

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

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

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

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

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

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

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

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

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

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

If any sum remains in the Redevelopment Fund after the full accomplishment of the projects and purposes for which the Bonds were issued, that sum shall be transferred to the Trustee

for deposit in the Special Fund pursuant to written instructions from the Agency. Moreover, all interest and income earned from the Redevelopment Fund on or prior to the date established by resolution of the Agency shall be retained therein.

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

(d) The moneys deposited in the Costs of Issuance Fund shall be applied by the Trustee to the payment of Costs of Issuance as directed by a Certificate of the Agency. Any moneys remaining in the Costs of Issuance Fund on September 1, 2010, shall be transferred by the Trustee to the Agency for deposit in the Redevelopment Fund. Thereafter, the Costs of Issuance Fund shall be closed and all further responsibility for payment of Costs of Issuance shall belong solely to the Agency.

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

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

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

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

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

#### ARTICLE IV

#### REVENUES AND APPLICATION

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

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

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

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

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

The Pledged Revenues received by the Agency [on or] after the date of issue of the Bonds shall be deposited into the Holding Fund held by the Treasurer and are hereby irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds, any Parity

Bonds, and until all of the Bonds and all interest thereon, have been paid (or until moneys for that purpose have been irrevocably set aside), the Pledged Revenues (subject to the exception set forth in Section 4.2 relating to excess Pledged Revenues and 4.2(d) that may be used for any lawful purpose of the Agency shall be applied solely to the payment of principal of the Bonds and any Parity Bonds plus premium, if any, and the interest thereon as provided in this Indenture. This allocation and pledge is for the exclusive benefit of the Owners of the Bonds and shall be irrevocable.

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

Section 4.2. Special Fund. The Agency shall pay or cause to be paid to the Trustee for deposit in the Special Fund in accordance with this Section and Section 4.1 hereof all Pledged Revenues in the Holding Fund in the amounts set forth herein ten (10) days prior to the dates of required deposits to the subaccounts of the Special Fund described herein; provided, that the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Pledged Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit from the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to Section 4.3. Such excess Pledged Revenues may be used for any lawful purpose of the Agency. The interest on the Bonds until maturity shall be paid by the Trustee on behalf of the Agency from the Interest Account of the Special Fund. At the maturity of the Bonds, and after all interest then due on the Bonds then Outstanding has been paid or provided for, moneys remaining in the Special Fund shall be applied to the payment of the principal of any of such Bonds.

Without limiting the generality of the foregoing and for the purpose of assuring that the payments referred to above will be made as scheduled, the Pledged Revenues accumulated in the Special Fund shall be used in the following priority; provided, however, to the extent that deposits have been made in any of the Accounts referred to below from the proceeds of the sale of the Bonds or otherwise, the deposits below need not be made:

(a) Interest Account. Deposits shall be made into the Interest Account so that the balance in the Account at least five (5) days prior to each Interest Payment Date shall be equal to interest due and payable on the then Outstanding Bonds on such Interest Payment Date. Moneys in the Interest Account shall be used solely for the payment of interest on the Bonds as interest becomes due, including accrued interest on any Bonds purchased or redeemed prior to maturity.

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

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

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

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

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

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

Section 4.4. Revenues to be Held for All Bondowners; Certain Exceptions. The Revenues shall, until applied as provided in this Indenture, be held by the Treasurer in the Holding Fund and the Trustee for the benefit of the Owners of all Outstanding Bonds, except as provided in Section 3.2

hereof and except that any portion of the Revenues held pursuant to Section 3.6 hereof representing principal or redemption price of and interest on, any Bonds previously called for redemption in accordance with Article VI of this Indenture or previously matured shall be held for the benefit of the Owners of such Bonds only and shall not be deposited or invested pursuant to Article V hereof, notwithstanding any provision of Article V.

## ARTICLE V

### INVESTMENT OF MONEYS

#### Section 5.1. Excess Investment Earnings Fund.

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

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

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

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

Trustee shall withdraw the excess from the Rebate Account and then credit the excess to the Special Fund.

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

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

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

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

(ii) Alternative Penalty Account.

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

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

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

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

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

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

Section 5.3. Investments. The Trustee may make any and all investments permitted by the provisions of Section 5.1 hereof and Section III (h) of the Tax Certificate delivered on the Delivery Date, through its own bond or investment department; provided, however, that the Trustee shall establish to the satisfaction of the Agency that such investments have been made at fair market value. As and when any amount invested pursuant to this Article may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such Funds or Accounts. Until receipt of written notice to the contrary, the Trustee shall be entitled to assume that all investments directed by an Authorized Officer of the Agency are permitted by law for the funds invested and are Permitted Investments. The Agency acknowledges that to the

extent that the Comptroller of the Currency or other applicable regulatory agency grant the Agency the right to receive brokerage confirmations, the Agency waives receipt of such confirmations. The Trustee shall furnish to the Agency monthly statements which include detail of all investment transactions made by the Trustee, provided that the Trustee shall not be obligated to provide an accounting for any account or fund that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date. The Trustee is hereby authorized in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

## ARTICLE VI

### REDEMPTION OF BONDS BEFORE MATURITY

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

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

#### *Redemption Dates*

#### *Redemption Price*

#### **[No Sinking Acct Redemption/Term Bonds?]**

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

Notice of redemption prior to maturity shall be given by first class mail, postage prepaid not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered Owner of each such Bond at the address shown on the registration books of the Trustee. Neither the failure to receive such notice nor any defect in any notice mailed shall affect the sufficiency of the proceedings for the redemption of any Bonds. The notice of redemption shall: (a) state the redemption date; (b) state the redemption price; (c) if less than all of the Bonds of a maturity are to be redeemed, state the numbers of the Bonds to be redeemed; provided, however, that whenever any call for redemption includes all of the Outstanding Bonds, the numbers of the Bonds need not be stated; (d) state, as to any Bonds redeemed in part only, the Bond numbers and the principal portion thereof to be redeemed; (e) state that interest on the principal portion of the Bonds designated for redemption shall cease to accrue from and after the redemption date and that on the redemption date

there shall become due and payable on each of such Bonds the redemption price for each Bond; and (f) state that the redemption of the Bonds is subject to there being on deposit with the Trustee at the time of such redemption, moneys sufficient to redeem the portion of the Bonds as set forth in the Notice. The notice may state that it is conditioned upon the receipt of proceeds of refunding bonds on or prior to the Redemption Date in an amount sufficient to redeem that portion of the Bonds as set forth in the notice.

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

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

Section 6.4. Redemption Fund. Prior to the mailing of notice as required above, the Trustee shall establish, maintain and hold in trust a separate fund which is hereby created for the purpose of this Indenture entitled "Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, 2010 Tax Allocation Refunding Bonds, Redemption Fund" (hereinafter referred to as the "Redemption Fund"). There shall be set aside in the Redemption Fund prior to mailing notice of optional redemption, moneys (or Government Obligations as provided in Section 11.1(c)) for the purpose of and sufficient to redeem, at the premiums, if any, payable as provided in this Indenture, the Bonds designated in the notice of redemption. The moneys must be set aside in the Redemption Fund (or other special trust fund pursuant to Section 11.1) and pledged solely for that purpose and shall be applied on or after the redemption date to the payment (principal, interest and premium, if any) of the Bonds to be redeemed upon presentation and surrender of the Bonds. Any moneys in excess of the amount required to redeem Bonds shall be transferred to the Special Fund.

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

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

case may be, redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and delivered to, or destroyed upon the order of the Agency.

Section 6.7. Purchase of Bonds. In lieu of redemption or otherwise, the Agency is hereby authorized to purchase Bonds on the open market at any time and the Trustee will upon written direction of the Agency settle these purchases from moneys deposited by the Agency with the Trustee at a price not to exceed the principal amount of Bonds plus the applicable premium and accrued interest, if any, to the date of purchase plus brokerage fees, if any.

## ARTICLE VII

### PAYMENT; COVENANTS OF THE AGENCY

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

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

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

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

Covenant 3. No Priority. The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Revenues which have any lien upon Pledged Revenues prior to or superior to the lien of the Bonds or any Parity Bonds. Except as permitted by Section 2.14 hereof, it will not issue any obligations, payable as to principal or interest, from the Pledged Revenues which have any lien upon the Pledged Revenues on a parity with the Bonds or any Parity Bonds. Notwithstanding the foregoing, nothing in this Indenture shall prevent

the Agency: (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds or Parity Bonds; (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Revenues which is junior to the Bonds or any Parity Bonds; or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Pledged Revenues. As used herein “obligations” shall include, without limitation, bonds, notes, interim certificates, debentures or other obligations, loans, advances, or other forms of indebtedness incurred by the Agency.

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

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

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

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

Covenant 8. Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date this Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities

whose property is tax exempt, unless such disposition will not result in the security of the Bonds or the rights of Bondowners being substantially impaired, as shown by an Opinion of Counsel addressed to the Agency and the Trustee, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

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

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

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

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

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

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

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

maintain the exclusion from gross income of interest on the Bonds and any Parity Bonds for federal income tax purposes; and

(6) Miscellaneous. The Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Agency in connection with each issuance of Bonds and any Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Covenant 11. Taxation of Leased Property. Whenever any property in the Project Area has been redeveloped and thereafter is leased by the Agency to any person or persons (other than a public agency), or whenever the Agency leases real property in the Project Area to any person or persons (other than a public agency) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law, and the lease or contract shall provide: (a) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest; and (b) that if for any reason the taxes levied on the property in any year during the term of the lease or contract are less than the taxes which would have been levied if the entire property had been assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for the year become payable to the taxing agencies and in no event later than the delinquency date of such taxes established by law. All such payments shall be treated as Pledged Revenues, and when received by the Agency shall be used as provided herein. As an alternative to payment to the Agency pursuant to (b) above, the new owner or owners of property becoming exempt from taxation may elect to make payment to the Agency in a single sum equal to the amount estimated by an Independent Financial Consultant to be receivable by the Agency from taxes on said property from the date of said payment to the maturity date of the Bonds, less a reasonable discount value. All such single sum payments in lieu of taxes shall be treated as Pledged Revenues and shall be transferred to the Trustee for deposit in the Special Fund.

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

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

Covenant 14. Further Assurances. The Agency covenants and agrees to adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided therein.

Covenant 15. Continuing Disclosure Certificate. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate dated the Delivery Date. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

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

## ARTICLE VIII

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDOWNERS

#### Section 8.1. Defaults.

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

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

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

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

(iv) The Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors,

any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

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

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

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

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

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

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

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

No remedy conferred upon any Bondowner or Trustee by the Indenture is intended to be exclusive of any other remedy, but each remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law of the State of California. No waiver of any default or breach of any duty or contract by any Bondowner or Trustee shall affect any subsequent default or breach of any

duty or contract or shall impair any rights or remedies on the subsequent default or breach. No delay or omission of any Bondowner or Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondowners or Trustee may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right, or exercise any remedy, shall be brought and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or Trustee, then, and in every such case, the Agency, Trustee or the Bondowners shall be restored to their former positions, rights and remedies as if the suit, action or proceeding had not been brought or taken.

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

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

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

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

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

## ARTICLE IX

### THE TRUSTEE AND THE PAYING AGENT

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

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

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

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

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

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

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or commercial bank having trust powers and having a corporate trust office located within or without the State, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE X

### SUPPLEMENTAL INDENTURES

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE XI

### DEFEASANCE

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

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

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

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

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

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

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

## ARTICLE XII

### MISCELLANEOUS

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

(a) The fact and date of the execution by any person of any such instrument or writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument or writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If to the Agency	Ridgecrest Redevelopment Agency 100 W. California Avenue Ridgecrest, California 93555 Attn: Executive Director
------------------	---

If to the Trustee	U.S. Bank National Association 633 W. Fifth Street, 24th Floor Los Angeles, CA 90071 Attn: Corporate Trust Services
-------------------	--

Section 12.15. Accounting Records and Reports. The Trustee shall at all times keep proper books of record and accounts in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds and all funds and accounts established by the Trustee pursuant to this Indenture. Not later than 45 Business Days following each Interest Payment Date, the Trustee shall prepare and file with the Agency a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under this Indenture; (ii) the balance on deposit in each fund and account as of the Interest Payment Date for which such report is prepared, and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed or delivered to any Owner of any Bond upon the Owner's written request at a cost to be paid by such Owner, not to exceed the Trustee's actual costs of duplication and mailing of delivery.

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

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, the Ridgecrest Redevelopment Agency, California has caused these presents to be signed in its name and on its behalf by its Chairman and its seal to be hereunto affixed and attested by its Secretary and to evidence its acceptance of the trusts hereby created the Trustee has caused these presents to be signed in its name and behalf by one of its duly authorized officers all as of the \_\_\_ day of \_\_\_\_\_, 2010.

RIDGECREST REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Chairman

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT A  
[FORM OF BOND]

No. R-\_\_ \$\_\_\_\_\_

STATE OF CALIFORNIA  
COUNTY OF KERN

RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BOND  
SERIES 2010

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

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

The RIDGECREST REDEVELOPMENT AGENCY (hereinafter sometimes called (the “Agency”), a public body, corporate and politic, duly organized and existing under the laws of the State of California, for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner specified above or registered assigns (herein sometimes referred to as “registered owner”) the principal sum stated above on the date stated above and to pay the registered owner on each June 30 and December 31, commencing on December 31, 2010 (each such date an “Interest Payment Date”) by check mailed on the Interest Payment Date to him by first class mail, postage prepaid as his name and address appear on the register kept by the Trustee (defined below) as of the close of business on the fifteenth (15th) day of the month next preceding each Interest Payment Date (the “Regular Record Date”), interest on the principal sum from the Interest Payment Date next preceding the date of authentication hereof (unless (i) the date of authentication hereof is an Interest Payment Date, in which event from that Interest Payment Date, (ii) the date of authentication hereof is after the Regular Record Date and prior to the next succeeding Interest Payment Date, and if the Agency shall not default in the payment of interest due on said Interest Payment Date, from said Interest Payment Date, or (iii) the date of authentication hereof is prior to December 15, 2010, in which event from the Date of Delivery) until the principal hereof shall have been paid or provided for in accordance with the Indenture hereinafter referred to, at the rate per annum set forth above; provided that upon written request made before the Regular Record Date preceding the Interest Payment Date by a Bondowner of \$1,000,000 or more in principal amount of Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account in the United States designated by such Bondowner to the Trustee. Both principal and interest on this Bond are payable in lawful money of the United States of America, and (except for interest which is payable as stated above) are payable upon presentation of

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

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

This Bond is one of a duly authorized issue of bonds of the Agency designated “Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010” (hereinafter called “Bonds”) in the aggregate principal amount of \$\_\_\_\_\_ all of like tenor (except for bond numbers, maturity dates and differences, if any, in interest rates) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and particularly the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) for the purpose of financing the Redevelopment Project and are authorized by and issued pursuant to Resolution No. \_\_\_\_\_ adopted by the Agency on \_\_\_\_\_, 2010 (the resolution being herein referred to as the “Resolution”), and that certain Indenture of Trust entered into by and between the Agency and the Trustee dated as of \_\_\_\_\_ 1, 2010 (the “Indenture”) and all of the Bonds are equally secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security therein provided for said Bonds, for the nature, extent and manner of enforcement of such security, for the covenants, and agreements made for the benefit of the Bondowners, and for a statement of the rights of the Bondowners, and by the acceptance of this Bond the registered owner hereof assents to all of the terms, conditions and provisions of said Indenture. In the manner provided in the Indenture, said Indenture and the rights and obligations of the Agency and of the Bondowners, may (with certain exceptions as stated in said Indenture) be modified or amended with the consent of the Owners of sixty percent (60%) in aggregate principal amount of outstanding Bonds, exclusive of issuer-owned bonds, unless such modification or amendment is for the purpose of curing ambiguities, defects, and such other matters not affecting the rights of the Bondowners as provided in the Indenture, in which case no Bondowner’s consent is required.

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

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

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

*Redemption Dates*

*Redemption Price*

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

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

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

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

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

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

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

RIDGECREST REDEVELOPMENT AGENCY

\_\_\_\_\_  
Chairman

[SEAL]

\_\_\_\_\_  
Executive Director

**[FORM OF CERTIFICATE OF AUTHENTICATION OF BOND]**

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

Date of Authentication: \_\_\_\_\_, 2010

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

## LEGAL OPINION

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

---

Executive Director  
Ridgecrest Redevelopment Agency

**[FORM OF ASSIGNMENT OF FULLY REGISTERED BONDS]**

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

\_\_\_\_\_  
\_\_\_\_\_

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

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

Dated: \_\_\_\_\_

**SIGNATURE GUARANTEED**

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

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

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the Ridgecrest Redevelopment Agency (the “Agency”) and U.S. Bank, National Association (the “Dissemination Agent”) in connection with the issuance of its \$\_\_\_\_\_ Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2008 (the “Bonds”). The Bonds are being issued pursuant to a 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).

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 \_\_\_\_\_, 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) summary of historical tax revenues substantially in the format set forth under the heading "PLEDGED REVENUES — Schedule of Historical Pledged Revenues."

(ii) summary of Agency indebtedness payable from tax increment generated in the Project Area, including the amount outstanding as of June 30 of the most recent fiscal year, and information about any new Parity Debt (as defined in the Indenture relating to the Bonds);

(iii) identity of pending and successful appeals of assessed values in the Project Area, but only if (1) such information is collected and made available to the City by the County and (2) total appeals exceed, in the aggregate, 5% of assessed value in the Project Area;

(iv) during any period that the Agency and the Project Area do not participate in the Teeter Plan, a summary of tax increment levies, collections and delinquencies in the Project Area;

(v) summary of incremental assessed values in substantially the form of Table 3 in the Official Statement;

(vi) summary of Pledged Revenues and debt service coverage for the most recent fiscal year in substantially the form of the Table under the heading "TAX REVENUES AND DEBT SERVICE COVERAGE" of the Official Statement; and

(vii) a statement of the balance in the Reserve Account established under the Indenture and the Reserve Requirement both as of June 30 of the most recently-completed fiscal year.

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.

security. (vi) Adverse tax opinions or events affecting the tax-exempt status of the

(vii) Modifications to rights of security holders.

(viii) Contingent or unscheduled bond calls.

(ix) Defeasances.

securities. (x) Release, substitution, or sale of property securing repayment of the

(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 \_\_\_\_\_ 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 not 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).

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: May 23, 2002

RIDGECREST REDEVELOPMENT AGENCY

---

Executive Director

STATE STREET BANK AND TRUST COMPANY  
OF CALIFORNIA, N.A.,  
as Dissemination Agent

---

Authorized Officer

EXHIBIT A

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

Name of Issuer: Ridgecrest Redevelopment Agency

Name of Bond Issue: \$4,475,000 Ridgecrest Redevelopment Agency,  
Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds,  
Series 2002

Date of Issuance: May 23, 2002

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 May 1, 2002, by and between the Issuer and State Street Bank And Trust Company of California, N.A., as trustee. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

RIDGECREST REDEVELOPMENT AGENCY

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc:

## ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of June 1, 2010 (this "Agreement"), is by and between the Ridgecrest Redevelopment Agency (the "Agency") and U.S. Bank National Association, acting in its capacity as escrow agent (the "Escrow Agent") pursuant to this Agreement;

### WITNESSETH:

WHEREAS, the Agency has previously issued its \$7,860,000 Ridgecrest Redevelopment Project 1999 Tax Allocation Refunding Bonds and its \$4,475,000 Ridgecrest Redevelopment Agency Ridgecrest Redevelopment Project Tax Allocation Bonds, Series 2002 (the "2002 Bonds").

WHEREAS, pursuant to a Resolution adopted by the Agency on June 2, 2010 (the "Resolution"), the Agency determined that it is in the Agency's best interest to issue the Thirty-Five Million Dollars (\$35,000,000) Ridgecrest Redevelopment Agency Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2008 (the "Bonds"), on a parity with the 2002 Bonds (the "Parity Bonds"), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund to defease the 1999 Bonds of the Agency (the "Refunded Bonds").

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Agency and the Escrow Agent agree as follows:

#### SECTION 1. Deposit of Moneys.

(a) As used herein, the term "Investment Securities" means the Investment Securities set forth in Schedule A hereto which constitute direct noncallable nonprepayable obligations issued by the United States Treasury. The Agency hereby deposits with the Escrow Agent \$ \_\_\_\_\_, which represents \$ \_\_\_\_\_ of net proceeds of the Bonds, \$ \_\_\_\_\_ transferred from those certain funds held by U.S. Bank National Association, as Trustee for the 1999 Bonds to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the Agency and the Escrow Agent in a fund hereby created and established and to be known as the "Escrow Fund", and to be applied solely as provided in this Agreement. Such moneys are at least equal to an amount sufficient to purchase the principal amount of Investment Securities set forth in Schedule A hereto.

(b) The Escrow Agent hereby acknowledges receipt of the written opinion of \_\_\_\_\_, a firm of independent public accountants, dated \_\_\_\_\_, 2010, relating to the sufficiency of the Investment Securities and cash deposited pursuant hereto to pay and discharge any indebtedness on the Refunded Bonds (including all principal, interest and redemption premiums) at or before maturity (the "Verification Report"), and the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, dated \_\_\_\_\_, 2008, relating to this Agreement.

SECTION 2. Use and Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees:

(a) such moneys in an amount equal to \$ \_\_\_\_\_ shall be held in a separate segregated trust account for the purpose of defeasing the 1999 Bonds;

(b) immediately to invest the moneys described in Section 1(a) hereof in the Investment Securities set forth in Schedule A hereto and to deposit such Investment Securities in the Escrow Fund, and to hold \$\_\_\_\_\_ uninvested as cash;

(c) to reinvest a portion of the proceeds of Investment Security maturing on \_\_\_\_\_ an amount equal to \$\_\_\_\_\_ in United States Treasury Securities – State and Local Government Series with a 0% interest rate; and

(d) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

### SECTION 3. Payment of Refunded Bonds.

(a) Payment. As the principal of the Investment Securities set forth in Schedule A hereof and the investment income and earnings thereon are paid, the Escrow Agent shall transfer from the Escrow Fund to the paying agent for the Refunded Bonds (the “Paying Agent”) amounts sufficient (i) to pay the principal and interest on the Refunded Bonds due on and prior to \_\_\_\_\_, 20\_\_, and (ii) to redeem on \_\_\_\_\_, 20\_\_ the Refunded Bonds maturing on or after June 30, 2010, at a redemption price equal to \_\_\_\_\_% of par. Such transfers shall constitute the respective payments of the principal of and interest on the Refunded Bonds and redemption price due from the Agency.

(b) Unclaimed Moneys. Any moneys which remain unclaimed for two years after the date such moneys have become due and payable hereunder shall be repaid by the Escrow Agent to the Agency and deposited by the Agency in the Debt Service Fund relating to the Bonds. Any moneys remaining in the Escrow Fund established hereunder after \_\_\_\_\_, 20\_\_ (aside from unclaimed monies) of the Refunded Bonds which are in excess of the amount needed to pay owners of the Refunded Bonds payments of principal and interest and redemption premium, if any, with respect to the Refunded Bonds or to pay any amounts owed to the Escrow Agent shall be immediately transferred by the Escrow Agent to the Agency and deposited by the Agency in the Debt Service Fund relating to the Bonds.

(c) Priority of Payments. The holders of the Refunded Bonds shall have a first lien on the moneys and Investment Securities in the Escrow Fund which are allowable and sufficient to pay the Refunded Bonds until such moneys and Investment Securities are used and applied as provided in this Agreement, as verified by the Verification Report. Any cash or securities held in the Escrow Fund are irrevocably pledged only to the holders of the Refunded Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Agent pursuant to the provisions of Section 1 hereof and the simultaneous purchase of the Investment Securities as provided in Section 2 hereof, all obligations of the Agency with respect to the Refunded Bonds shall cease and terminate, except only the obligation to make payments therefor from the moneys provided for hereunder.

SECTION 4. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein.

SECTION 5. Reinvestment. Upon written direction of the Agency, the Escrow Agent may reinvest any uninvested amounts held as cash under this Agreement in noncallable nonprepayable

obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Escrow Fund to the Paying Agent for the payment of the principal of, redemption price of, and interest on the Refunded Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the Refunded Bonds, (iii) the Escrow Agent shall receive from a firm of independent certified public accountants a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Escrow Fund will, together with other cash on deposit in the Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest on the Refunded Bonds; and (iv) the Escrow Agent shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Agreement. Notwithstanding any other provision of this Agreement, the Escrow Agent shall reinvest, as referred to in Section 2 of this Agreement, the following amounts on the following dates in United States Treasury Time Deposit Securities, State and Local Government Series bearing interest at \_\_\_\_\_% described below:

<u>Reinvestment Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>
_____	_____	\$ _____

SECTION 6. Indemnity. The Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Agency or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of its Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Investment Securities, the retention of the Investment Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Agency shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Agreement. In no event shall the Agency or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement.

SECTION 7. Responsibilities of the Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Investment Securities, the retention of the Investment Securities or the proceeds thereof, the sufficiency of the Investment Securities to accomplish the refunding and defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the

Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the “whereas” clauses herein shall be taken as the statements of the Agency and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Investment Securities to accomplish the refunding and defeasance of the Refunded Bonds or to the validity of this Agreement as to the Agency and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Agency, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Agency. The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder.

SECTION 8. Substitution of Investment Securities. At the written request of the Agency and upon compliance with the conditions hereinafter set forth, the Escrow Agent shall have the power to sell, transfer, request the redemption or otherwise dispose of some or all of the Investment Securities in the Escrow Fund and to substitute noncallable nonprepayable obligations (the “Substitute Investment Securities”) constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America. The foregoing may be effected only if: (i) the substitution of Substitute Investment Securities for the Investment Securities (or Substitute Investment Securities) occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Escrow Fund to the Paying Agent for the payment of the principal of and/or redemption price of and/or interest on the Refunded Bonds will not be diminished or postponed thereby; (iii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond counsel to the effect that such disposition and substitution would not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds or the Bonds, and that the conditions of this Section 8 as to the disposition and substitution have been satisfied and that the substitution is permitted by this Agreement; and (iv) the Escrow Agent shall receive from a firm of independent certified public accountants a certification that, immediately after such transaction, the principal of and interest on the Substitute Investment Securities in the Escrow Fund will, together with other cash on deposit in the Escrow Fund available for such purpose, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest on the Refunded Bonds. Any cash from the sale of Investment Securities (including U.S. Treasury Securities) received from the disposition and substitution of Substitute Investment Securities pursuant to this Section 8 to the extent such cash will not be required, in accordance with this Agreement, and as demonstrated in the certification described in (iv) above, at any time for the payment when due of the principal or redemption price of or interest on the Refunded Bonds shall be paid to the Agency as received by the Escrow Agent free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under

this Agreement. Any other substitution of securities in the Escrow Fund not described in the previous sentence must satisfy the requirements of this Section 8. In no event shall the Escrow Agent invest or reinvest moneys held under this Agreement in mutual funds or unit investment trusts.

SECTION 9. Irrevocable Instructions as to Notice. The Escrow Agent hereby acknowledges that upon the funding of the Escrow Fund as provided in this Agreement, the receipt of the opinions described in Section 1(b) of this Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Escrow Agent attached hereto as Schedule B (constituting all of the conditions precedent to the defeasance of the Refunded Bonds), the Refunded Bonds shall be paid in accordance with the terms of the Refunded Bonds Resolutions and all obligations of the Agency with respect to the Refunded Bonds shall cease and terminate.

SECTION 10. Amendments. This Agreement is made for the benefit of the Agency and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent and the Agency; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the Bonds and the Refunded Bonds will not be adversely affected for federal income tax purposes, that the Agency and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Agreement, this Agreement shall prevail and be binding.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Refunded Bonds has been paid in accordance with this Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(b) of this Agreement.

SECTION 12. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Agreement.

SECTION 13. Resignation or Removal of Escrow Agent.

(a) The Escrow Agent may resign by giving notice in writing to the Agency, a copy of which shall be sent to DTC. The Escrow Agent may be removed (1) by (i) filing with the

Agency an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of the Refunded Bonds then remaining unpaid, (ii) sending notice at least 60 days prior to the effective date of said removal to DTC, and (iii) the delivery of a copy of the instruments filed with the Agency to the Escrow Agent or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the Agency or the holders of 5% in aggregate principal amount of the Refunded Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the Agency. The holders of a majority in principal amount of the Refunded Bonds then remaining unpaid may, by an instrument or instruments filed with the Agency, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the Agency. If no successor Escrow Agent is appointed by the Agency or the holders of such Refunded Bonds then remaining unpaid, within 45 days after any such resignation or removal, the holder of any such Refunded Bonds certificate or any retiring Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Escrow Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Agent.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Agency or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. This Agreement shall be construed under the laws of the State of California.

SECTION 17. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 18. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the Agency.

SECTION 19. Moody's; Standard & Poor's. The Agency agrees to provide Standard & Poor's, a Division of the McGraw-Hill Companies, 55 Water Street, 45<sup>th</sup> Floor, New York, New York 10041, and Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 14 hereof.

SECTION 20. Reorganization of Escrow Agent. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date and year first written above.

RIDGECREST REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

U. S. BANK NATIONAL ASSOCIATION, as  
Escrow Agent

By: \_\_\_\_\_  
Authorized Officer

SCHEDULE A

“Investment Securities” are defined to be, and shall be, the United States Treasury Time Deposit Securities, State and Local Government Series securities listed on Exhibit \_\_\_\_\_ of the verification report.

SCHEDULE B

**IRREVOCABLE INSTRUCTIONS AND REQUEST  
TO REFUNDED BONDS TRUSTEE AND ESCROW AGENT**

\$7,860,000  
RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
1999 TAX ALLOCATION REFUNDING BONDS

WRITTEN REQUEST OF THE RIDGECREST REDEVELOPMENT AGENCY TO  
U.S. BANK NATIONAL ASSOCIATION,  
REGARDING REDEMPTION NOTICE

1. Agency Certifications

In connection with the submission of this written request to U.S. Bank National Association (the "Refunded Bonds Trustee"), pursuant to Section 6.3 of the Indenture of Trust dated as of November 1, 1999 (the "Refunded Bonds Indenture"), by and between the Ridgecrest Redevelopment Agency (the "Agency") and U.S. Bank National Association, in connection with the issuance of its \$7,860,000 Ridgecrest Redevelopment Project, 1999 Tax Allocation Refunding Bonds, Issue of 2000 (the "Refunded Bonds"), the undersigned, a duly appointed officer of the Agency, hereby certifies that I have reviewed the Refunded Bonds Indenture and the sections thereof relating to the refunding and redemption of the Refunded Bonds and I have made an examination of the provisions of the Refunded Bonds Indenture and of related facts as is necessary in my opinion in connection with the submission of this written request.

2. Written Request

On behalf of the Agency, I hereby inform you that the Agency has irrevocably elected and directed the Refunded Bonds Trustee to redeem on \_\_\_\_\_, 20\_\_ the Refunded Bonds, under the terms and conditions set forth in the Refunded Bonds Indenture, and that upon deposit of the obligations and moneys required to be deposited by the Agency with U.S. Bank National Association (the "Escrow Agent") pursuant to that certain Escrow Agreement dated as of June 1, 2010 between the Agency and the Escrow Agent and satisfaction of the requirements of Section 6.3 of the Refunded Bonds Indenture which is occurring on the date hereof, the pledge of the Pledged Tax Revenue and all other obligations of the Agency to the owners of the Refunded Bonds shall cease and terminate as provided in Section 11.1 of the Refunded Bonds Indenture. I further irrevocably instruct the Refunded Bonds Trustee, to do as follows with respect to the Refunded Bonds:

(a) To send, postage prepaid, via first class mail, not less than 30 nor more than 60 days prior to \_\_\_\_\_, 2010, with respect to the Refunded Bonds, a notice of redemption to the owners of the Refunded Bonds.

(b) To send, via registered or certified mail or overnight delivery service, not less than 30 days prior to June 30, 2010 with respect to the Refunded Bonds, a notice of redemption of the applicable issue of Refunded Bonds, to The Depository Trust Company, 55 Water Street, New York, New York 10041, in the form and as required by Section \_\_\_\_ of the Refunded Bonds Indenture.

**RIDGECREST REDEVELOPMENT  
AGENCY**

\_\_\_\_\_  
Executive Director

Receipt acknowledged and  
consented to:

**U.S. BANK NATIONAL ASSOCIATION**, as Trustee  
and as Escrow Agent

By \_\_\_\_\_  
Authorized Officer

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.

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2010

Standard & Poor's: "\_\_\_\_";

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 Matters" 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 2010

Dated: Delivery Date

Due: June 30, as shown below

The \$\_\_\_\_\_ \* Ridgcrest Redevelopment Agency Ridgcrest Redevelopment Project Tax Allocation Refunding Bonds Series 2010 (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, 2010) 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 original aggregate principal amount, of which \$6,180,000 is currently outstanding, 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. The Bonds are special obligations of the Agency payable from and secured by Pledged Revenues as defined in the Indenture and on a parity with the Agency's outstanding 2002 Tax Allocation Refunding Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors must 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, obligation or liability of the City of Ridgcrest, the Ridgcrest Redevelopment Agency (except as specifically described herein), the State of California or any of its political subdivisions (other than the Agency), nor do they constitute a pledge of the full faith and credit or the taxing power of any of the foregoing (including the Agency). The Agency has no taxing power. The principal of and interest on the Bonds are payable solely from the Pledged 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. Certain legal matters will be passed on for the City by Lemieux & O'Neill, Westlake Village, California. 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 \_\_\_\_\_, 2010.

Dated: \_\_\_\_\_, 2010



\* Preliminary, subject to change.

## MATURITY SCHEDULE

\$ \_\_\_\_\_

<i>Maturity Date June 30</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP<sup>†</sup></i>
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
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<sup>†</sup> 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**

**CITY COUNCIL AND AGENCY BOARD**

Steven Morgan, *Mayor / Chairman*  
Ron Carter, *Mayor Pro-Tem / Vice Chairman*  
Thomas Wiknich, *Vice Mayor / Member*  
Chip Holloway, *Councilmember / Member*  
Jerry Taylor, *Councilmember / Member*

**CITY AND AGENCY STAFF**

Harvey Rose, *Interim Executive Director and City Manager*  
Tyrell Staheli, *Finance Director*  
Jim McRea, *Public Services Director*  
Rachel Ford, *City Clerk*  
Wayne Lemieux, *City and Agency Attorney*

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

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

**Trustee / Escrow Bank**

U.S. Bank National Association  
Los Angeles, California

**Fiscal Consultant**

Rosenow Spevacek Group  
Santa Ana, California

**Financial Advisor**

KNN Public Finance  
A Division of Zion's First National Bank  
Oakland, California

**Underwriter**

E.J. 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 the Agency and other sources that are believed to be reliable.

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.

All information material to the making of an informed investment decision with respect to the Bonds is contained in this Official Statement. While the Agency maintains an Internet Website for various purposes, none of the information on such Website is incorporated by reference into this Official Statement. Any information on Websites that is inconsistent with the information set forth in this Official Statement should be disregarded.

Certain statements included or incorporated by reference in the Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

**\$29,970,000\***  
**RIDGECREST REDEVELOPMENT AGENCY**  
**RIDGECREST REDEVELOPMENT PROJECT**  
**TAX ALLOCATION REFUNDING BONDS**  
**SERIES 2010**

**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 Refunding Bonds, Series 2010 (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 June 1, 2010 (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 \_\_\_\_\_, 2010 (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 E.J. 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 currently outstanding in the amount of \$6,180,000, finance a portion of the costs of the Ridgecrest Redevelopment Project (the "Project Area"), fund (the "1999 Bonds") a reserve fund and to pay the costs of issuing the Bonds.

The Bonds are special obligations of the Agency payable from and secured by Pledged Revenues on a parity with the Agency's outstanding 2002 Tax Allocation Refunding Bonds (the "2002 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 Coso 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 China Lake Naval Ordnance Test Station providing housing and vital services for employees and contractors.

The City, incorporated in 1963, is the third 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

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\*Preliminary, subject to change.

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 (the “Ordinance”).

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 D—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” 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: Marian Breitbart, 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

Escrow Fund.....	\$
Reserve Account <sup>(1)</sup> .....	_____
Costs of Issuance Fund <sup>(2)</sup> .....	_____
Redevelopment Fund.....	_____
Total Uses .....	\$ =====

<sup>(1)</sup> An amount equal to the Reserve Requirement.

<sup>(2)</sup> Includes Underwriter’s discount legal fees, financial advisor fees, rating agency fees, trustee’s fees, fiscal consultant fees, printing fees, verification agent fees 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 inside 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, 2010, 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 Bonds. 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](http://www.dtcc.com) and [www.dtc.org](http://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 Bonds 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***

**Sinking Account Redemption.** The Term Bonds maturing on June 30, 20\_\_ will be subject to mandatory redemption on each March 1, commencing on June 30, 20\_\_ at a redemption price equal to the principal amount thereof together with accrued interest thereon to the redemption date, without premium, from minimum sinking account payments made by the Agency in the years and amounts as follows:

**20\_\_ Term Bonds**  
**Year                      Amount**

**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 1999 Bonds, currently outstanding in the aggregate principal amount of \$1,725,000 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 Project Area being funded include the design and construction of a corporate city yards facility, creation of an improvement, façade, business retention and Olde Towne Enhancement grant program and construction of and alternative solar energy facilities to provide power for the Civic Center.

The Agency does not expect that failure to complete the projects will have a material adverse impact on the Pledged Revenues. The Agency may use some or all of the Bond proceeds on other projects, as permitted by law.

**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 Ordinance approving the Redevelopment Plan 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; and

(b) Except as provided in subsections (c) 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. This portion of the taxes are referred to as "Tax Revenues."

(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.

The Indenture defines "Pledged Revenues" to mean Tax Revenues, including that portion of taxes otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund but only to the extent necessary to repay that portion of the Bonds and any Parity Bonds which were issued or which shall be issued to finance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Law; but excluding (i) all other amounts of such taxes (if any) (a) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Law, and (ii) all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreements or Statutory Pass-Throughs.

The Bonds and the 2002 Bonds are payable from and are specifically secured by an irrevocable pledge of the Pledged Revenues derived from the Project Area and interest earnings on funds held on deposit in trust for the Bondowners by the Trustee. The Agency has no power to levy and collect taxes and various factors beyond its control could affect the amount of Pledged Revenues available in any year to pay the principal of and interest on the Bonds. (See "RISK FACTORS" herein).

The Bonds are not a debt of the City of Ridgecrest, the Ridgecrest Redevelopment Agency (except on specifically described herein), 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 B 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”) which may upon the written request of the Agency be held by the Trustee. The Indenture provides for the creation with the Treasurer a fund called the “Ridgecrest Redevelopment Project, Holding Fund” (the “Holding 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 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 Holding Fund in the amounts set forth in the Indenture ten (10) days prior to the dates of required deposits to the subaccounts of the Special Fund; 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, the 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 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 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 and moneys in the Holding Funds shall be invested and reinvested by the Treasurer 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.

### **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 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.

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, the 2002 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 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, the 2002 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 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 Certificate. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate dated the Delivery Date. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate 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 May 1, 1985 by the City Council of the City with the adoption of Ordinance No. 85-07, 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>
Steve Morgan, Chairman	December 2012
Ron Carter, Member	December 2012
Thomas Wiknich, Member	December 2010
Marshall “Chip” Holloway, Member	December 2010
Jerry Taylor, Member	December 2012

#### **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 (“RSG), provides services in the areas of planning, redevelopment and finance to both governmental and private sector clients.

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

RSG has acted as financial consultant and redevelopment consultant to the Agency concerning the Bonds. As financial consultant and redevelopment consultant, RSG 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” and “—Tax Sharing Agreements” 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.

Filing of Statement of Indebtedness. Section 33675 of the Law provides for the filing not later than the first day of October of each year with the County Auditor of a statement of indebtedness certified by the chief fiscal officer of the Agency for each redevelopment plan which provides for the allocation of taxes. The statement of indebtedness is required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds

and the outstanding balance and amount due on the bonds. Similar information must be given for each loan, advance or indebtedness that the Agency has incurred or entered into which is payable from tax increment.

Section 33675 also provides that payments of tax increment revenues from the County Auditor to the Agency may not exceed the amounts shown on the Agency's statement of indebtedness. The Section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the Agency, but that the County Auditor may dispute the amount of indebtedness shown on the statement in certain cases and the disputed amount may be withheld from allocation and payment to the Agency. Provision is made for time limits under which the dispute can be made by the County Auditor as well as provisions for a determination by the superior court in a declaratory relief action of the proper disposition of the matter. The issue in any such action shall involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. Payments to a trustee under a bond Indenture or indenture or payments to a public agency in connection with payments by such public agency pursuant to a bond issue shall not be disputed in any action under Section 33675.

### **Extension of Redevelopment Plan**

In 2001, the California Legislature enacted SB 211, effective January 1, 2002. SB 211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions. SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

### **THE PROJECT AREA**

The Redevelopment Plan for the Ridgecrest Redevelopment Project was approved by the Ordinance. The Project Area consists of approximately 7,988 acres.

The Redevelopment Plan provides 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, as of October 2009, 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 \$199,463,807. This amount is adjusted annually by the CPI.

The Redevelopment Plan is in effect until November 16, 2027. Pursuant to Ordinance No. 08-03, the Agency eliminated the final date to incur indebtedness.

### *Redevelopment Plan Time Limits*

<i>Limitation</i>	<i>Plan Limit</i>
Final Date to incur Indebtedness	None <sup>(1)</sup>
Duration of Redevelopment Plan	November 16, 2027
Final Date to Collect Tax Increment Revenue	November 16, 2037 <sup>(2)</sup>
Annual Tax Increment Limit	\$19,946,381 <sup>(3)</sup>
Limit on Total Bonded Indebtedness	\$199,463,807 <sup>(3)</sup>

<sup>(1)</sup> Rescinded by Ordinance No. 08-03, 2/20/2008

<sup>(2)</sup> May collect beyond this time limit to pay debts incurred before January 1, 1994, And revenues needed to satisfy housing production obligations.

<sup>(3)</sup> Original limits were \$10 million in annual incremental revenue and \$100 million In total bonded indebtedness. These amounts are adjusted annually by a Consumer Price Index Inflationary factor.

## 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"). A portion of 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

Section 33607.5 of the Health and Safety Code of the State 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. The Project Area has not been amended to add territory since 1994 and therefore Section 33607.5 is not applicable.

In 2001, the California Legislature enacted SB 211, effective January 1, 2002. SB 211 provides, among other things, that, at anytime after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. On February 20, 2008, the City Council adopted Ordinance No. 08-03, rescinding the Redevelopment Plan's November 16, 2006 time limit to incur debt. Because of this amendment to the Redevelopment Plan, pursuant to Section 33607.7 of the Law, the Agency is required to begin to remit annual payments to any taxing agency that does not have a fiscal mitigation agreement with the Agency. Only the County of Kern and Sierra Sands Unified School District have such agreements with the Agency, so all other taxing agencies in the Project Area are entitled to these statutory payments. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective (the "Adjusted Base Year"). The Adjusted Base Year is 2005-06 and the value is \$1,036,463,141. Amounts payable to taxing agencies under the AB 1290 formula are to be computed after deducting the Housing Set-Aside Amounts attributable to the increase in assessed valuation. Tier 1 payments are calculated using 25% of the annual non-housing (80%) tax increment revenue that exceeds the adjusted base year revenue. Tier 2 payments commence in the eleventh year and the Agency must pay an additional 21% of the increment increase in non-housing tax increment revenues exceeding amounts in the tenth payment per year. Tier 3 payments commence in the 31<sup>st</sup> year, however, these do not apply since the Plan expires prior to this year.

The taxing agencies subject to Statutory Pass Throughs include the following: the City, East Kern Resource Conservation District, Kern County Water Agency, Kern Joint Community College District, Kern County Superintendent of Schools and Sierra Sands Unified School District Childhood Development RSG estimates that in 2009-10, the statutory payments will equal approximately \$79,758 among all of these districts.

See "PLEDGED REVENUES—Projected Taxable Valuation and Pledged Revenues" herein.

### **Tax Sharing Agreements**

Pursuant to former Section 33401 of the Redevelopment Law, the Agency has entered into three tax sharing agreements with taxing entities (the "Tax Sharing Agreements"); the agreements provide that a portion of tax increment revenues generated in the Project Area that would otherwise be allocated to the agency are to be paid to or used on behalf of such taxing entities. A brief summary of the Tax Sharing Agreements is set forth below.

**Settlement Agreement.** The Agency has entered into a Settlement Agreement, dated December 15, 1987 (the "Settlement Agreement"), with the County and the City which generally provides for tax increment revenue payments to the County over a 40-year period, beginning fiscal year 1990-91. Between 1987-88 and 1989-90, the County Agreement permitted the Agency to retain the County's 37.12 percent <sup>1</sup> of the net tax increment revenue (net of the 20 percent housing set-aside). Then, beginning in fiscal year 1990-91, the County's share is divided as follows:

- Between 1990-91 and 2012-13, the Agency is to pay to the County 59.453 percent of the County's 37.12 percent share of the net tax increment. During this time period, the remaining 40.547 percent of the County's share of the net tax increment is split between the Agency and the County. Pursuant to Section 4(b) of the County Agreement, the

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<sup>1</sup> All shares of the tax levy based on 2007-08 shares of the general levy, gross of the Educational Revenue Augmentation Fund shift, as reported by the County Auditor-Controller. These shares are subject to slight change from year-to-year.

Agency retains the first \$403,690 of the remaining amount for Agency projects. Any remaining County share in excess of the \$403,690 base amount is restricted to fund County capital projects.

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

The Settlement Agreement provides that no portion of the amounts paid to the Agency is required to be deposited into the Agency's Low and Moderate Income Housing Fund, unless so determined by a court of competent jurisdiction. However, as the result of legislative changes implemented after 1987, a portion of the amounts paid to the Agency is required to be deposited into the Low and Moderate Income Housing Fund.

***Justice Building Agreement.*** To provide for the Agency's financing of projects that directly benefit the County's mission and operations, pursuant to the County Agreement, the Agency entered into an Agreement – Ridgecrest Justice Building, dated November 15, 1989 (the "Justice Building Agreement"), which generally provides for amendment of the Settlement Agreement as follows:

In addition to the 59.453 percent of County Property Tax to be paid to the County by the Agency, the Justice Building Agreement obligates the Agency to pay the County \$200,000 at the time the County commences its redesign of the Justice Building. This amount is to be paid from the Agency's portion of tax increment funds in connection with the acquisition and remodeling of the Ridgecrest Justice Building and Library Facility. This amount has been fully paid by the Agency.

***County Jail Agreement.*** The Agency has entered into an Agreement – Ridgecrest Jail Operation, dated January 17, 1990 (the County Jail Agreement"), which generally provides for amendment of the Settlement Agreement as follows:

1. In addition to the 59.453 percent of County Property Tax to be paid to the County by the Agency, the Agency is obligated to pay the following additional amounts in consideration of the County operating the Ridgecrest Jail from July 1, 1990 through fiscal year 2012-13:

(a) Fiscal year 1990-91 through fiscal year 2012-13: \$81,000, payable from Tax Revenues (i.e., not from County Property Taxes).

(b) Fiscal year 1991-92 through 2012-13: \$96,000 (adjusted annually in accordance with a recognized inflation index), payable from County Property Taxes not paid to the County.

The Agency believes that the amounts payable under the County Jail Agreement and the Settlement Agreement are payable from tax increment revenues generated in the Project Area on a basis senior to the 2002 Bonds, the Bonds and the Reimbursement Agreement in connection with the 2005 Certificates of Participations described under the heading "Subordinate Debt."

### **Section 33676 Allocations**

Section 33676 of the Redevelopment Law allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Such payments are based on annual increases in the real property portion of the base year value up to the inflation

limit of 2 percent. To be eligible to receive the additional property taxes, a taxing entity must have adopted a resolution prior to the adoption of a redevelopment plan. In 1986, three taxing entities adopted and transmitted such resolutions electing to receive inflationary adjustment payments, specifically the Kern County Water Agency, Sierra Sands Unified School District, and the Kern County Superintendent of Schools. However, since their original adoption, only the Kern County Water Agency continues to receive their (0.71 percent) share of the property tax increment revenue generated by the Proposition 13 increase in the Project Area's base year value. Both the Sierra Sands Unified School District and the County Superintendent of School subsequently rescinded their resolutions and no longer receive disbursement payments based on their respective election resolutions from 1986.

Sierra Sands Unified School District collected Section 33676 Disbursements from Agency tax increment revenue until 1987-88, when the district and Agency entered into a two-part agreement to assist the construction of Gateway School in Ridgecrest. Then, following an Appellate Court decision in Orange County, the County Auditor-Controller determined that Sierra Sands must collect some tax increment revenue annually, and began making a form of these Section 33676 Disbursements to Sierra Sands (and another affected taxing agency, the Kern County Community College District) beginning in 2002. See APPENDIX F—"FISCAL CONSULTANT REPORT" and "PLEGGED REVENUES—Debt Service Coverage."

### **Prior Bonds**

In May 2002, the Agency issued the 2002 Bonds payable from Pledged Revenues. The Bonds are being issued on a parity with the payment of debt service on the 2002 Bonds. The Bonds refund the amount outstanding of the 1999 Bonds. See "TAX REVENUES AND DEBT SERVICE COVERAGE—Estimated Debt Service Coverage" herein.

### **Subordinate Debt**

#### ***2005 Certificates of Participation Reimbursement Agreement***

The City issued its \$10,275,000 City of Ridgecrest 2005 Refunding Certificates of Participation (City of Ridgecrest Civic Center Project) (the "2005 COPs") to refund the outstanding 1999 Refunding Certificates of Participation and, in connection with the refunding, the Agency executed and delivered a Reimbursement Agreement to pay debt service on the 2005 COPs. The Agency's payment obligation under the Reimbursement Agreement is secured by a pledge of Pledged Revenues on a basis subordinate to its pledge of Pledged Revenues to the Bonds and the 2002 Bonds. No portion of the Agency's obligations under the Reimbursement Agreement is payable from the Low and Moderate Income Housing fund.

#### ***Enterprise Loan***

The Agency entered into an Promissory Note with the City dated June 19, 2002 (the "Enterprise Loan") pursuant to which the City loaned the Agency \$2,000,000 for the purposes of paying costs and expenses in connection with implementing the Redevelopment Plan. The Enterprise Loan is secured by a pledge of available tax increment revenues which is expressly subordinate to the 1999 Bonds, the 2002 Bonds, the pass-through agreement with the County of Kern, any other obligations to which tax increment was expressly pledged and any obligations issued

for the purpose of refunding such debt. The City has subordinated the Agency's obligations under the Enterprise Loan to the new money portion of the Bonds.

The Agency may issue or incur loans, advances and indebtedness which are either (a) payable from, but not secured by a pledge of or lien upon, the Pledged Revenues or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Pledged Revenues under the Indenture for the security of the Bonds ("Subordinate Debt"), without limitation as to amount, provided that the aggregate amount of principal of and interest on the Bonds, all Parity Bonds and all Subordinate Debt following the issuance or incurrence of such Subordinate Debt will not exceed the maximum amount of Tax Revenues permitted under the Law and the Redevelopment Plan to be allocated and paid to the Agency following the issuance or incurrence of such Subordinate Debt.

### **China Lake Naval Weapons Facility**

The United States Navy's China Lake Naval Weapons Facility (the "Naval Facility") generates significant economic benefits in the City. The Naval Facility includes over 1 million acres, of which 5,000 are located in the City; no portion of the naval Facility is located in the Project Area. The Facility also includes 17,000 square miles of restricted air space. The Naval Facility employs approximately 5,860 employees, of which 3,509 are civilians (2/3 of which are scientists, engineers and technicians), 631 military and 1,720 contractor employees.

Officials at the Naval Facility have represented that the Naval Facility was the highest rated Navy technical facility during the final round of base closures in 1995, that there is no active base closure legislation and that the Naval Facility is unique because of (1) its extensive land and airspace available for testing,(2) its technical capacity and the skills and education of its employees and (3) the increasing military emphasis on long range, precision guidance weapons, which have long been developed and tested at the Naval Facility. See "RISK FACTORS — China Lake Naval Weapons Facility" for discussion of historical layoffs and the impact on the City and the Project Area.

The Naval Facility is the home of the Naval Air Warfare Center Weapons Division (the "Weapons Division"), which researches, develops, tests, evaluates and engineers weapons systems associated with air warfare for not only the Navy, but the Army, Air Force and Joint Services. The Naval Facility is the Navy's largest land facility. See also "RISK FACTORS — China Lake Naval Weapons Facility."

## Largest Local Taxpayers

Set forth below are the ten largest local taxpayers in the Project Area based on the 2009-10 secured property tax roll. The total valuation of these taxpayers is \$80,631,699 which represents approximately 5.74% of the total valuation in the Project Area.

<i>Taxpayer</i>	<i>No. of Parcels</i>	<i>Land Use(s)</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Percent of Project Area AV</i>
K Partners Ridgcrest I & II LP	2	Hotel/Motel	\$ 15,579,742	1.07%
Home Depot/HD Development Maryland	2	Retail	8,625,867	0.70
WalMart <sup>(1)</sup>	4	Retail	7,536,309	0.59
New Albertsons Inc. <sup>(2)</sup>	2	Supermarket/Retail	7,886,857	0.58
Carriage Inns	1	Hotel/Motel	8,141,884	0.56
Inland Westn MDS Portfolio LLC	1	Hotel/Motel	6,893,606	0.47
Ridgcrest Heritage House/Inn	2	Hotel/Motel	6,866,391	0.47
First Berkshire Prop LLC	1	Retail	6,591,457	0.45
Pam Ridgcrest Venture LLC	10	Vacant Land	6,354,266	0.44
China Lake & Ridgcrest LLC	<u>3</u>	Retail	<u>6,155,320</u>	<u>0.42</u>
Total	28		\$ 80,631,699	5.74%
		Total Project Area Assessed Value <sup>(4)</sup>	\$ 1,459,607,352	

<sup>(1)</sup> Walmart has a pending challenge on the assessed value of one of its secured properties in the Project Area. The potential assessed value reduction is \$3,929,414, to \$4,609,616.

<sup>(2)</sup> New Albertsons has a pending challenge on the assessed value of one of its secured properties in the Project Area. The potential assessed value reduction is \$3,330,779, to \$5,096,543.

Source: Rosenow Spevacek Group; Kern County Assessor's Office.

## Land Use

A breakdown of total valuation by land use in Fiscal Year 2009-10 is as follows:

<i>Land Use</i>	<i>Number of Parcels</i>	<i>2009-10 Total Assessed Valuation<sup>(1)</sup></i>	<i>Percent of Total Assessed Valuation</i>
Single Family Residential	7,461	\$ 932,549,141	63.7%
Commercial	827	272,175,467	18.6
Multiple Dwelling	1,516	137,986,166	9.4
Vacant	2,591	64,217,026	4.4
Industrial	120	25,958,693	1.8
Mobile Home	1,116	19,530,290	1.3
Miscellaneous	<u>444</u>	<u>10,803,778</u>	<u>0.7</u>
Total <sup>(2)</sup>	<u>14,075</u>	<u>\$ 1,463,220,561</u>	<u>100.00%</u>

<sup>(1)</sup> Net of all exemptions, except homeowner's exemption.

<sup>(2)</sup> The Net Assessed Value provided by the Kern County Assessor differs from the Net Assessed Value provided by the Kern County Auditor Controller by approximately 19 percent. The Net Assessed Value provided by the Auditor Controller is used throughout the report.

Source: Rosenow Spevacek Group.

As shown in the table below, 21 of the 36 Proposition 8 appeals filed in the past three fiscal years were either withdrawn by the applicant or denied by the County; none have been approved. Beginning in July 2009, property owners may file appeals for the 2009-10 assessment year. Any appeals resolved from July through December 2009 will be reflected on the 2010-11 assessment roll. However, in 2009 the Assessor completed a review of all sales of single family homes sold between

July 2004 and December 2007, and incorporated any market-based reduction in assessed value on the 2009-10 assessment roll. Further reduction in market value could have an impact on future Project Area assessed values, though recent sales do not yet show a potential for significant declines.

<i>Appeals by Year</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>
Total Appeals Filed	14	1	21
Granted	-	-	-
Denied, Withdrawn, or Non-Appeal	14	1	6
Outstanding/Pending	-	-	15
Assessor's Value of Appeals Filed	\$ 4,016,020	\$ 78,000	\$ 34,311,017
Appellants' Opinion of Property Value	-	-	18,718,174
Difference	-	-	15,592,843
Total Project Area Assessed Value	\$1,194,519,689	\$1,361,113,192	\$1,431,192,709
Percentage of Appealed Value to Total AV	0.34%	0.01%	1.09%
Value Reduction of Granted Appeals	-	-	-
Percentage of Appeals Value to Total	0.00%	0.00%	0.00%
Potential Value Reduction of Pending Appeals	-	-	\$ 12,766,574
Percentage of Pending Appeals Values to Total	0.00%	0.00%	0.89%

Source: Kern County Assessor, The Bakersfield Californian

A blanket Proposition 8 reassessment of approximately 170,000 residential properties in Kern County was conducted in 2007-08. This probably accounts for the low number of appeals filed in that year. A second reassessment of 170,000 residential properties was completed in August 2009, with assessed values lowered on approximately 100,000 of the properties. In Ridgecrest, assessed values were reduced for 1,745 parcels, with a total of \$77,175,793. Included in these 1,745 parcels are five parcels for which appeals had previously been filed, but have been withdrawn, as well as for one parcel which still has an outstanding appeal. The Proposition 8 adjustment for this parcel reduced the Assessed Value by approximately \$2.3 million (\$47,000 more than the appellant requested). This outstanding appeal has been removed from the valuation of pending appeals.

## Foreclosures

According to DataQuick, 140 Project Area properties were in the foreclosure process as of April 8, 2010. These break down into: 48 pre-foreclosure properties, 55 auction properties, and 37 bank owned properties. The 140 foreclosures equal approximately one percent (1%) of the parcels in the Project Area. Because of the nature of foreclosure sales, the Kern County Assessor monitors sale prices of foreclosures relative to sales prices of comparable properties, and may not accept the sales price as the assessed value of a foreclosed property if that price is deemed to be below market value, pursuant to Section 2(a) of Article XIII of the State Constitution, which provides county assessors the authority to determine the appraised value of the property for the purposes of reassessment. According to the Assessor, as of March 2010, the foreclosure rate in the community had dropped to nearly zero, but the Assessor indicated this may be attributable to federal foreclosure regulations stalling the foreclosure process. See "APPENDIX F – FISCAL CONSULTANT'S REPORT."

## PLEGGED REVENUES

Pledged 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 Revenues

The following table is a schedule of the taxable valuations and resulting Pledged Revenues in the Project Area for the fiscal years 2005-06 through 2009-10. The base year valuation for the Project Area was established in fiscal year 1986-87.

	2005-06	2006-07	% Change	2007-08	% Change	2008-09	% Change	2009-10	% Change
Secured	\$ 1,009,674,872	\$ 1,165,068,633	15.4%	\$1,330,984,553	14.2%	\$1,394,936,766	4.8%	\$1,425,085,520	2.2%
Unsecured	25,945,508	28,608,295	10.3%	29,285,878	2.4%	35,413,182	20.9%	34,521,832	(2.5%)
Utility	842,761	842,761	0.0%	842,761	0.0%	842,761	0.0%	842,761	0.0%
Total	1,036,463,141	1,194,519,689	15.2%	1,361,113,192	13.9%	1,431,192,709	5.1%	1,460,450,113	2.0%
Base (1986-87) <sup>(1)</sup>	(472,746,695)	(472,746,695)		(472,746,695)		(478,692,267)		(478,692,267)	
Incremental Value	563,716,446	721,772,994	28.0%	888,366,497	23.1%	952,500,442	7.2%	981,757,846	3.1%
Incremental Revenue	5,637,164	7,217,730		8,883,665		9,525,004		9,817,578	

<sup>(1)</sup> Base Year Assessed Values changed between the 2007 and 2008 tax years due to the sale of 5 parcels from public entities to private parties.  
Source: Rosenow Spevacek Group.

### Projected Taxable Valuation and Pledged Revenues

The Agency has retained Rosenow Spevacek to provide projections of Pledged Revenues from developments in the Project Area. The table below sets forth those projections for fiscal years 2008-09 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 Revenues received during the forecast period may vary from the projections and the variations may be material. A summary of the projected Pledged Revenues is as follows:

Fiscal Year	Total Tax Increment <sup>(1)</sup>	Taxing Agency Payments <sup>(2)</sup>	Net Tax Increment	Housing	Net Tax Increment Nonhousing	Total
2009-10	\$ 9,876,698	\$ 3,231,906	\$ 6,644,793	\$ 1,975,340	\$ 4,669,453	\$ 6,644,793
2010-11	9,997,954	3,304,450	6,693,504	1,999,591	4,693,913	6,693,504
2011-12	10,285,396	3,468,348	6,817,049	2,057,079	4,759,970	6,817,049
2012-13	10,578,587	3,635,523	6,943,065	2,115,717	4,827,347	6,943,065
2013-14	10,877,642	4,128,732	6,748,911	2,175,528	4,573,382	6,748,911
2014-15	11,182,678	4,302,661	6,880,018	2,236,536	4,643,482	6,880,018
2015-16	11,493,815	4,480,069	7,013,746	2,298,763	4,714,983	7,013,746
2016-17	11,811,175	4,661,024	7,150,150	2,362,235	4,787,915	7,150,150
2017-18	12,134,881	4,868,095	7,266,786	2,426,976	4,839,810	7,266,786

<sup>(1)</sup> Assumes .7% growth in 2010-11 and 2% growth each year thereafter. See “APPENDIX F – FISCAL CONSULTANT’S REPORT”

<sup>(2)</sup> Includes statutory pass-throughs and other obligations described herein.

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, and the 2002 Bonds.

**Ridgecrest Redevelopment Project  
Annual Debt Service**

<i>Maturity Date (June 30)</i>	<i>2002 Non-Housing Debt Service</i>	<i>2002 Housing Debt Service</i>	<i>2010 Bonds Total Debt Service</i>	<i>Total Debt Service</i>
2010	208,206	275,994		
2011	208,636	276,564		
2012	208,658	276,593		
2013	209,948	278,303		
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
<b>TOTAL</b>	<b>\$ 835,448</b>	<b>\$ 1,107,454</b>		

<sup>(1)</sup> Will be refunded with the proceeds of the Bonds.  
Source: Underwriter.

## Debt Service Coverage

Set forth below is the estimated debt service coverage of the Bonds and the 2002 Bonds using Fiscal Year 2009-10 Pledged Revenues assuming no growth.

### NON-HOUSING BONDS

<i>Fiscal Year</i>	<i>Pledged Revenues</i>	<i>1999 Non Housing Debt Service</i>	<i>2002 Non Housing Debt Service</i>	<i>2010 Bonds Non Housing Debt Service</i>	<i>Total Senior Debt Service</i>	<i>Senior Debt Service Coverage</i>	<i>Subordinate 2005 COPs Debt Service</i>	<i>Sub ordinate Waste water Obligation</i>	<i>Total Debt Service</i>	<i>Sub ordinate Debt Service Coverage</i>
2009-10	\$4,669,453	\$322,615	\$208,206		\$530,821	880%	\$748,766	\$230,000	\$1,509,587	309%
2010-11	4,669,453	-	208,636		208,636	2238%	746,556	220,000	1,175,192	397%
2011-12	4,669,453	-	208,658		208,658	2238%	748,256	210,000	1,166,914	400%
2012-13	4,669,453	-	209,948		209,948	2224%	749,036	-	958,984	487%
2013-14	4,669,453	-	-		-	N/A	748,536	-	748,536	624%
2014-15	4,669,453	-	-		-	N/A	747,036	-	747,036	625%
2015-16	4,669,453	-	-		-	N/A	749,036	-	749,036	623%
2016-17	4,669,453	-	-		-	N/A	745,236	-	745,236	627%
2017-18	4,669,453	-	-		-	N/A	750,351	-	750,351	622%
2018-19	4,669,453	-	-		-	N/A	743,931	-	743,931	628%
2019-20	4,669,453	-	-		-	N/A	751,356	-	751,356	621%
2020-21	4,669,453	-	-		-	N/A	747,075	-	747,075	625%
2021-22	4,669,453	-	-		-	N/A	746,775	-	746,775	625%
2022-23	4,669,453	-	-		-	N/A	745,375	-	745,375	626%
2023-24	4,669,453	-	-		-	N/A	747,250	-	747,250	625%
2024-25	4,669,453	-	-		-	N/A	747,775	-	747,775	624%
2025-26	4,669,453	-	-		-	N/A	741,950	-	741,950	629%
2026-27	4,669,453	-	-		-	N/A	-	-	-	N/A
2027-28	4,669,453	-	-		-	N/A	-	-	-	N/A
2028-29	4,669,453	-	-		-	N/A	-	-	-	N/A
2029-30	4,669,453	-	-		-	N/A	-	-	-	N/A
2030-31	4,669,453	-	-		-	N/A	-	-	-	N/A
2031-32	4,669,453	-	-		-	N/A	-	-	-	N/A
2032-33	4,669,453	-	-		-	N/A	-	-	-	N/A
2033-34	4,669,453	-	-		-	N/A	-	-	-	N/A
2034-35	4,669,453	-	-		-	N/A	-	-	-	N/A
2035-36	4,669,453	-	-		-	N/A	-	-	-	N/A
2036-37	4,669,453	-	-		-	N/A	-	-	-	N/A

<sup>(1)</sup> Will be refunded with the proceeds of the Bonds.

Source: Rosenow Spevacek Group for "Pledged Revenues" and the Underwriter for the remainder.

**HOUSING BONDS**

<i>Fiscal Year</i>	<i>Pledged Revenues</i>	<i>1999 Housing Debt Service</i>	<i>2002 Housing Debt Service</i>	<i>2010 Bonds Housing Debt Service</i>	<i>Total Debt Service</i>	<i>Debt Service Coverage</i>
2009-10	\$1,975,340	\$ 274,820	\$275,994		\$550,814	359%
2010-11	1,975,340	-	276,564		276,564	714%
2011-12	1,975,340	-	276,593		276,593	714%
2012-13	1,975,340	-	278,303		278,303	710%
2013-14	1,975,340	-	-		-	N/A
2014-15	1,975,340	-	-		-	N/A
2015-16	1,975,340	-	-		-	N/A
2016-17	1,975,340	-	-		-	N/A
2017-18	1,975,340	-	-		-	N/A
2018-19	1,975,340	-	-		-	N/A
2019-20	1,975,340	-	-		-	N/A
2020-21	1,975,340	-	-		-	N/A
2021-22	1,975,340	-	-		-	N/A
2022-23	1,975,340	-	-		-	N/A
2023-24	1,975,340	-	-		-	N/A
2024-25	1,975,340	-	-		-	N/A
2025-26	1,975,340	-	-		-	N/A
2026-27	1,975,340	-	-		-	N/A
2027-28	1,975,340	-	-		-	N/A
2028-29	1,975,340	-	-		-	N/A
2029-30	1,975,340	-	-		-	N/A
2030-31	1,975,340	-	-		-	N/A
2031-32	1,975,340	-	-		-	N/A
2032-33	1,975,340	-	-		-	N/A
2033-34	1,975,340	-	-		-	N/A
2034-35	1,975,340	-	-		-	N/A
2035-36	1,975,340	-	-		-	N/A
2036-37	1,975,340	-	-		-	N/A

<sup>(1)</sup> Will be refunded with the proceeds of the Bonds.  
Source: Underwriter.

**Tax Increment Collection History**

Tax increment charges, equal to the incremental assessed value multiplied by the one percent general levy, have been consistently exceeded by actual revenues over the past five years, largely as a result of supplemental revenues collected after tax bills are issued. Supplemental property tax receipts and other revenues resulted in the Agency collecting \$762,369 (8.0 percent) more than the amount billed in 2008-09.

RSG summarized year-to-year changes in the Project Area's revenues in the table below. Despite the fact that tax increment charges have been exceeded by actual receipts in recent years, RSG has conservatively excluded these revenues from our calculations of projected revenues.

**Comparison of Tax Increment Revenue to Actual Receipts**

	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10 YTD<sup>(1)</sup></b>
<b>Estimated Tax Increment Revenue</b>					
Incremental Assessed Value	\$ 563,716,446	\$721,772,994	\$888,366,497	\$952,500,422	\$ 981,757,846
Unitary Utility Revenue	37,497	37,422	47,260	59,120	141,112
Estimated Tax Rate	1%	1%	1%	1%	1%
<b>Gross Tax Increment Revenue</b>	<b>\$ 5,637,539</b>	<b>\$ 7,218,104</b>	<b>\$ 8,884,138</b>	<b>\$ 9,525,596</b>	<b>\$ 9,818,990</b>
<b>Actual Tax Increment Receipts</b>					
Gross Tax Increment Apportionments	\$ 6,118,040	\$ 8,187,083	\$ 9,699,957	\$ 10,287,965	\$ 6,165,087
County-Administered Payments	(1,274,153)	(1,685,337)	(1,995,733)	(2,080,720)	(1,415,778)
County General Fund Payments	(829,757)	(1,110,267)	(1,312,371)	(1,337,815)	N/A
County Fire Payments	(244,006)	(326,620)	(385,889)	(394,825)	N/A
County Water Payments	(25,094)	(26,237)	(27,403)	(28,600)	N/A
Sierra Sands USD Payments	(153,453)	(194,525)	(236,418)	(279,670)	N/A
Kern CC District Payments	(21,843)	(27,689)	(33,653)	(39,809)	N/A
County Administration Fee	(101,166)	(88,624)	(120,252)	(141,543)	(71,843)
<b>Net Tax Increment Received</b>	<b>\$ 4,742,721</b>	<b>\$ 6,413,122</b>	<b>\$ 7,583,972</b>	<b>\$ 8,065,702</b>	<b>\$ 4,677,467</b>
Percent of Estimated Tax Increment	84.1%	88.8%	85.4%	84.7%	47.6%
<b>Reconciliation of Est. to Actual Revenue</b>					
Gross Tax Increment Revenue	\$ 5,637,539	\$ 7,218,104	\$ 8,884,138	\$ 9,525,596	\$ 9,818,990
Actual Gross Tax Increment Apportionments	6,118,040	8,187,083	9,699,957	10,287,965	6,165,087
<b>Annual Revenue Gain/(Shortfall)</b>	<b>\$ 480,501</b>	<b>\$ 968,979</b>	<b>\$ 815,819</b>	<b>\$ 762,369</b>	<b>\$ (3,653,903)</b>
Percent of Annual Revenue Gain (Shortfall)	8.5%	13.4%	9.2%	8.0%	-37.2%

<sup>(1)</sup> 2009-10 actual figures are year to date as of 4/8/2010. The breakdown of administrative payments to individual taxing entities is not yet available.

**Statement of Direct and Overlapping Bonded Indebtedness**

CITY OF RIDGECREST REDEVELOPMENT AGENCY

2009-10 Assessed Valuation:\$1,459,607,352  
 Base Year Valuation: 478,692,267  
 Incremental Valuation: \$ 980,915,085

<u>DIRECT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/10</u>
1999 Refunding Tax Allocation Bonds	100. %	\$6,180,000
2002 Refunding Tax Allocation Bonds	100.	<u>1,725,000</u>
TOTAL DIRECT DEBT		\$7,905,000 <sup>(1)</sup>

Ratio to Incremental Valuation: 0.81%

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Kern Community College District Safety Repair and Improvement District	2.044%	\$ 2,283,582
Sierra Sands Joint Unified School District	76.660	18,673,939
Kern Community College District Assessment District	2.212	<u>98,766</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$21,056,287

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County Certificates of Participation	0.649%	\$ 888,027
Kern County Pension Obligations	0.649	3,077,597
Kern County Board of Education Certificates of Participation	0.649	349,811
Kern County Community College District Benefit Obligations	0.617	524,265
Kern County Community College District Certificates of Participation	0.617	538,055
Sierra Sands Joint Unified School District General Fund Obligations	51.858	2,170,257
City of Ridgecrest Certificates of Participation	98.464	<u>8,330,054</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$15,878,066

COMBINED TOTAL DIRECT AND OVERLAPPING DEBT \$44,839,353 <sup>(2)</sup>

<sup>(1)</sup> Excludes tax allocation bonds to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Ratios to 2009-10 Assessed Valuation:

Combined Total Direct and Overlapping Debt ..... 3.07%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$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 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 Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected.

### **Factors Which May Affect Pledged Revenues**

The ability of the Agency to pay principal of and interest on the Bonds depends on the timely receipt of Pledged Revenues as projected herein (see "PLEDGED REVENUES — Projected Taxable Valuation and Pledged Revenues" herein). Projections of Pledged Revenues are based on the underlying assumptions relating to Tax Revenues of the Redevelopment Project. Tax Revenues allocated to the Agency (which constitute the ultimate source of payment of principal of 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 Redevelopment Project is taxed and the percentage of taxes collected in the Redevelopment Project, adjusted to reflect prior claims on the Tax Revenues, such as required deposits to the Housing Fund. A number of factors which may affect Tax Revenues, and consequently, Pledged Revenues, are outlined below.

### **Reduction of Pledged Revenues**

Pledged 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 REVENUES—Projected Taxable Valuation and Pledged 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 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 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 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 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 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.

Any reduction in Pledged 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. There can be no assurance that the assessed value of property in the Project Area will not be reduced in the future.

### **Article XIII A**

Pursuant to the California voter initiative process, on June 6, 1978, California voters approved Proposition 13 which added Article XIII A to the California Constitution. This amendment imposed certain limitations on taxes that may be levied against real property to 1% of the full cash value of the property, adjusted annually for inflation at a rate not exceeding 2% annually. Full cash value is determined as of the 1975/76 assessment year, upon change in ownership (acquisition) or when newly constructed. Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

#### **Reduction in Inflationary Rate**

The annual inflationary adjustment, while limited to 2%, is determined annually and may not exceed the percentage change in the California Consumer Price Index (CCPI). Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation six times: for 1981/82, 1%; for 1994/95, 1.19%; for 1996/97, 1.11%, for 1998/99, 1.853%, for 2004/05, 1.867% and for the 2010/11 fiscal year, there will be a decrease of 0.237% reflecting the actual change in the State Consumer Price Index, as reported by the State Department of Finance. The Agency has projected Tax Increment Revenues based on 2% annual inflationary increases in real property values beginning in 2012/13. If the annual inflationary adjustments are less than these assumed amounts, Pledged Revenues will be reduced from those projected.

#### **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—Assessment Appeals and-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 36 Proposition 8 appeals in the past three fiscal years of which 21 were denied or withdrawn. In 2009, the Assessor completed a review of all sales of single family homes sold between July 2004 and December 2007, and incorporated any market-based reductions in assessed value on the 2009-10 assessment roll. Further reductions in market values could have an impact on future Project Area assessed values, though recent sales do not yet show a potential for significant declines.

### **China Lake Naval Weapons Facility**

The Navy owns and operates the China Lake Naval Weapons Facility on over 1 million acres, of which 5,000 acres lie in the City. Although none of the Naval Facility falls within the Project Area, the Naval Facility has a significant economic benefit in the Project Area as a result of its extensive civilian employment and substantial annual budget. Significant declines in assessed values in the City and the Project Area in the early- and mid-1990s were, in part, a result of cutbacks in the workforce at the Naval Facility. Future budget reductions or total closure of the Naval Facility would most likely have a significant economic impact on the Project Area and Pledged Revenues.

### **Major Taxpayers and Concentration of Ownership**

The risk of reduction in assessed value as a result of the factors described above may generally increase where the assessed value within the Redevelopment Project is concentrated among a relatively few number of property owners. Ownership of property in the Project Area is diverse,

with the top ten taxpayers accounting for only 5.74% of the 2009/10 assessed valuation. See “THE PROJECT AREA—Largest Local Secured Taxpayers.” Significant reductions in the assessed values of the other principal taxpayers, could, by itself or in combination with other factors, have a material adverse effect on the Tax Increment Revenues payable to the Agency, and therefore, the Agency’s ability to make timely principal and interest payments with respect to the Bonds.

### **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 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 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 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 Revenues available to pay debt service on the Bonds.

## **Property Held By FDIC**

The ability of the Agency to receive Pledged 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 a portion of 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 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 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 California and Kern County, like that in the country generally, has weakened. A number of public home builders in California have reported weakened 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. Housing market conditions may affect the value of the property within the Project Area.

## **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 Revenues and, accordingly, could have an adverse impact on the ability of the Agency to pay debt service on the Bonds.

## **Interpretation of and Future Changes in the Law; Voter Initiatives.**

The Redevelopment Law is a complex body of law and its application to the Agency, the Redevelopment Plan and the Redevelopment Project may be subject to different interpretations by the Agency, Taxing Agencies and other interested parties, including with respect to Plan Limitations, Housing Fund obligations, Tax Sharing Agreements and Statutory Tax Sharing obligations.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under “FINANCIAL INFORMATION—Tax Increment Revenues,” the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Agency.

## **Factors Relating to Sub-Prime Loans.**

Since the end of 2002, many homeowners have financed the purchase of their homes using loans with little or no down-payment and with adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Many homeowners who purchased their homes with sub-prime loans have experienced difficulty in making their loan payments due to automatic rate increases on their adjustable loans and rising interest rates in the market. This could lead to increased delinquencies in property tax payments by homeowners.

Increased property tax delinquencies could have an adverse effect on the Agency’s ability to make timely payments of principal of and interest on the Bonds. Moreover, if mortgage loan defaults increase, bankruptcy filings by homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent property taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent property taxes.

Finally, as a result of increasing defaults on “sub-prime loans” in recent months, credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial and industrial sectors. Unavailability of loans for the purchase and development of real property in the Redevelopment Project may adversely impact assessed value of property in the Redevelopment Project and, as a result, adversely impact Pledged Revenues available to pay debt service on the Bonds.

## **Real Estate and General Economic Risks**

Pledged Revenues as presented herein as available for payment of any indebtedness of the Agency are based upon the latest actual assessed values for the 2009/10 Fiscal Year. Redevelopment of real property within the Redevelopment Project by the Agency, as well as private development in the Redevelopment Project, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Redevelopment Project encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Redevelopment Project could be adversely affected, causing reduced taxable valuation of property in the Redevelopment Project, a reduction of the Tax Increment Revenues and a consequent reduction in Pledged Revenues available to repay the Bonds. Due to the decline in the general economy of the region, owners of property within the Redevelopment Project may be less able or less willing to make timely payments of property taxes,

causing a delay or stoppage of Tax Revenues received by the Agency from the Redevelopment Project.

### **State of California Fiscal Issues**

In connection with its approval of the budget for the 1992/93, 1993/94, 1994/95, 2002/03, 2003/04, 2004/05, 2005/06, and 2008/09 Fiscal Years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such Fiscal Years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) ("AB 1389"), that among other things require redevelopment agencies to pay into ERAF in Fiscal Year 2008/09, prior to May 10, 2009, an aggregate amount of \$350 million, of which the Agency was to pay approximately \$1.06 million. AB 1389 provides that part of the ERAF obligation of the Agency is calculated based on the gross tax increment received by the Agency and the other part of the ERAF obligation of the Agency is calculated based on net tax increment revenues (after any passthrough payments to other taxing entities). AB 1389 provides that required transfers to ERAF are subordinate to payments on bonds secured by tax increment revenues. On April 30, 2009, a California superior court in California Redevelopment Association v. Genest (County of Sacramento) (Case No. 34-2008-00028334) held that the required payment by redevelopment agencies into ERAF in Fiscal Year 2008/09 pursuant to AB 1389 violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State did file a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal of California Redevelopment Association v. Genest.

In connection with various legislation related to the budget for the State for its Fiscal Year 2009/10, in late July 2009, the State legislature adopted, and the Governor of the State signed, Assembly Bill No. 26 (the "2009 SERAF Legislation").

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("SERAF") that is established in each county treasury throughout the State the aggregate amounts of \$1.7 billion for Fiscal Year 2009/10, which are due prior to May 10, 2010, and \$350 million for Fiscal Year 2010/11, which are due prior to May 10, 2011.

The Agency has preliminarily estimated that the total amount payable by it pursuant to the 2009 SERAF Legislation for the Redevelopment Project will be \$2,593,259 for Fiscal Year 2009/10 and \$533,385 for Fiscal Year 2010/11. Pursuant to the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income.

The Agency made the payment due on May 10, 2010 and believes it will have sufficient funds to pay the full amount of the SERAF payments for Fiscal Year 2010-11 when due. Potential

sources of funds used to pay the SERAF include: tax increment revenues from Fiscal Years 2009/10 and 2010/11, and available moneys on deposit in Agency funds. Additionally, the Agency could, in the future, access the bond market to fund the current or any future tax shifts.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Section 6 of AB 26, to be codified at California Health and Safety Code, § 33690 (a) (3), states: “The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code.”

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional five percent (5%) of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law. The five percent (5%) additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the “Penalty Set-Aside Requirement”) would be in addition to the twenty percent (20%) of such tax revenues already required to be used for low and moderate income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement. The California Redevelopment Association (“CRA”), the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento Superior Court on October 20, 2009 challenging the constitutionality of the 2009 SERAF Legislation and seeking to prevent the State from taking redevelopment funds for non-redevelopment purposes. The Court issued its ruling on May 4, 2010 upholding the constitutionality of the 2009 SERAF payment. CRA has filed a Notice of Appeal. The Agency cannot predict the ultimate outcome of the Appeal.

While the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Agency’s obligations with respect to the new SERAF payments to the Agency’s obligation to pay debt service on the Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation.

The Agency cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the Fiscal Year 2009/10 State Budget and future State budgets. These developments at the State level may, in turn, affect local governments and agencies, including the Agency. The State Legislature may adopt other legislation requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal

shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and balanced its budget by requiring local political subdivisions, such as the City and the Agency, to fund certain costs theretofore borne by the State.

Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated by such reference.

### **AB 1389 Reporting Requirements**

AB 1389 also requires redevelopment agencies, under certain circumstances, to submit reports to the office of the county auditor in the county in which they are located. These reports are required to include calculations of the tax increment revenues that redevelopment agencies have received and payments that redevelopment agencies have made pursuant to Tax Sharing Agreements with taxing entities and Statutory Tax Sharing. County auditors are required to review the reports and, if they concur, issue a finding of concurrence. The State Controller is required to review such reports and submit a report to the Legislative Analyst's office and the Department of Finance identifying redevelopment agencies for which county auditors had not issued a finding of concurrence or are otherwise not in compliance with provisions of AB 1389. AB 1389 includes penalties for any redevelopment agency listed on the most recent State Controller's report, including a prohibition on issuing bonds or other obligations until the listed agency is removed from the State Controller's report.

The Agency filed the first required report for the five year period ending June 30, 2008 with the County Auditor-Controller. In December 2009, the Agency received notification from the Kern County Auditor-Controller to the effect that it concurred with the information contained in the Agency's report. In April 2009, the State Controller's office issued a report which included the Agency on the list of redevelopment agencies with respect to which the County Auditor had concurred with their reports.

The report required by AB 1389 for the Fiscal Year ended June 30, 2009 was due by October 1, 2009. The Agency filed its report with the Kern County Auditor-Controller on September 29, 2009. The Kern County Auditor-Controller had 45 days from October 1 to notify the Agency if it concurred or did not concur with the calculation of the payments due under the Statutory Tax Sharing provisions applicable to the Agency. The County Auditor-Controller has concurred with the information contained in the Agency's Fiscal Year 2008/09 report. The State Controller has not yet issued its report for the reporting period ending June 30, 2009. The Agency does not expect to be listed on the report when published.

### **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 “CONCLUDING INFORMATION—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.

### **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 is the lien date. Tax 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 Area, 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. This rating reflects the view of Standard & Poor's as to the credit quality of the Bonds. 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**

E.J. De La Rosa & Co., Inc. will purchase the Bonds at an original purchase price of \$\_\_\_\_\_ 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).

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. The Verification Agent will also be responsible for the verification of the yield on the escrow.

## **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 has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data for each fiscal year, not later than nine (9) months following the end of 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 CERTIFICATE.” The covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

## **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.

RIDGECREST REDEVELOPMENT AGENCY

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, 2005 to January 1, 2010:

**City of Ridgecrest, 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>
2005	27,432	753,863	36,676,931
2006	27,464	777,664	37,087,005
2007	27,841	798,784	37,463,609
2008	27,950	817,023	37,871,509
2009	28,362	827,475	38,255,508
2010	28,726	839,587	38,648,090

Source: State of California Department of Finance, E-4 Reports, 2005-2010. 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. The City's location and proximity to Highways 395 and 14 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 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 400 building permits issued in the City for the fiscal year ended June 30, 2009, 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. New development within the Project Area includes three restaurants in the Ridgecrest Business Park, namely, the fast food chain Taco Bell, Nick's Café and a local pizzeria called Nickoletti's. In April 2008, the business park welcomed the opening of Spring Hill Suites by Marriott. This hotel is a 57,000 square foot 3-story building featuring 93 suites and three meeting rooms with a total meeting space of 3,964 square feet. Completion of the 24,000 square foot office building, Ridgecrest office Gardens, that is adjacent to the hotel has been completed and is in the rent up phase. Hampton Inn has also been completed comprising over 58,000 square feet with 94 rooms and three rooms for meeting space. During the 2010 year a new 3,800 square foot office services building, Pack Wrap office center, was completed providing a wide variety of copy and printing services to the community. New projects due to be completed in 2010 are a medical office building consisting of over 14,000 square feet of medical office and cliental space. The City stands to benefit from this and other developments through additional property and sales tax revenues, transient occupancy taxes as well as addition of jobs for its residents.

## **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 2008-09**

<i>Fiscal Year</i>	<i>Secured Valuation</i>	<i>Unsecured Valuation</i>	<i>Non-Unitary Valuation</i>	<i>Total Assessed Valuation</i>
2000-01	\$756,837,763	\$24,492,421	\$300	\$781,330,184
2001-02	748,908,959	29,040,489	800	758,417,742
2002-03	758,417,742	26,364,231	800	784,781,973
2003-04	809,016,893	26,204,300	800	835,221,193
2004-05	884,496,272	27,381,729	842,761	911,878,001
2005-06	1,009,674,872	25,945,508	842,761	1,035,620,380
2006-07	1,165,068,633	28,608,295	842,761	1,193,676,928
2007-08	1,330,984,553	29,285,878	842,761	1,360,270,431
2008-09	1,394,936,766	35,413,182	842,761	1,430,349,948

Source: Kern County Auditor-Controller.

**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>
2004	335	\$222,934	687	\$245,237
2005	351	248,826	698	275,216
2006	380	259,975	701	285,824
2007	369	254,193	676	278,331
2008	385	244,842	676	268,963
2009 <sup>(1)</sup>	430	51,087	621	57,987

<sup>(1)</sup> Through First Quarter.

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. 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 <sup>(1)</sup>	<u>249,000</u>	<u>251,300</u>	<u>266,500</u>	<u>278,600</u>	<u>283,900</u>
Total Civilian Labor Force <sup>(2)</sup>	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%

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

<sup>(2)</sup> 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.

## 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)

	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Residential					
New Single-Dwelling	\$25,534,091	\$21,086,580	\$ 5,740,026	\$3,242,688	\$4,939,466
New Multi-Dwelling	<u>0</u>	<u>700,760</u>	<u>8,043,419</u>	<u>0</u>	<u>0</u>
Total Residential	<u>\$23,955,747</u>	<u>\$23,279,405</u>	<u>\$14,672,724</u>	<u>\$3,991,852</u>	<u>\$5,243,353</u>
No. of New Dwelling Units					
Single-Dwelling	168	153	49	23	36
Multi-Dwelling	<u>0</u>	<u>7</u>	<u>80</u>	<u>0</u>	<u>0</u>
Total Dwelling Units	<u>168</u>	<u>160</u>	<u>129</u>	<u>23</u>	<u>36</u>

Source: Construction Industry Research Board.

## **Transportation**

Air transportation for the City is served by Inyokern Airport. The airport is about ten miles away from the City and provides several daily flights to Los Angeles International Airport (LAX). Skywest provides this service. Air transport is also available via two-hour drive either to Ontario for the Ontario International Airport, or to Bakersfield for Meadows Field Airport.

The three main highways traversing the Ridgecrest area are US Highway 395, which provides access to points north and south, State Route 14 which also passes in a north-south direction and State Route 178 which has an east-west orientation.

Local bus service is provided by the City's transit system. Kern Regional Transit runs the Mojave Ridgecrest Express. This line provides transportation between Ridgecrest, California City and Mojave where passengers can obtain a connecting ride in Mojave through the East Kern Express. East Kern Express serves the Mojave, Bakersfield, Keene, Tehachapi, Rosamond and Lancaster areas. Inyo-Mono Transit also provides bus service between Ridgecrest and fixed stops between the Bishop and Reno areas.

## APPENDIX B

### DEFINITIONS

*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:

“Agency” means the Ridgecrest Redevelopment Agency.

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

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

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

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

“Bond” or “Bonds” means the “Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010” authorized by the Indenture.

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

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

“Bond Year” means the twelve (12) month period commencing on July 1 of each year, provided that the first Bond Year shall extend from the Delivery Date to June 30, 2011.

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

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

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

“City” means the City of Ridgecrest, California.

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

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

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

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

“County” means the County of Kern, California.

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

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

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

“Escrow Agreement” means the Escrow Agreement relating to the refunding of the Refunded Bonds, dated as of \_\_\_\_\_ 1, 2010, by and between the Agency and the Escrow Bank, together with any amendments thereto.

“Escrow Bank” means U.S. Bank National Association.

“Event of Default” means any of the events described in the Indenture thereof.

“Excess Investment Earnings Fund” means the fund by that name established pursuant to the Indenture.

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

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

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

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

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

- (1) Is in fact independent and not under domination of the Agency;
- (2) Does not have any substantial interest, direct or indirect, with the Agency; and
- (3) Is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

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

“Interest Payment Date” means June 30 and December 31 of each year commencing December 31, 2010.

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

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

- (1) The principal amount of all serial Bonds, serial 2002 Bonds and serial Parity Bonds, if any, and the amount of minimum sinking account payments payable in such Bond Year; and

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

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

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

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid pursuant to the Indenture thereof; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Supplemental Indenture.

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

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

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

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

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

- (1) Government Obligations;
- (2) bonds, debentures, notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations

represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Rural Economic Community Development Administration, Federal Housing Administration, U.S. Maritime Administration, Government National Mortgage Association;

- (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Federal Home Loan Bank System Senior debt obligations; Federal Home Loan Mortgage Corporation, Senior debt obligations (rated Aaa by Moody's and AAA by S&P); Federal National Mortgage Association senior debt obligations (rated Aaa by Moody's and AAA by S&P); government sponsored agency's senior debt obligations;
- (4) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating AAAM, or AAAM-G or better by S&P and "Aaa" by Moody's, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;
- (5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);
- (6) investment agreements including guaranteed investment contracts approved by the Agency;
- (7) commercial paper rated at the time of purchase "A-1+" by S&P or "P-1" by Moody's and which mature not more than 270 days after the date of purchase;
- (8) general obligations issued by any state with a rating of at least "A2/A" or higher by both Moody's and S&P;
- (9) repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity or the Trustee on behalf of the municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date;
- (10) the Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a Permitted Investment;
- (11) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the

California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

“Pledged Revenues” means Tax Revenues, including that portion of taxes otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund but only to the extent necessary to repay that portion of the Bonds and any Parity Bonds which were issued or which shall be issued to finance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Law; but excluding (i) all other amounts of such taxes (if any) (a) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Law, and (ii) all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreements or Statutory Pass-Throughs.

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

“Redemption Fund” shall have the meaning set forth in the Indenture thereof.

“Redevelopment Fund” means the Fund by that name in the Indenture thereof.

“Redevelopment Plan” means the Redevelopment Plan for the Ridgecrest Redevelopment Project, approved and adopted by the City Council of the City by Ordinance No. 86-37 of the City of Ridgecrest on December 16, 1986 and amended by Ordinance No. 91-13 adopted on April 17, 1991 and amended by Ordinance No. 95-04 adopted on March 15, 1995, hereafter or heretofore made pursuant to the Law.

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

“Refunded Bonds” means the 1999 Bonds.

“Refunded Bonds Escrow Funds” means the funds by that name described in the Indenture thereof.

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

“Report” means a document in writing signed by an Independent Financial Consultant and including:

- (1) A statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;
- (2) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (3) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

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

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

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

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses as such depositories may specify and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

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

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

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

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

“State” means the State of California.

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

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

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

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

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

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

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

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

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

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Ridgecrest Redevelopment Agency  
Ridgecrest, California

Re:     \$\_\_\_\_\_ Ridgecrest Redevelopment Agency Ridgecrest Redevelopment  
          Project Tax Allocation Refunding Bonds Series 2010

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Ridgecrest Redevelopment Agency (the "Agency"), taken in connection with the issuance and sale by the Agency of its Ridgecrest Redevelopment Agency Tax Allocation Refunding Bonds Series 2010 (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 \_\_\_\_\_, 2010 (the "Resolution"), and in accordance with the terms and conditions of an Indenture of Trust dated as of June 1, 2010 (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 \$4,475,000, 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 Pledged 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, 4, 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 CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Ridgecrest Redevelopment Agency (the “Agency”) in connection with the issuance of the Agency’s \$\_\_\_\_\_ Ridgecrest Redevelopment Agency, Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2010 (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 Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate, 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 Certificate.

“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.

“EMMA” shall mean the Electronic Municipal Market Access system located at <http://www.emma.msrb.org>, which is the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“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.

“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.

Section 3. Provisions of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Agency’s fiscal year (based upon the June 30 end of the Agency’s fiscal year), commencing with the report for the 2009-10 fiscal year, provide to the MSRB, via EMMA, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure

Certificate. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to EMMA 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, 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 MSRB, via EMMA, pursuant to this Disclosure Agreement, stating the date 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 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) information for the most recent Fiscal Year substantially in the format set forth under the heading "PLEDGED REVENUES—Schedule of Historical Pledged Revenues;

(ii) identity of pending and successful appeals of assessed values in the Project Area, but only if (1) such information is collected and made available to the City by the County and (2) total appeals exceed, in the aggregate, 5% of assessed value in the Project Area;

(iii) summary of Agency indebtedness payable from tax increment generated in the Project Area, including the amount outstanding as of June 30 of the most recent fiscal year, and information about any new Parity Debt (as defined in the Indenture relating to the Bonds);

(iv) during any period that the Agency and the Project Area do not participate in the Teeter Plan, a summary of tax increment levies, collections and delinquencies in the Project Area;

(v) summary of incremental assessed values in substantially the form of the table in the Official Statement;

(vi) summary of Pledged Revenues and debt service coverage for the most recent fiscal year in substantially the form of the Table under the heading “PLEDGED REVENUES” of the Official Statement; and

(vii) a statement of the balance in the Reserve Account established under the Indenture and the Reserve Requirement both as of June 30 of the most recently-completed fiscal year.

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 EMMA 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.

(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 MSRB, via EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior 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. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 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 EMMA 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 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically equipped by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, 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 Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_ 1, 2010

RIDGECREST REDEVELOPMENT AGENCY

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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: \$\_\_\_\_\_ Ridgecrest Redevelopment Agency,  
Ridgecrest Redevelopment Project Tax Allocation Refunding Bonds,  
Series 2010

Date of Issuance: \_\_\_\_\_, 2010

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 June 1, 2010, 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 2008-09 AGENCY AUDITED FINANCIAL STATEMENTS**

§ \_\_\_\_\_  
**RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2010**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2010

Ridgecrest Redevelopment Agency  
Ridgecrest, California

Ridgecrest Financing Authority  
Ridgecrest, California

Ladies and Gentlemen:

E. J. De La Rosa & Co. (the “Underwriter”) hereby offers to enter into the following agreement (this “Bond Purchase Agreement”) with the Ridgecrest Redevelopment Agency (the “Agency”) and the Ridgecrest Financing Authority (the “Authority”). Upon the acceptance hereof by you, this offer will be binding upon the Agency, the Authority and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice (by facsimile or otherwise) delivered to you at any time prior to the acceptance hereof by you.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations herein set forth, (i) the Authority hereby agrees to purchase from the Agency, but only to the extent the Underwriter is obligated hereunder to purchase from the Authority for offering to the Underwriter, and the Agency hereby agrees to sell to the Authority for such purpose, and (ii) the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell to the Underwriter, all (but not less than all) of the Agency’s \$\_\_\_\_\_ Ridgecrest Redevelopment Project, Tax Allocation Refunding Bonds, Series 2010 (the “Bonds”), at the Closing Time on the Closing Date (each as defined herein). The Bonds shall be dated the date of their delivery, shall mature on the dates, and shall bear interest at the rates per annum shown on Exhibit A hereto. Interest on the Bonds shall be payable semiannually on June 30 and December 31 of each year, commencing on December 31, 2010, to maturity.

The price at which the Underwriter is to purchase the Bonds from the Authority shall be \$\_\_\_\_\_ in immediately available funds, being the aggregate principal amount of \$\_\_\_\_\_, less original issue discount of (\$\_\_\_\_\_), less an Underwriter’s discount of (\$\_\_\_\_\_).

The date of such payment and delivery is referred to herein as the “Closing Date,” the hour and date of such delivery and payment is referred to herein as the “Closing Time,” and the other actions contemplated hereby to take place at the time of such payment and delivery are sometimes referred to herein as the “Closing.”

2. **The Bonds.** The Bonds shall be described in, and shall be issued and secured pursuant to, the provisions of the Constitution and the laws of the State of California including the provisions of the Community Redevelopment Law of the State of California, being Part 1 of Division 24 of the Health and Safety Code of the State of California (commencing with Section 33000), as in existence on the Closing Date or as thereafter amended from time to time (the “Bond Law”), and an Indenture, dated as of \_\_\_\_\_, 2010 (the “Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), authorizing the issuance of the Bonds. The Bonds are payable from and secured by Pledged Revenues (as defined in the Indenture).

The Agency will use the proceeds of the Bonds to (i) refund the Agency’s Ridgecrest Redevelopment Project 1999 Tax Allocation Bonds (the “Refunded 1999 Bonds”), (ii) finance a portion of the costs of the Ridgecrest Development Project (the “Project Area”), (iii) fund a reserve fund and (iv) to pay the cost of issuing the Bonds. The refunding will be accomplished pursuant to an Escrow Agreement, dated as of \_\_\_\_\_ 1, 2010 (the “Escrow Agreement”), by and between the Agency and U.S. Bank National Association., as escrow bank (the “Escrow Bank”).

The Agency will deliver a Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2010 (the “Continuing Disclosure Agreement”) in order to assist the Underwriter in complying with the requirements of Rule 15c2-12 promulgated by the U.S. Securities Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, with respect to the Bonds. Herein, the Indenture, this Bond Purchase Agreement, the Escrow Agreement, the Official Statement, and the Continuing Disclosure Agreement are referred to as the “Basic Documents.”

The Bonds shall be payable and shall be subject to redemption as provided in the Indenture and shall be as described in the Preliminary Official Statement of the Agency, dated \_\_\_\_\_, 2010 (the “Preliminary Official Statement”), and the Official Statement of the Agency dated of even date herewith. Such Preliminary Official Statement, including the cover page and the appendices thereto, relating to the Bonds, as amended to include the terms of this Bond Purchase Agreement with respect to pricing and interest rates and with such changes and amendments thereto as have been mutually agreed to by the Agency and the Underwriter, is hereinafter referred to as the “Official Statement.”

3. **Offering by the Underwriter.** It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers and special purchasers) at prices or yields as set on the inside cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers and special purchasers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the

Bonds may be offered to the public at prices other than the par value thereof. The net premium on the sale of the Bonds to the public, if any, shall accrue to the benefit of the Underwriter.

**4. Official Statement, Delivery of Other Documents, Use of Documents.**

(a) The Agency hereby authorizes the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments thereto) and the Indenture and the information therein contained, in connection with the public offering and sale of the Bonds.

(b) The Agency shall deliver to the Underwriter, within seven business days from the date hereof, such number of copies of the final Official Statement executed on behalf of and approved for distribution by the Agency as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board (“MSRB”) and Rule 15c2-12(b)(4).

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to the MSRB.

**5. Representations, Warranties and Agreements of the Agency.** The Agency represents, warrants and agrees as follows:

(a) The Agency is a redevelopment agency duly organized and validly existing under the laws of the State of California.

(b) The Agency has full legal right, power and authority (i) to enter into, execute and deliver the Basic Documents; and (ii) to carry out and consummate the transactions on its part contemplated by the Basic Documents.

(c) By all necessary official action, the Agency has duly authorized and approved the Basic Documents, has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations in connection with the issuance of the Bonds on its part contained in the Indenture and this Bond Purchase Agreement, and the consummation by it of all other transactions contemplated by the Basic Documents in connection with the issuance of the Bonds.

(d) As of the date hereof, the Agency is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the Agency is a party which breach or default has or may have an adverse effect on the ability of the Agency to perform its obligations under the Indenture, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Basic Documents, and compliance with the provisions on the Agency’s part contained therein, will not conflict in any material way with or

constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Agency is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Agency or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Indenture.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Agency of its obligations in connection with the issuance of the Bonds under this Bond Purchase Agreement or the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Agency of its obligations under the Indenture and this Bond Purchase Agreement have been duly obtained.

(f) The Indenture, and the Bonds when issued, will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY FOR THE BONDS" and "THE INDENTURE."

(g) The Bonds, when issued, authenticated and delivered in accordance with the Indenture will be validly issued and outstanding obligations of the Agency, entitled to the benefits of the Indenture, and upon such issuance and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest they purport to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Agency, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Agency executing this Bond Purchase Agreement, threatened against the Agency, affecting the existence of the Agency or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Pledged Revenues or any other monies pledged to the payment of the Bonds pursuant to the Indenture, or contesting or affecting as to the Agency the validity or enforceability of the Bond Law, the Bonds, this Bond Purchase Agreement, the Indenture, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Agency for the issuance of the Bonds, or the execution

and delivery or adoption by the Agency of this Bond Purchase Agreement, the Indenture, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Agency, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the Agency, or the authorization, execution, delivery or performance by the Agency of the Bonds, the Indenture, or this Bond Purchase Agreement.

(i) The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Agency shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the Agency's action under (i) and (ii) herein, and (iii) assure or maintain the tax-exempt status of the interest on the Bonds.

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(k) At the time of the Agency's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 5) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(m) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the Agency shall occur affecting the Agency which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to

contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The Agency will refrain from taking any action, or permitting any action to be taken, with regard to which the Agency may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(o) Any certificate signed by any officer of the Agency and delivered to the Underwriter pursuant to the Indenture, this Bond Purchase Agreement or any document contemplated thereby shall be deemed a representation and warranty by the Agency to the Underwriter as to the statements made therein.

(p) The Agency will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Agency will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or principal of which will be payable from the payments to be made under the Indenture.

(q) The Agency shall honor all other covenants on its part contained in the Indenture, which covenants are incorporated herein and made a part of this Bond Purchase Agreement.

(r) At or prior to the Closing, the Agency shall have duly authorized, executed and delivered the Continuing Disclosure Agreement which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the forms presented as Appendix E to the Official Statement.

6. **Representations, Warranties and Agreements of the Authority.** The Authority represents, warrants and agrees that:

(a) The Authority is a joint powers authority, duly organized and existing, and authorized to transact business and exercise powers under and pursuant to the provisions of the Constitution and the laws of the State of California and has, and at the date of the Closing will have, full legal right, power and authority to enter into this Bond Purchase Agreement, and to carry out and to consummate the transactions contemplated by this Bond Purchase Agreement and the Official Statement;

(b) The information relating to the Authority contained in the Preliminary Official Statement, as of its date, was correct in all material respects and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein

or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(c) The information relating to the Authority contained in the Official Statement, as of its date, is correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(d) The Authority covenants with the Underwriter that during the period of time the Underwriter is required under Rule 15c2-12, to send any potential customer, on request, a copy of the Official Statement (the "Delivery Period"), if an event occurs, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter of any such event of which it has knowledge, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority shall cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, and all printing expenses thereby incurred shall be paid for by the Agency.

(e) If the information relating to the Authority contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the end of the Delivery Period, the portions of the Official Statement so supplemented, or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Authority has complied, and will at the Closing be in compliance, in all respects, with the JPA Act and any other applicable laws of the State of California;

(g) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in this Bond Purchase Agreement;

(h) The execution and delivery of this Bond Purchase Agreement, and compliance with the provisions of thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject;

(i) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to

execution and delivery by the Authority of this Bond Purchase Agreement and the purchase from the Agency and sale to the Underwriter of the Bonds have been obtained or will be obtained prior to the Closing (provided the Authority shall not be responsible for state blue sky filings);

(j) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the best knowledge of the Authority, threatened against the Authority, affecting the existence of the Authority or the titles of its members or officers, or seeking to enjoin the purchase and sale of the Bonds by the Authority, or in any way contesting or affecting the validity or enforceability of the Bonds or this Bond Purchase Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or contesting the power or authority of the Authority to purchase and sell the Bonds, or to execute and deliver this Bond Purchase Agreement, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or this Bond Purchase Agreement; and

(k) Any certificate signed by an authorized officer of the Authority and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter as to the statements made therein.

7. **Closing.** At 8:00 a.m., California time, on \_\_\_\_\_, 2010, or on such earlier date or as soon thereafter as practicable, or such other time as may be mutually agreed upon by the Agency, the Authority and the Underwriter, the Authority will, subject to the terms and conditions hereof, cause the Trustee to deliver to or at the direction of the Underwriter, the Bonds, in definitive form duly authenticated by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and will pay the purchase price of the Bonds in Newport Beach, California as set forth in Paragraph 1(a) hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. The Bonds shall be prepared in book-entry form and registered in the name of Cede & Co. at the direction of the Underwriter.

8. **Closing Conditions.** The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Agency and the Authority contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Agency and the Authority of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Agency and the Authority contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Indenture shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the Agency and of the other parties thereto relating to this Bond Purchase Agreement and the Indenture shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Agency, the Bonds, or the Project Area, as the foregoing matters are described in the Official Statement, which in the opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by a designated officer of the Agency;

(2) A copy of the Indenture;

(3) A copy of this Bond Purchase Agreement;

(4) A copy of the Escrow Agreement;

(5) A copy of the Continuing Disclosure Agreement;

(6) Certificates, dated the date of Closing, signed by a duly authorized official of the Agency and the Authority, each satisfactory in form and substance to the Underwriter to the effect that the representations and warranties of the Agency and the Authority, respectively, contained herein are true and correct as of the date of the Closing;

(7) An Opinion, (the "Final Approving Legal Opinion") dated the date of the Closing and addressed to the Agency, of Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Bond Counsel, in substantially the form included as Appendix C to the Official Statement, with respect to the Bonds, accompanied by a reliance letter from Bond Counsel to the effect that such opinion may be relied upon by the Underwriter with the same effect as if such opinion were addressed to them;

(8) An Opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriter, in substantially the form attached hereto as Exhibit B with respect to the Bonds;

(9) An opinion, dated the date of the Closing and addressed to the Agency and the Underwriter, of Stradling Yocca Carlson & Rauth, A Professional Corporation, Disclosure Counsel, in substantially the form attached hereto as Exhibit C;

(10) a defeasance opinion of Bond Counsel relating to the defeasance of the Refunded 1999 Bonds, dated the Closing Date and addressed to the Trustee, in form and substance satisfactory to the Underwriter;

(11) Evidence that Standard & Poor's has assigned a rating of “\_\_” to the Bonds;

(12) An opinion of counsel to the Escrow Bank, to the effect that:

(i) Due Organization and Existence - the Escrow Bank has been duly organized and is validly existing and in good standing, with full corporate power to undertake the duties and obligations under the Escrow Agreement;

(ii) Corporate Action - the Escrow Bank has duly authorized, executed and delivered the Escrow Agreement, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Escrow Bank under the Escrow Agreement; and

(iii) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Agency, the Escrow Agreement is the valid, legal and binding agreement of the Escrow Bank, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(13) A certificate of the Trustee to the effect that:

(i) Due Organization and Existence - the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States having the full power and authority to enter into and perform its duties under the Indenture, and to execute and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture;

(ii) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Agency, the Indenture is the valid, legal and binding agreement of the Trustee, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles

(regardless of whether such enforcement is considered in a proceeding in equity or at law);

(iii) No Conflict - the execution and delivery by the Trustee of the Indenture, and the authentication and delivery of the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee, which conflict, breach, violation or default would materially impair the ability of the Trustee to perform its obligations under the Indenture; and

(iv) No Litigation - there is no litigation that has been served on the Trustee or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Indenture.

(14) The general resolutions of the Trustee and the Escrow Bank authorizing the execution and delivery of certain documents by certain officers of the Trustee and the Escrow Bank, which resolution authorizes the execution and delivery of the Indenture and the Escrow Agreement, respectively;

(15) An opinion of counsel to the Trustee, to the effect that:

(i) Due Organization and Existence - the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States having the full power and authority to enter into and perform its duties under the Indenture, and to execute and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture;

(ii) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Agency, the Indenture is the valid, legal and binding agreement of the Trustee, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); and

(iii) No Conflict - to the best of our knowledge, after due investigation, the execution and delivery by the Trustee of the Indenture, and the authentication and delivery of the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee, which conflict, breach, violation or default would materially impair the ability of the Trustee to perform its obligations under the Indenture.

(16) A full and complete transcript of all proceedings relating to the authorization, issuance and delivery of the Bonds;

(17) A copy of the verification report prepared by \_\_\_\_\_, as verification agent, in connection with the Refunded 1999 Bonds;

(18) A certificate of the Agency to the effect that the Agency is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5); and

(19) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Agency's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Agency on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel and the Underwriter. The opinions and certificates presented as Exhibits hereto or as Appendices to the Official Statement shall be deemed satisfactory provided they are substantially in the forms of such exhibits or appendices.

If the Agency shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Agency shall be under any further obligation hereunder.

9. **Termination.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Agency, in writing or by telegram, of its election to do so, if, after the execution hereof and prior to the Closing: (a) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency; (b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California; (c) an event shall have occurred or been discovered as described in paragraph (m) of Section 5 hereof which in the opinion of the Underwriter requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement; (d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds; (e) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds or the Bonds, as contemplated hereby or by the Official Statement; (f) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (g) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers; (h) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange; or (i) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market.

If this Bond Purchase Agreement shall be terminated pursuant to Section 8 or this Section 9, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Agency to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the Agency shall be unable to perform all of their obligations under this Bond Purchase Agreement, the Agency shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement.

10. **Payment of Costs and Expenses.** The Agency shall pay or reimburse all costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the Agency and its Counsel; (ii) the fees and expenses of Bond Counsel and Disclosure Counsel (iii) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (iv) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (v) the fees and expenses of the Trustee, the Escrow Bank and the verification agent; (vi) CUSIP Bureau fees; and (vii) CDIAC, The Depository Trust Company, MSRB, California Municipal Statistics, California Public Securities Association and Public Securities Association fees, and all other fees and expenses of the Underwriter except as provided in the following sentence. The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds.

11. **Representations, Warranties and Agreements to Survive Delivery.** The representations, warranties, agreements and other statements of the Agency and the Underwriter or their officers or partners set forth in, or made pursuant to, this Bond Purchase Agreement will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Agency or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

12. **Notices.** Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing:

To the Agency:	Ridgecrest Redevelopment Agency 100 W. California Avenue Ridgecrest, California 93553 Attention: Executive Director
To the Authority:	Ridgecrest Financing Authority c/of Ridgecrest Redevelopment Agency 100 W. California Avenue Ridgecrest, California 93553 Attention: Executive Director
To the Underwriter:	E. J. De La Rosa & Co. 10866 Wilshire Boulevard, Suite 1650 Los Angeles, California 90024 Attention: Scott Henry

13. **Parties in Interest.** This Bond Purchase Agreement is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Agency's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the

Bonds pursuant to this Bond Purchase Agreement; and (iii) any termination of this Bond Purchase Agreement.

14. **Determination of End of the Underwriting Period.** For purposes of this Bond Purchase Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the “end of the underwriting period” for the Bonds for all purposes of Rule 15c2-12 will not occur on the day of the Closing, or (b) the date on which notice is given to the Agency by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Agency pursuant to clause (a) above that the “end of the underwriting period” for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Agency in writing as soon as practicable following the “end of the underwriting period” for the Bonds for all purposes of the Rule.

15. **Effectiveness.** This Bond Purchase Agreement shall become effective upon the execution of the acceptance by the designee of the Agency and shall be valid and enforceable at the time of such acceptance.

16. **Headings.** The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

17. **Governing Law.** This Bond Purchase Agreement shall be construed in accordance with the laws of the State of California.

18. **Counterparts.** This Bond Purchase Agreement may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the Agency and the Underwriter in accordance with its terms as of the date first written above.

Very truly yours,

**E. J. DE LA ROSA & CO.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted:

**RIDGECREST REDEVELOPMENT AGENCY**

By: \_\_\_\_\_

Title: Executive Director

**RIDGECREST FINANCING AUTHORITY**

By: \_\_\_\_\_

Title: Executive Director

**EXHIBIT A**

**MATURITY SCHEDULE**

**\$ \_\_\_\_\_**  
**RIDGECREST REDEVELOPMENT AGENCY**  
**RIDGECREST REDEVELOPMENT PROJECT**  
**TAX ALLOCATION REFUNDING BONDS**  
**SERIES 2010**

<b>Maturity Date (<u>June 30</u>)</b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>
	\$ _____	_____ %	_____ %

\$ \_\_\_\_\_ % Term Bonds due June 30, 20\_\_ – Yield: \_\_\_\_\_ %

**EXHIBIT B**

**Opinion of Stradling Yocca Carlson & Rauth, Bond Counsel  
Addressed to the Underwriter, the Trustee and the Bond Insurer**

[Closing Date]

E. J. De La Rosa & Co.

The U.S. Bank National Association

\$ \_\_\_\_\_  
RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2010

Ladies and Gentlemen:

We have this day released to the Ridgecrest Redevelopment Agency (the “Agency”) our final approving legal opinion with respect to the above-captioned bonds (the “Bonds”). You are authorized to rely on such opinion as if the same were addressed to you.

In connection with rendering the above-described opinion, we examined the record of proceedings submitted to us relative to the issuance of the Bonds and such other documents as are in our opinion necessary to enable us to express an informed opinion with respect to the following matters. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Official Statement of the Agency, dated \_\_\_\_\_, 2010, relating to the Bonds.

Based upon the foregoing, in our opinion:

1. The Agency has the right and power to perform all of its obligations under the Bond Purchase Agreement, dated \_\_\_\_\_, 2010 (the “Purchase Agreement”), by and among the Agency, the Ridgecrest Financing Authority (the “Authority”) and E. J. De La Rosa & Co. (the “Underwriter”). The Agency and the Authority have each duly authorized the Purchase Agreement and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Purchase Agreement constitutes a legal, valid and binding agreement of the Agency and the Authority enforceable against the Agency and the Authority in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors’ rights or remedies.

2. The statements contained in the Official Statement in the sections thereof entitled “INTRODUCTORY STATEMENT,” “THE BONDS,” “SECURITY FOR THE BONDS,” “THE INDENTURE,” “CONCLUDING INFORMATION - Tax Matters,” and APPENDIX B –

“DEFINITIONS,” insofar as such statements purport to summarize certain provisions of the Bonds and the Indenture, are accurate in all material respects.

3. The Bonds are not required to be registered under the Securities Act of 1933, as amended.

4. The Indenture is not required to be registered under the Trust Indenture Act of 1939.

This letter is furnished by us as bond counsel. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to the addressees, is solely for the benefit of the addressees and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may, not, be relied upon by owners of the Bonds.

Respectfully submitted,

**EXHIBIT C**

**Opinion of Stradling Yocca Carlson & Rauth, Disclosure Counsel**

[Closing Date]

Ridgecrest Redevelopment Agency

E. J. De La Rosa & Co.

\$ \_\_\_\_\_  
RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2010

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the Ridgecrest Redevelopment Agency (the “Agency”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to the provisions of the Constitution and the laws of the State of California, including the provisions of the Community Redevelopment Law of the State of California, being Part 1 of Division 24 of the Health and Safety Code of the State of California (commencing with Section 33000) (the “Bond Law”). The Bonds will also be issued pursuant to a Indenture, dated as of \_\_\_\_\_, 2010 (the “Indenture”), by and between the Agency and The U.S. Bank National Association, as trustee (the “Trustee”), authorizing the issuance of the Bonds. The Bonds are more fully described in the Official Statement of the Agency dated \_\_\_\_\_, 2010 (the “Official Statement”). The Bonds are being purchased pursuant to the provisions of a Bond Purchase Agreement, dated \_\_\_\_\_, 2010 (the “Purchase Agreement”), by and among the Agency, the Ridgecrest Financing Authority (the “Authority”) and E. J. De La Rosa & Co. (the “Underwriter”). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Official Statement.

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to the Agency in connection with the preparation of the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries

concerning various legal matters, review of certain records, documents and proceedings, and participation in conferences with, among others, representatives of the Agency, the Underwriter and each of their respective counsel, if any, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement regarding The Depository Trust Company, New York, New York and its book-entry system and Appendices E and F as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

We are furnishing this opinion to the Underwriter and the Agency, solely for their benefit as underwriter and the issuer of the Bonds, respectively. This opinion is rendered in connection with the transaction described herein, and may not be relied upon for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

Respectfully submitted,

**EXHIBIT D**

**Opinion of Counsel to the Agency**

[Closing Date]

Ridgecrest Redevelopment Agency

Ridgecrest Financing Authority

E. J. De La Rosa & Co.

U.S. Bank National Association

\$ \_\_\_\_\_  
RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2010A

Ladies and Gentlemen:

We have acted as counsel to the Ridgecrest Redevelopment Agency (the “Agency”) in connection with the issuance of the above-captioned Bonds (the “Bonds”). The Bonds are being issued pursuant to the provisions of the Constitution and the laws of the State of California, including the provisions of the Community Redevelopment Law of the State of California, being Part 1 of Division 24 of the Health and Safety Code of the State of California (commencing with Section 33000) (the “Bond Law”). The Bonds will also be issued pursuant to an Indenture, dated as of \_\_\_\_\_, 2010 (the “Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), authorizing the issuance of the Bonds and a Resolution adopted by the Agency (the “Resolution”). We have examined the Bond Law and such certified proceedings and other papers as we deem necessary to render this opinion. Capitalized terms used herein, unless otherwise defined, have the meanings assigned to such terms in the Bond Purchase Agreement, dated \_\_\_\_\_, 2010 (the “Purchase Agreement”), by and among the Agency, the Ridgecrest Financing Authority, and E. J. De La Rosa & Co.

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

We are of the opinion that:

1. The Agency is a public body, corporate and politic, duly organized and validly existing under and by virtue of the laws of the State of California.

2. The Resolution has been duly adopted by the Agency at a regular meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the members of the Agency was continuously present.

3. Except as described in the Official Statement, there is no litigation pending or, to the best of our knowledge after due inquiry, threatened which: (i) challenges the right or title of any member or officer of the Agency to hold his or her respective office or exercise or perform the powers and duties pertaining thereto; (ii) challenges the validity or enforceability of the Bonds, the Resolution, the Indenture, the Continuing Disclosure Agreement, or the Purchase Agreement; (iii) seeks to restrain or enjoin the issuance and sale of the Bonds, the adoption or effectiveness of the Resolution, or the execution and delivery by the Agency of, or the performance by the Agency of its obligations under, the Bonds, the Indenture, the Purchase Agreement, the Continuing Disclosure Agreement or the Resolution, or (iv) if determined adversely to the Agency or its interests, would have a material and adverse affect upon the financial condition, assets, properties or operations of the Agency.

4. The Bonds, the Indenture, the Continuing Disclosure Agreement, and the Purchase Agreement have each been duly authorized, executed and delivered by the Agency, and the Bonds, the Indenture, the Continuing Disclosure Agreement, and the Purchase Agreement constitute the valid and binding legal obligations of the Agency enforceable in accordance with their respective terms except as such enforceability may be limited or otherwise affected by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or general principles of equity limiting or otherwise affecting the enforcement of creditors' rights, whether now existing or hereafter enacted.

5. The execution and delivery by the Agency of, and the performance by the Agency of its obligations under, the Bonds, the Indenture, the Continuing Disclosure Agreement, and the Purchase Agreement do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Agency is a party or by which it is bound.

6. The Agency has obtained all authorizations, approvals, consents or other orders of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Agency required for the valid authorization, issuance and delivery by the Agency of the Bonds.

7. The Official Statement (excluding therefrom financial statements and the statistical data included in the Official Statement, as to which no opinion is expressed) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

All parties to the transactions pertaining to the initial issuance and sale of the Bonds and their counsel may rely upon this opinion.

Very truly yours,

**EXHIBIT E**

**Opinion of Counsel to the Authority**

[Closing Date]

Ridgecrest Financing Authority

Ridgecrest Redevelopment Agency

E. J. De La Rosa & Co.

U.S. Bank National Association

\$ \_\_\_\_\_  
RIDGECREST REDEVELOPMENT AGENCY  
RIDGECREST REDEVELOPMENT PROJECT  
TAX ALLOCATION REFUNDING BONDS  
SERIES 2010 A

Ladies and Gentlemen:

We have acted as counsel to the Ridgecrest Financing Authority (the “Authority”) in connection with the issuance of the above-captioned Bonds (the “Bonds”). The Bonds are being issued pursuant to the provisions of the Constitution and the laws of the State of California, including the provisions of the Community Redevelopment Law of the State of California, being Part 1 of Division 24 of the Health and Safety Code of the State of California (commencing with Section 33000) (the “Bond Law”). The Bonds will also be issued pursuant to a Indenture, dated as of \_\_\_\_\_, 2010 (the “Indenture”), by and between the Agency and The U.S. Bank National Association, as trustee (the “Trustee”), authorizing the issuance of the Bonds and a Resolution adopted by the Authority (the “Resolution”). We have examined the Bond Law and such certified proceedings and other papers as we deem necessary to render this opinion. Capitalized terms used herein, unless otherwise defined, have the meanings assigned to such terms in the Bond Purchase Agreement, dated \_\_\_\_\_, 2010 (the “Purchase Agreement”), by and among the Agency, the Ridgecrest Financing Authority, and U.S. Bank National Association.

We are of the opinion that:

1. The Authority is a joint powers authority, duly created and lawfully existing under the laws and the Constitution of the State of California.

2. The Authority has full legal power and lawful authority to enter into the Purchase Agreement.

3. The Resolution of the Authority adopted (the “Authority Resolution”) approving and authorizing the execution and delivery of the Purchase Agreement has been duly adopted at a meeting of the governing body of the Authority, which was called and held pursuant to the law and with all public notice required by law and at which a quorum was present and acting throughout and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded.

4. The Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the valid, legal and binding agreement of the Authority enforceable in accordance with its terms.

5. The representations of the Authority contained in the Purchase Agreement are true and correct.

6. The information in the Official Statement under the captions “INTRODUCTORY STATEMENT” and “THE AUTHORITY” insofar as such statements purport to summarize information with respect to the Authority, fairly and accurately summarizes the information presented therein.

7. Except as otherwise disclosed in the Official Statement, there is no litigation, action, suit, proceeding or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to the best of our knowledge, threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Purchase Agreement or seeking to restrain or enjoin any of the transactions referred to therein or contemplated thereby or contesting the authority of the Authority to enter into or perform its obligations under the Purchase Agreement, or under which a determination adverse to the Authority would have a material adverse effect upon the financial condition or the revenues of the Authority, or which, in any manner, questions the right of the Authority to purchase and sell the Bonds.

All parties to the transactions pertaining to the initial issuance and sale of the Bonds and their counsel may rely upon this opinion.

Very truly yours,



**City of Ridgecrest**  
 2010 Tax Allocation Bonds  
 (As of May 18, 2010)

April							May							June							July						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3							1			1	2	3	4	5					1	2	3
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
25	26	27	28	29	30	23	24	25	26	27	28	29	27	28	29	30	25	26	27	28	29	30	31				
							30	31																			

Date	Activity	Responsibility	Completed
Week of March 8	Capacity numbers circulated		x
Friday, March 12	Comments on Fiscal Consultant's Report	All	x
Friday, March 19	1 <sup>st</sup> draft of legals; 1 <sup>st</sup> draft of POS	BC, DC	x
Thursday, March 25	Fiscal Consultant & Bond counsel meeting on pass-throughs	BC/FC	x
Monday, March 29	Comments due on drafts, legals.	All	x
Week of March 29	All hands call to be scheduled.		x
Friday, April 16	2 <sup>nd</sup> draft of Fiscal Consultant's Report	FC	x
Friday, April 30	2 <sup>nd</sup> draft of legals	BC	x
	2 <sup>nd</sup> draft of POS	DC	x
	Updated capacity, debt service	UW	x
<b>Wednesday, May 5, 3:30pm</b>	<b>All Hands call</b> Dial-in: 1-800-528-3520 Passcode: 3713335#	<b>All</b>	<b>x</b>

Date	Activity	Responsibility	Completed
Monday, May 10	Revised documents	BC, DC, FC	x
Week of May 10	Credit packets to insurers and rating agencies	FA	x
Tuesday, May 18	All Hands Call	All	x
Tuesday, May 25	Agenda deadline for June 2 Council meeting	BC, DC, FC	
Wednesday, June 9	Receive ratings/insurance quotes	FA	
Wednesday, June 2	Council/RDA approves legals	City	
Friday, June 11	Evaluate insurance.	UW, FA	
Monday, June 14	Call with City at 11:00am. <b>Dial-in: 1-800-528-3520</b> <b>Passcode: 5597546#</b>	UW, FA, City, DC	
Wednesday, June 16	Mail POS.	DC, FA	
Wednesday, June 30	Bond sale	City, FA	
Week of July 12	Pre-Close	All	
	Closing	All	

- City = City of Ridgecrest
- FA = KNN Public Finance, Financial Advisor
- BC = Stradling Yocca Carlson & Rauth, Bond Counsel
- DC = Stradling Yocca Carlson & Rauth, Disclosure Counsel
- FC = Rosenow Spevacek Group, Fiscal Consultant

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