

**STANDARD
& POOR'S**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 40105028

December 21, 2007

City of Ridgecrest
100 West California Avenue
Ridgecrest, CA 93555
Attention: Mr. James Winegardner, Deputy City Manager

Re: *Ridgecrest Redevelopment Agency, California (Ridgecrest), Tax Allocation Bonds*

Dear Mr. Winegardner:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "A-" from "BBB+" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

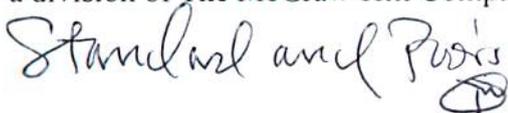
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Please send all information to:
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,

Standard & Poor's Ratings Services
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A handwritten signature in cursive script that reads "Standard and Poor's". The signature is written in black ink and includes a small circular mark at the end of the word "Poor's".

cf
enclosure

Ridgecrest Redevelopment Agency, California

Primary Credit Analysts:

Hilary A Sutton
New York
212-438-7093
hilary_sutton@
standardandpoors.com

Secondary Credit Analysts:

Sussan Corson
New York
(1) 212-438-2014
sussan_corson@
standardandpoors.com

Credit Profile

Ridgecrest Redev Agy, California

Ridgecrest, California

Ridgecrest Redev Agy (Ridgecrest) alloc bnds

Long Term Rating

A-/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its Standard & Poor's underlying rating (SPUR) on Ridgecrest Redevelopment Agency, Calif.'s tax allocation bonds one notch to 'A-' from 'BBB+' due to healthy assessed valuation (AV) growth resulting in very strong coverage and a more-diverse property tax base. The outlook remains stable.

Additional rating factors include:

- A large project area with an isolated local economy that is directly tied to China Lake Naval Air Weapons Station,
- An adequate 1.25x additional bonds test with additional bonding expected in early 2008, and
- An above-average volatility ratio.

A first lien on tax-increment revenues, including housing set-aside money, but net of money payable due to tax-sharing agreements and county administrative charges, secures the bonds.

The primarily residential project area encompasses about 8,000 acres in Ridgecrest, Calif., accounting for 47.1% of the city's land area, or 98% when excluding the China Lake Naval Weapons Facility. While no portion of the naval facility is located in the project area, the facility is an important economic anchor that directly affects the project area's property tax base. Management reports that, under the department of defense program to realign domestic military facilities, the facility is scheduled to gain about 2,500 positions by the year 2010. In anticipation of this growth, there has been a good deal of residential and commercial development in the project area. The average annual AV growth rate, which was a healthy

7.5% annually between fiscals 2003 and 2006, surged to 14.6% in fiscals 2007 and 2008. AV is now \$1.4 billion, and management reports there are several subdivisions under development that will likely add value in the near future.

Recent AV growth has driven down the project area's volatility ratio, which measures the effect of movement in AV on tax-increment revenues. Though still above average, the volatility ratio in fiscal 2008 is 0.35, down from 0.56 in 2004. Taxpayer concentration remains low: The 10 leading project area taxpayers accounted for 5.4% of total AV and 8.9% of incremental AV in fiscal 2007; no single taxpayer accounted for more than 1.1% of incremental AV. Management reports that there are no appeals outstanding.

Housing revenues are pledged to 57% of debt service on the series 2002 bonds and 46% of debt service on the series 1999 bonds. Pledged housing revenues in fiscal 2007 provided 2.60x maximum annual debt service (MADS) while pledged nonhousing revenues provided 7.41x MADS. Legal provisions are satisfactory and include an additional bonds test that requires 1.25x MADS coverage before the issuance of additional bonds. Management reports the redevelopment agency will issue roughly \$20 million in February 2008 to fund infrastructure development and defease the series 1999 bonds.

Located in the Mojave Desert, 114 miles northeast of Bakersfield, Calif., Ridgecrest has about 26,170 residents. City unemployment was a below-average 4.2% in 2006, and its income levels were below average compared with state levels: Household effective buying income was 95% of the state's median.

Outlook

The stable outlook reflects our expectation that taxpayer diversity and a reduced volatility ratio will continue as the project area grows in taxable value. The project area's ability to withstand a 12.63% decline in AV and still provide coverage provides credit stability.

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