

SUBMITTAL TO THE BOARD OF SUPERVISORS,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



568A

FROM: COUNTY EXECUTIVE OFFICE

SUBMITTAL DATE:
October 20, 2009

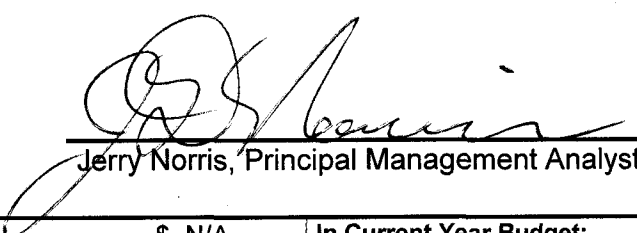
SUBJECT: Refunding of 1998 Larsen Justice Center COPs.

RECOMMENDED MOTION: That the Board of Supervisors approve Resolution No. 2009-311, authorizing and approving the refunding of the County's Certificates of Participation (1998 Larson Justice Center Refunding Project); the execution, delivery and sale of the County's Certificates of Participation (2009 Larson Justice Center Refunding); related agreements and documents; and authorizing the preparation of a Preliminary Official Statement and an Official Statement and other matters related thereto.

BACKGROUND: On April 1, 1998, the County of Riverside Asset Leasing Corporation (CORAL), the County of Riverside (County), and State Street Bank and Trust Company (Trustee) entered into a Trust Agreement to issue the 1998 Larson Justice Center Certificates of Participation (1998 COPs) in the amount of \$36,100,000. Currently, \$22,355,000 is outstanding representing the proportionate interest of the owners.

Current market conditions allow for a refunding of the 1998 COPs with a new series of certificates that can provide the County with approximately a 6% savings, which exceeds the Board Policy B-24 requirement of at least a 3% savings, also this refunding will not extend the maturity date per that policy.

(Continued on page 2)


Jerry Norris, Principal Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	2009/10

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30 ☐

Requires 4/5 Vote ☐

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

BY: 
Dean Deines

FORM APPROVED COUNTY COUNSEL

BY: Dale A. Gardner DATE: 10/20/09

Departmental Concurrence

Consent ☐ Policy ☒

Dept's Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.:

District: All

Agenda Number:

3.12

If approved, staff recommends proceeding with the issuance of approximately \$25.4 million in fixed interest rate serial bonds with an escalating debt service structure. The savings will be taken up front and there will be a reserve fund in the amount of \$2.54 million. The average annual debt service is anticipated to be about \$2.7 million.

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RESOLUTION NO. 2009-311

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE AUTHORIZING AND APPROVING THE REFUNDING OF THE COUNTY'S CERTIFICATES OF PARTICIPATION (1998 LARSON JUSTICE CENTER REFUNDING PROJECT); THE EXECUTION, DELIVERY AND SALE OF THE COUNTY'S CERTIFICATES OF PARTICIPATION (2009 LARSON JUSTICE CENTER REFUNDING); RELATED AGREEMENTS AND DOCUMENTS; AND AUTHORIZING THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT AND OTHER MATTERS RELATED THERETO

WHEREAS, the County of Riverside (the "County"), the County of Riverside Asset Leasing Corporation (the "Corporation") and State Street Bank and Trust Company of California, N.A., as trustee (the "Prior Trustee") entered into a Trust Agreement (1998 Larson Justice Center Refunding Project), dated as of April 1, 1998, pursuant to which the County provided for the execution and delivery by the Prior Trustee of \$36,100,000 aggregate principal amount of County of Riverside Certificates of Participation (1998 Larson Justice Center Refunding Project) (the "1998 Certificates"), of which \$22,355,000 are currently outstanding, representing proportionate interests of the owners thereof in the Lease and Option to Purchase, dated as of April 1, 1998, by and between the County and the Corporation (the "Prior Lease and Option to Purchase"), including, without limitation, the right to receive payments of Base Rental thereunder; and

WHEREAS, the Corporation assigned and transferred certain of its rights, title and interests in and to the Prior Lease and Option to Purchase to the Prior Trustee pursuant to the Assignment Agreement, dated as of April 1, 1998 (the "Prior Assignment Agreement"); and

WHEREAS, the County has now determined that it is in its best interest to authorize and approve the execution and delivery of its Certificates of Participation (2009 Larson Justice Center Refunding) (the "2009 Certificates") to refund the 1998 Certificates; and

WHEREAS, in connection with the execution and delivery of the 2009 Certificates, the County and the Corporation propose to enter into: (i) a Site and Facilities Lease (as hereinafter defined) pursuant to which the County will agree to lease to the Corporation real property, buildings and improvements (collectively, the "Leased Premises"), and (ii) a Sublease and Option to Purchase (as hereinafter defined), pursuant to which the Corporation will agree to sublease the Leased Premises

1 to the County in consideration for which the County will agree to make base rental payments ("Base
2 Rental") and additional rental payments;

3 WHEREAS, the Corporation proposes to assign and transfer to U.S. Bank National
4 Association, as trustee (the "Trustee"), pursuant to an Assignment Agreement (as hereinafter
5 defined), all of its rights, title and interests (excluding its rights to indemnification and payment or
6 reimbursement of its costs and expenses) in and to the Site and Facility Lease and the Sublease and
7 Option to Purchase, including the right to receive payments of Base Rental under the Sublease and
8 Option to Purchase;

9 WHEREAS, the 2009 Certificates will represent proportionate interests of the owners
10 thereof in rights under the Sublease and Option to Purchase including, without limitation, the right to
11 receive payments of Base Rental thereunder;

12 WHEREAS, the Corporation, the County and the Trustee propose to enter into a Trust
13 Agreement (as hereinafter defined) to, among other things, fix and declare the terms and conditions
14 upon which the 2009 Certificates are to be executed, delivered, secured and accepted and to secure
15 the payment thereof and the interest with respect thereto;

16 WHEREAS, the County desires to participate in the execution and delivery of the 2009
17 Certificates pursuant to and in accordance with the Trust Agreement, and to approve all proper and
18 necessary documents and transactions in connection therewith;

19 WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule
20 15c2-12") requires that, in order to be able to purchase or sell the 2009 Certificates, an underwriter
21 must have reasonably determined that an obligated person has undertaken in a written agreement or
22 contract for the benefit of the holders of the 2009 Certificates to provide disclosure of certain
23 financial information and certain material events on an ongoing basis and, in order to cause such
24 requirement to be satisfied, the County proposes to execute and deliver a Continuing Disclosure
25 Agreement (the "Continuing Disclosure Certificate") in connection with the execution and delivery of
26 the 2009 Certificates; and

27 WHEREAS, the County is authorized to undertake all of the above pursuant to the laws of
28 the State of California.

1 NOW, THEREFORE, the Board of Supervisors of the County of Riverside does hereby
2 resolve, determine and order as follows:

3 Section 1. The proposed form of Site and Facilities Lease (2009 Larson Justice Center
4 Refunding) (the "Site and Facilities Lease"), by and between the County and the Corporation and in
5 substantially the form on file with the Clerk of the Board, is hereby approved. The County Executive
6 Officer, the Deputy County Executive Officer, the County Finance Director and any other authorized
7 officers of the County acting on behalf of the County Executive Officer (each an "Authorized
8 Representative" and, collectively, the "Authorized Representatives") are, and each of them acting
9 alone is, hereby authorized and directed, for and in the name of and on behalf of the County, to
10 execute and deliver the Site and Facilities Lease in substantially the form on file with the Clerk of the
11 Board, with such changes therein as such Authorized Representative executing and delivering such
12 document may require or approve, such requirement or approval to be conclusively evidenced by the
13 execution and delivery thereof.

14 Section 2. The proposed form of Sublease and Option to Purchase (2009 Larson Justice
15 Center Refunding) (the "Sublease and Option to Purchase"), by and between the County and the
16 Corporation and in substantially the form on file with the Clerk of the Board, is hereby approved.
17 The Authorized Representatives are, and each of them acting alone is, hereby authorized and directed,
18 for and in the name of and on behalf of the County, to execute and deliver the Sublease and Option to
19 Purchase substantially in the form on file with the Clerk of the Board, with such changes therein as
20 the Authorized Representative executing and delivering such document may require or approve, such
21 requirement or approval to be conclusively evidenced by the execution and delivery thereof.

22 Section 3. The proposed form of Trust Agreement (2009 Larson Justice Center Refunding)
23 (the "Trust Agreement"), by and among the County, the Corporation and the Trustee and in
24 substantially the form on file with the Clerk of the Board, is hereby approved. The Authorized
25 Representatives are, and each of them acting alone is, hereby authorized and directed, for and in the
26 name of and on behalf of the County, to execute and deliver the Trust Agreement in substantially the
27 form on file with the Clerk of the Board, with such changes therein as such Authorized
28 Representative executing and delivering such document may require or approve, such requirement or
approval to be conclusively evidenced by the execution and delivery thereof.

1 Section 4. The proposed form of Continuing Disclosure Certificate, in substantially the
2 form on file with the Clerk of the Board, is hereby approved. The Authorized Representatives are,
3 and each of them acting alone is, hereby authorized and directed, for and in the name of and on behalf
4 of the County, to execute and deliver the Continuing Disclosure Certificate in substantially the form
5 on file with the Clerk of the Board and presented to and considered at this meeting, with such changes
6 therein as the officer executing the same on behalf of the County may approve, in his or her
7 discretion, as being in the best interest of the County, such approval to be conclusively evidenced by
8 such officer's execution and delivery thereof.

9 Section 5. The proposed form of Purchase Contract (the "Purchase Contract"), by and
10 between the County and Wedbush Securities Inc. (the "Underwriter"), and in substantially the form
11 on file with the Clerk of the Board, is hereby approved. The Authorized Representatives are, and
12 each of them acting alone is, hereby authorized and directed to negotiate the final terms and
13 conditions of, and to execute and deliver to the Underwriters, the Purchase Contract, in substantially
14 the form on file with the Clerk of the Board with such changes as the officer executing and delivering
15 such document may require or approve, such requirement or approval to be conclusively evidenced
16 by the execution and delivery thereof. In connection with the negotiation, execution and delivery of
17 the Purchase Contract, the Authorized Representatives are further authorized and directed to negotiate
18 the price, interest rates, discount provisions, dates, maturity dates, principal amounts and prepayment
19 provisions with respect to the 2009 Certificates, and are authorized to negotiate any and all other
20 terms and agreements relating to the execution and delivery of the 2009 Certificates, as an Authorized
21 Representative shall determine to be in the best interests of the County, all to be conclusively
22 evidenced by the execution and delivery of the Purchase Contract; provided, however, that the interest
23 rate with respect to the 2009 Certificates shall not exceed six percent (6%) per annum and provided
24 further that the maximum aggregate underwriter's discount (excluding original issue discount, if any)
25 from the principal amount of the 2009 Certificates shall not exceed [eight-tenths of a percent] (0.8%)
26 of the aggregate principal amount of the 2009 Certificates. All other terms and conditions shall be
27 consistent with and shall carry out the intention of this Board's approval, as set forth herein.

28 All or any portion of the 2009 Certificates may be sold with such credit enhancement (such
as, but not limited to, a letter of credit or policy of municipal bond insurance) as an Authorized
Representative shall determine to be in the best interests of the County, such determination to be
conclusively evidenced by the execution and delivery on behalf of the County of any documents

1 required to be executed and delivered by or on behalf of the County relating to such credit
2 enhancement. The Authorized Representatives are hereby further authorized to purchase a surety
3 bond, letter or line of credit, or other form of guarantee to satisfy the Reserve Requirement
4 established under the Trust Agreement and to execute one or more financial guaranty agreements or
5 other documents relating to such guarantee. The Authorized Representatives are, and each of them is,
6 hereby authorized and directed to enter into negotiations with potential providers of such credit
7 enhancements or guarantees and further authorized and directed to enter into such agreements on
8 behalf of the County as may be necessary or advisable in connection with the foregoing arrangements.

9 Section 6. The County hereby approves the execution and delivery of the 2009 Certificates
10 by the Trustee in an amount not to exceed \$27,000,000 and the sale of the 2009 Certificates pursuant
11 to the Purchase Contract.

12 Section 7. The proposed form of preliminary official statement with respect to the 2009
13 Certificates (the "Preliminary Official Statement"), attached hereto as Exhibit A, is hereby approved.
14 The Authorized Representatives are, and each of them acting alone is, hereby authorized and directed,
15 for and in the name of and on behalf of the County, to execute and deliver the official statement with
16 respect to the 2009 Certificates (the "Official Statement"), in substantially the form of the Preliminary
17 Official Statement attached hereto as Exhibit A, with such changes thereto as such Authorized
18 Representative executing and delivering such document may require or approve, such requirement or
19 approval to be conclusively evidenced by the execution and delivery thereof. The distribution of
20 copies of the Preliminary Official Statement and Official Statement to persons who may be interested
21 in the purchase of 2009 Certificates is hereby authorized and approved. The Authorized
22 Representatives are, and each of them acting alone is, hereby authorized to certify to the Underwriters
23 on behalf of the County that the Preliminary Official Statement is deemed final as of its date, within
24 the meaning of Rule 15c2-12 (except for the omission of certain information as permitted by such
25 Rule).

26 Section 8. All actions heretofore taken by any officer of the County with respect to the
27 execution, delivery and sale of the 2009 Certificates or in connection with or related to any of the
28 agreements referred to herein, to the leasing or subleasing of the Leased Premises or to the financing
of the Projects are hereby approved, confirmed and ratified.

1 Section 9. The Authorized Representatives are, and each of them acting alone is, authorized
2 and directed to take any and all such actions, and to execute any and all such documents, including,
3 without limitation, documents terminating the Site and Facilities Lease relating to the 1998
4 Certificates, the Prior Lease and Option to Purchase and the Prior Assignment Agreement, as may be
5 necessary or desirable to effectuate the purposes of this Resolution.

6 Section 10. The County Clerk shall certify to the passage of this Resolution, shall transmit a
7 copy hereof to the Corporation, and shall cause the action of the Board of Supervisors in adopting the
8 same to be entered in the official minutes of this Board of Supervisors.

PASSED and ADOPTED by the Board of Supervisors of the County of Riverside on the _____ day of _____, 2009.

Chairman of the Board of Supervisors

(SEAL)

ATTEST:

Clerk of the Board of Supervisors

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CERTIFICATE OF CLERK

I, Nancy Romero, Clerk of the Board of Supervisors of the County of Riverside, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Supervisors of the County of Riverside duly and regularly held at the regular meeting place thereof on _____, 2009, of which meeting all of the members of said Board had due notice.

AYES: Supervisors _____

NAYS: Supervisors _____

ABSENT: Supervisors _____

I do hereby further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, rescinded or revoked in any manner since the date of its adoption, and the same is now in full force and effect.

I do hereby further certify that an agenda for said meeting was posted at least seventy-two (72) hours before said meeting at 4080 Lemon Street, Riverside, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

WITNESS my hand and the seal of the County of Riverside this _____ day of _____, 2009.

Clerk of the Board of Supervisors

[SEAL]

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EXHIBIT A
FORM OF PRELIMINARY OFFICIAL STATEMENT

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
NIXON PEABODY LLP)
555 West Fifth Street)
46th Floor)
Los Angeles, California 90013)
)
Attention: Charles C. Wolf, Esq.)

(Space above for Recorder's Use)

SITE AND FACILITIES LEASE

(2009 Larson Justice Center Refunding)

Dated as of December 1, 2009

by and between

COUNTY OF RIVERSIDE

and

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

NO DOCUMENTARY TRANSFER TAX DUE

This Site and Facilities Lease is exempt pursuant to
Section 6103 of the California Government Code.

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SITE AND FACILITIES LEASE

(2009 Larson Justice Center Refunding)

THIS SITE AND FACILITIES LEASE (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (this "Site Lease"), by and between the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), and the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a California nonprofit public benefit corporation (the "Corporation");

WITNESSETH:

That in consideration of the mutual promises and agreements herein contained, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein without definition shall have the meanings given to such terms in the Trust Agreement (2009 Larson Justice Center Refunding), dated as of the date hereof (the "Trust Agreement"), by and among the County, the Corporation and U.S. Bank National Association, as trustee (the "Trustee").

Section 2. Leased Premises. The County hereby leases to the Corporation the real property, buildings and improvements described in Exhibit A hereto and made a part hereof (collectively, the "Leased Premises"), subject to the terms hereof and subject to any conditions, reservations, exceptions and rights of way which are of record as of the date hereof. Notwithstanding anything contained in this Site Lease to the contrary, the Leased Premises set forth in such Exhibit A may be amended, modified, released, transferred, changed or substituted by other properties pursuant to Section 2.2 of the Sublease and Option to Purchase (2009 Larson Justice Center Refunding), dated as of the date hereof (the "Sublease"), by and between the County and the Corporation.

Section 3. Ownership. The County covenants that it is the owner of and holds title in fee simple to the Leased Premises. The Corporation acknowledges that the Leased Premises are subject to the terms and provisions of a Transfer Agreement dated April 19, 2005 between the Judicial Council of California Administrative Office of the Courts and the County.

Section 4. Term. This Site Lease shall commence on the date of execution and delivery hereof and shall end on the date of termination of the Sublease; provided, however, that if, in the exercise of its remedies under Section 12 of the Sublease, the Corporation terminates the Sublease, then this Site Lease shall not terminate, and the term hereof shall end on December 1, 20__, or at such earlier time as the County's payment obligations under the Sublease and the Trust Agreement have been paid in full.

Section 5. Rent. The Corporation shall pay to the County an advance rent of \$1.00 and other valuable consideration, as full consideration for this Site Lease over its term, the receipt of which is hereby acknowledged by the County. The Corporation waives the right to rebate such advance rent in the event of loss of use of the Leased Premises or any portion thereof due to damage, destruction or theft.

Section 6. Purpose. The Corporation shall utilize the Leased Premises for the purposes described in the Sublease and for such other purposes as may be incidental thereto; provided that upon an event of default under the Sublease, the Corporation or its assignee may exercise without limitation the remedies provided in the Sublease.

Section 7. Assignment and Sublease. The Corporation shall not assign, mortgage, hypothecate or otherwise encumber this Site Lease or any rights hereunder or the leasehold created hereby by trust agreement, indenture or deed of trust or otherwise or sublet the Leased Premises without the written consent of the County, except that the County expressly approves and consents to (i) the Sublease and (ii) the assignment and transfer of the Corporation's rights, title and interests in this Site Lease to the Trustee pursuant to the Assignment Agreement. In the event of default by the County under the Sublease, the County expressly approves the assignment of this Site Lease.

Section 8. Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Premises at any reasonable time.

Section 9. Expiration. The Corporation agrees, upon the expiration of this Site Lease, to relinquish its rights in and to quit and surrender the Leased Premises; it being the understanding of the parties hereto that upon termination of this Site Lease any title to the buildings and improvements on the Leased Premises shall vest in the County free and clear of any interest of the Corporation.

Section 10. Quiet Enjoyment. The Corporation at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Premises.

Section 11. Taxes. The County covenants and agrees to pay any and all taxes and assessments levied or assessed upon the Leased Premises.

Section 12. Eminent Domain. If the whole or any part of the Leased Premises shall be taken under the power of eminent domain, the interest of the Corporation shall be recognized by the County, and any proceeds shall be paid to the Trustee, as assignee of the interest of the Corporation, in accordance with the terms of the Sublease and the Trust Agreement.

Section 13. Default. In the event that the Corporation or its assignee shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, the County may exercise any and all remedies granted by law, except that no merger of this Site Lease and the Sublease shall be deemed to occur as a result thereof; provided, however, that the County shall have no power to terminate this Site Lease by reason of any default on the part of the Corporation or its assignee. So long as any such assignee of the Corporation or any successor-in-interest to the Corporation shall duly perform the terms and conditions of this Site Lease and of the Sublease, such assignee shall be deemed to be and shall become the tenant of the County hereunder and shall be entitled to all of the rights and privileges granted under any such assignment.

Section 14. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party to the

other shall be in writing and shall be sufficiently given and served upon the other party, if sent by United States registered mail, return receipt requested, postage prepaid and addressed as follows:

County: County of Riverside, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501-3651, Attention: County Executive Officer.

Corporation: County of Riverside Asset Leasing Corporation, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501-3651, Attention: Assistant Secretary.

Section 15. Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of this Site Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Site Lease shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 16. Governing Law. This Site Lease shall be construed and governed in accordance with the laws of the State.

Section 17. Execution in Counterparts. This Site Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 18. Amendment. This Site Lease may be amended by the parties hereto in writing, but only in accordance with and as permitted by the terms of Section 6.02 of the Trust Agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Site Lease (2009 Larson Justice Center Refunding) to be executed and attested by their proper officers thereunto duly authorized, as of the day and year first above written.

COUNTY OF RIVERSIDE

By: _____
Paul McDonnell
County Finance Director

ATTEST:

By _____
Clerk of the Board

**COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION**

By: _____
Harold Trubo
President

ATTEST:

By: _____
Name: Dean Deines
Title: Assistant Secretary

County of Riverside

Certificate of Clerk of the Board

On this _____ day of _____, 2009, pursuant to Section 25103 of the Government Code, the undersigned Clerk of the Board certifies that on this date, a copy of this document was delivered to the Chairman of the Board of Supervisors of the County of Riverside.

Nancy Romero
Clerk of the Board

By _____
Deputy

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)

On _____, 2009, before me, _____, a Notary Public in and
for the State of California, personally appeared _____, proved to me
on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

(Seal)

Signature _____

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)

On _____, 2009, before me, _____, a Notary Public in and
for the State of California, personally appeared _____, proved to me
on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

(Seal)

Signature _____

EXHIBIT A

DESCRIPTION OF THE LEASED PREMISES

[Attached]

Notwithstanding anything contained in this Site Lease (2009 Larson Justice Center Refunding) to the contrary, the Leased Premises set forth in this Exhibit A may be amended, modified, released, transferred, changed or substituted by other properties pursuant to Section 2.2 of the Sublease.

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
NIXON PEABODY LLP)
555 West Fifth Street)
46th Floor)
Los Angeles, California 90013)
)
Attention: Charles C. Wolf, Esq.)

(Space above for Recorder's Use)

SUBLEASE AND OPTION TO PURCHASE

(2009 Larson Justice Center Refunding)

Dated as of December 1, 2009

by and between

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

and

COUNTY OF RIVERSIDE

NO DOCUMENTARY TRANSFER TAX DUE

This Sublease and Option to Purchase is exempt pursuant to
Section 6103 of the California Government Code.

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EXHIBIT B BASE RENTAL PAYMENT SCHEDULE	
EXHIBIT C OPTION PRICES	

SUBLEASE AND OPTION TO PURCHASE

THIS SUBLEASE AND OPTION TO PURCHASE (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (this "**Sublease**"), by and between the **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**, a California nonprofit public benefit corporation (the "**Corporation**"), and the **COUNTY OF RIVERSIDE**, a political subdivision of the State of California (the "**County**");

WITNESSETH:

WHEREAS, the County owns the real property, buildings and improvements further described in Exhibit A hereto (collectively, the "**Leased Premises**"), and the County has leased the Leased Premises to the Corporation pursuant to the Site and Facilities Lease (2009 Larson Justice Center Refunding), dated as of the date hereof (the "**Site Lease**"), by and between the County and the Corporation; and

WHEREAS, the County wishes to sublease the Leased Premises from the Corporation; and

WHEREAS, the County is authorized pursuant to the laws of the State of California to enter into leases and subleases; and

WHEREAS, the Corporation desires to sublease the Leased Premises to the County on the terms stated herein; and

WHEREAS, the Corporation has transferred all its rights, title and interests (excluding its rights to indemnification and payment or reimbursement of its costs and expenses) in and to the Site Lease and this Sublease, including the right to receive rental payments due hereunder ("**Base Rental**"), to the Trustee (as hereinafter defined) for the benefit of the owners (the "**Owners**"), from time to time, of certificates of participation (the "**Certificates**") to be executed and delivered by the Trustee pursuant to a Trust Agreement (2009 Larson Justice Center Refunding), dated as of the date hereof (the "**Trust Agreement**"), by and among U.S. Bank National Association, as trustee (the "**Trustee**"), the Corporation and the County; and

WHEREAS, the Trustee shall execute and deliver the Certificates evidencing proportionate interests in, among other things, this Sublease, including the right to receive Base Rental payable hereunder, and shall undertake such other responsibilities as are assigned to the Trustee pursuant to the Trust Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Sublease do exist, have happened and have been performed in due time, form, and manner as required by law, and the parties hereto are duly authorized to execute and enter into this Sublease.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. All capitalized terms used herein without definitions shall have the meanings given to such terms in the Trust Agreement.

SECTION 2. TERMS OF LEASE AND SUBLEASE.

2.1 Agreement to Sublease; Term of Sublease. The Corporation hereby agrees to sublease the Leased Premises to the County, and the County hereby agrees to pay Base Rental and Additional Rental as provided herein for the use and occupancy of the Leased Premises, all on the terms and conditions set forth herein. The Lease Term (the "**Lease Term**") shall begin on the date of execution and delivery hereof and shall end on December 1, 20__, or at such earlier time as the Certificates have been paid or provision for their payment has been made in accordance with the provisions of this Sublease and the Trust Agreement; provided, however, that (i) this Sublease shall terminate at such time and in the event such Leased Premises is purchased pursuant to Section 14 of this Sublease, or at such time and in the event such Leased Premises, or so much thereof as to render the remainder of such Leased Premises unusable, shall be taken by eminent domain in accordance with Section 6 hereof and (ii) in the event the parties amend the Base Rental payable hereunder (as reflected on **Exhibit B**) in connection with the execution and delivery of Additional Certificates pursuant to the Trust Agreement, the Lease Term may be concurrently extended by the parties hereto (subject to subsequent adjustment pursuant to clause (i) hereof).

2.2 Substitution and Release of Leased Premises. Notwithstanding anything contained herein to the contrary, the Leased Premises may be amended, modified, released, transferred, changed or substituted by other properties, solely in the discretion of the County; provided, however, that: (i) such amendment, modification, release, transfer, change or substitution complies with the requirements set forth in Section 6.02 of the Trust Agreement; and (ii)(a) such amendment, modification, release, transfer, change or substitution does not, in the opinion of Independent Counsel, adversely affect the tax-exempt status of the Certificates; (b) the County delivers to the Trustee a certificate of a County Representative confirming that (1) the fair rental value of the Leased Premises following such amendment, modification, release, transfer, change or substitution is at least equal to the Base Rental payable under this Sublease on and after the date of such amendment, modification, release, transfer, change or substitution and (2) the useful life of any amended, modified, transferred, changed or substituted Leased Premises equals or exceeds the remaining term of this Sublease; (c) the County shall provide evidence that the title insurance required under Section 4.3(5) herein includes such amended, modified, transferred, changed or substituted Leased Premises and, prior to the release of all or any portion of the Leased Premises, the County shall provide evidence that the existing title insurance required under Section 4.3(5) herein on the remaining Leased Premises is not affected by such release; and (d) the County has been advised in writing by each Rating Agency then providing a rating or ratings on Outstanding Certificates, and which shall have received notice of such amended, modified, released, transferred, changed or substituted Leased Premises, that such amendment, modification, release, transfer, change or substitution will not, in and of itself, result in a reduction of any such ratings by such Rating Agency.

2.3 Transfer of Title. Upon payment of all Base Rental and Additional Rental required by this Sublease with respect to the Leased Premises, or the termination of this Sublease with respect to any portion of the Leased Premises, title to such Leased Premises, and

any improvements thereon or additions thereto, shall be transferred directly to the County or, at the option of the County, to any assignee or nominee of the County, in accordance with the provisions of this Sublease; provided that any instrument of conveyance shall be sufficient if it is in the form of a quitclaim deed.

SECTION 3. RENT.

3.1 Rental Payments. The parties hereto agree that, subject to Section 3.5 hereof, the fair rental value of the Leased Premises is not less than the amount set forth in the certificate of the County delivered on the Closing Date, except as adjusted pursuant to Section 14 hereof upon the County's exercise of its option to purchase all or any portion of the Leased Premises. In satisfaction of its obligations hereunder, the County shall pay Base Rental and Additional Rental in the amounts, at the times and in the manner set forth herein, such amounts constituting in the aggregate the rental payable under this Sublease as follows:

(a) **Base Rental.** (i) The County agrees to pay from legally available funds Base Rental in the amounts set forth in **Exhibit B** hereto, a portion of which shall constitute principal and a portion of which shall constitute interest as determined in accordance with the terms of **Exhibit B**. Base Rental payable by the County shall be due on or before each June 1 and December 1 during the Lease Term commencing June 1, 2010 or on the next succeeding Business Day in the event that any such day is not a Business Day. Base Rental payable in any Fiscal Year shall be for the use and occupancy of the Leased Premises for such Fiscal Year.

(ii) **Exhibit B** sets forth the Base Rental with respect to the Leased Premises. In the event the County exercises its option to purchase the Leased Premises or portions thereof pursuant to Section 14 hereof, then from and after the date of purchase, each installment of Base Rental shall be reduced by an amount equal to the Base Rental attributable to the Leased Premises or portions thereof so purchased.

(iii) To secure the performance of its obligation to pay Base Rental, the County shall deposit Base Rental with the Trustee on or before the [fifteenth] day of the month immediately preceding the month in which such Base Rental is due, for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the preceding Business Day.

(iv) In no event shall the amount of Base Rental payable on any date exceed the pro rata aggregate amount of principal and interest required to be paid or prepaid on such date from Base Rental under this Sublease with respect to the Outstanding Certificates, according to their tenor.

(b) **Additional Rental.** In addition to the Base Rental set forth herein, the County agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special

assessments and gross receipts taxes, if any, levied upon the Leased Premises, or upon any interest of the Corporation, the Trustee or the Owners therein or in this Sublease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of Section 4.3 of this Sublease;

(iii) All fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee in connection with the Trust Agreement; and

(iv) Any other fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Sublease or any assignment hereof or the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Premises, including, without limitation, any amounts (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) which may become due.

Amounts constituting Additional Rental payable hereunder shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental then due and payable and the purpose thereof.

3.2 Consideration. The payments of Base Rental and Additional Rental under this Sublease for each Fiscal Year or portion thereof during the Lease Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the County for and in consideration of the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Premises by the County for and during such Fiscal Year or portion thereof. The parties hereto have agreed and determined that such total rental is not in excess of the total fair rental value of the Leased Premises. In making such determination of fair rental value, consideration has been given to the costs of construction, acquisition, delivery and financing of the Leased Premises, the replacement cost of the Leased Premises, the remaining useful life of the Leased Premises, the uses and purposes served by the Leased Premises, and the benefits therefrom that will accrue to the parties by reason of this Sublease and to the general public by reason of the County's use of the Leased Premises.

3.3 Budget. The County hereby covenants to take such action as may be necessary to include all Base Rental and Additional Rental due hereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, subject to Section 3.5 hereof.

The covenants on the part of the County herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in this Sublease. The obligation of the County to make Base Rental or Additional Rental payments does not constitute

an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental or Additional Rental payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

3.4 Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the County on the dates set forth in Section 3.1(a) hereof in lawful money of the United States of America, at the office of the Trustee in Los Angeles, California or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in Section 3.5 hereof, any amount necessary to pay any Base Rental or portion thereof which is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the County and the Corporation hereunder, the County shall make all rental payments when due and shall not withhold any rental payments pending the final resolution of such dispute or for any other reason whatsoever. The County's obligation to make rental payments in the amounts and on the terms and conditions specified hereunder shall be absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of Section 3.5 hereof. Amounts required to be deposited with the Trustee pursuant to this Section 3.4 on any date shall be reduced to the extent of amounts on deposit on such date in the Certificate Fund (other than in the Prepayment Account) established under the Trust Agreement.

3.5 Rental Abatement. Except to the extent of (i) amounts held by the Trustee in the Certificate Fund or the Reserve Fund, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments due hereunder with respect to the Leased Premises or portion thereof shall be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to the Leased Premises or portion thereof, there is substantial interference with the use or right of possession by the County of the Leased Premises or portion thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental represents fair rental value for the use and possession of the Leased Premises and the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the County, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination shall be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises would have had on the Closing Date. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental represents such fair rental value as elaborated in the preceding sentence. Such abatement shall continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of the Leased Premises to tenantable condition. In the event of any such damage, destruction, theft, condemnation or title defects, this Sublease shall continue in full force and effect, except as set forth in Sections 5 and 6 hereof.

3.6 Triple Net Lease. This Sublease is intended to be a triple net lease. The County agrees that the rentals provided for herein shall be an absolute net return to the Corporation free and clear of any expenses, charges, counter-claim or recoupment or set-offs whatsoever.

SECTION 4. AFFIRMATIVE COVENANTS OF THE CORPORATION AND THE COUNTY. The Corporation and the County are entering into this Sublease in consideration of, among other things, the following covenants:

4.1 Replacement, Maintenance and Repairs. The County shall, at its own expense, during the term of this Sublease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Leased Premises which is destroyed; provided that the County shall not be required to repair or replace any such portion of the Leased Premises pursuant to this Section 4.1 if there shall be applied to the prepayment of Certificates insurance proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding or (ii) any portion thereof relating to the Leased Premises or such portion thereof and the Base Rental allocable to the remaining portion of the Leased Premises equals the pro-rata portion of Base Rental allocable to the Certificates Outstanding after such prepayment. The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Premises. It is understood and agreed that in consideration of the payment by the County of the rental herein provided for, the County is entitled to occupy and use the Leased Premises, and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Premises during the Lease Term. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises. The County hereby expressly waives the right to make repairs or to perform maintenance of the Leased Premises at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The County shall keep the Leased Premises free and clear of all liens, charges and encumbrances, subject only to the provisions of Section 4.4 hereof.

4.2 Utilities. The County shall pay for the furnishing of all utilities which may be used in or upon the Leased Premises during the Lease Term. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

4.3 Insurance. The County shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in this Section 4.3, all coverage on the Leased Premises required by this Section 4.3.

Such insurance shall consist of:

- (1) A policy or policies of property insurance against loss or damage to the Leased Premises known as "all risk," including earthquake (as scheduled) and

flood. Such insurance shall be maintained with respect to the Leased Premises at any time in an amount not less than the aggregate principal amount of Certificates at such time Outstanding with respect to the Leased Premises. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (i) \$50,000, in the case of all risk insurance, (ii) \$250,000 in the case of flood insurance (per unit or 2% of total values per unit per occurrence, subject to a \$250,000 minimum situated within a 100 year flood plain (as defined by FEMA)) and (iii) 5% of the loss per unit and per occurrence subject to a \$500,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance under this clause is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Leased Premises in accordance with the provisions of Section 4.3 hereof; provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost;

(2) Commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Leased Premises. Such insurance shall afford protection with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose; provided, however, that the County's obligations under this clause (2) may be satisfied by self-insurance;

(3) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Leased Premises and to cover full liability for compensation under any such act aforesaid; provided, however, that the County's obligations under this clause (3) may be satisfied by self-insurance;

(4) Rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the insurance required pursuant to clause (1) above in an amount sufficient at all times to pay the total rent payable under this Sublease with respect to the Leased Premises for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental; and provided further that the County's obligations under this clause (4) shall not be satisfied by self insurance;

(5) An CLTA policy or policies of title insurance for the Leased Premises, in an amount not less than the aggregate principal amount of the Certificates Outstanding. Such policy of title insurance shall show title to the Leased Premises in the name of the Corporation or the County, subject to this Sublease and such other encumbrances as will not, in the opinion of the Corporation and the County, materially

affect the use, occupancy and possession of the Leased Premises and will not result in the abatement of Base Rental payable by the County hereunder with respect to the Leased Premises; and

(6) Boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Premises in an amount not less than \$2,000,000 per accident.

All policies or certificates of insurance issued by the respective insurers or insurance with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee. A certificate executed by a County Representative certifying that such policies required or self-insurance permitted by this Section 4.3 have been obtained and that the requirements of this Section 4.3 have been fulfilled shall be deposited with the Trustee by the County before December 31 of each calendar year. To the extent to which the County self-insures, the County's risk manager, or an independent insurance consultant, shall certify to the Trustee before December 31 of each calendar year, the sufficiency of such self-insurance. Certificates of commercial general liability and workers' compensation insurance shall be furnished by applicable insurers, unless the County chooses to self-insure against such liability (in which case the County shall provide the Trustee evidence of such self-insurance), and, at least ten days prior to the expiration dates of such policies, if any, evidence of renewals or self-insurance shall be deposited with the Trustee.

All policies or certificates of insurance provided for herein shall name the County as a named insured, and the Corporation and its directors and the Trustee as additional insureds. All insurance policy claims payments received under clauses (1), (4), (5) and (6) above, shall be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of insurance, other than self-insurance, maintained under clauses (2) and (3) shall be deposited with the County.

Notwithstanding the foregoing, but subject to the proviso in Section 4.3(1), the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above.

4.4 Liens. The County shall promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises, or the interest of the Corporation therein, and shall cause each such lien to be fully discharged and released; provided, however, that the County or the Corporation (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County shall forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty. The County shall not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge,

encumbrance or claim on or with respect to the Leased Premises, other than the rights of the Corporation and the County as herein provided. Except as expressly provided herein, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, if the same shall arise at any time.

4.5 Laws and Ordinances. The County agrees to observe and comply with all rules, regulations and laws applicable to the County with respect to the Leased Premises and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the County, and the Corporation shall not be liable therefor. The County agrees further to place, keep, use, maintain and operate the Leased Premises in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

SECTION 5. APPLICATION OF INSURANCE PROCEEDS. Proceeds of insurance (other than rental interruption insurance) received in respect of theft of, damage to or destruction of the Leased Premises by fire, earthquake or other casualty or event shall be paid to the Trustee for application in accordance with the provisions of Section 3.10 of the Trust Agreement. If the County elects pursuant to such Section 3.10 of the Trust Agreement to apply such proceeds to the replacement, repair or reconstruction of the stolen, damaged or destroyed Leased Premises, Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition. If the County does not so elect to so apply such proceeds within the time permitted by such Section 3.10, then, upon the prepayment of all of the Certificates in accordance with the Trust Agreement, this Sublease shall terminate with respect to the Leased Premises stolen, damaged or destroyed and not replaced, repaired or reconstructed.

SECTION 6. EMINENT DOMAIN. In the event of a taking by eminent domain, there shall be an abatement of Base Rental in accordance with Section 3.5 hereof. If less than a substantial portion of the Leased Premises shall be taken under the power of eminent domain, and the remainder is usable for County purposes, then there shall be an abatement of Base Rental only to the extent of the portion of the Leased Premises which is unusable and this Sublease shall continue in full force and effect and shall not be terminated with respect to such Leased Premises by virtue of such taking and the parties waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of Section 3.10 of the Trust Agreement. If the County elects pursuant to such Section 3.10 of the Trust Agreement to apply such proceeds to the repair or replacement of the condemned Leased Premises, then Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition. If so much of the Leased Premises shall be taken under the power of eminent domain as to render the remainder of the Leased Premises unusable for the County's purposes under this Sublease, and the County does not elect to repair or replace the Leased Premises, then upon prepayment of all of the Certificates in accordance with the Trust Agreement this Sublease shall terminate with respect to the Leased Premises.

SECTION 7. ASSIGNMENT AND LEASE. The County shall not mortgage, pledge, assign or transfer any interest of the County in this Sublease by voluntary act or by operation of law, or otherwise; provided, however, that the County may sublease all or any portion of the Leased Premises, may grant concessions to others involving the use of any portion of the Leased

Premises (including, without limitation, pursuant to the Transfer Agreement dated April 19, 2005 between the Judicial Council of California Administrative Office of the Courts and the County), whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises, and may assign its right to purchase the Leased Premises pursuant to Section 14 hereof. The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under this Sublease, notwithstanding any subletting or granting of concessions which may be made. Nothing herein contained shall be construed to relieve the County from its obligation to pay Base Rental and Additional Rental as provided in this Sublease or to relieve the County from any other obligations contained herein. In no event shall the County sublease or permit the use of all or any part of the Leased Premises to any person so as to cause the interest component of Base Rental to be subject to federal income tax or State personal income tax.

The Corporation shall, concurrently with the execution hereof, assign all of its right, title and interest (other than its rights to indemnification and payment or reimbursement for any costs or expenses) in and to this Sublease, including without limitation its right to receive Base Rental payable hereunder, to the Trustee pursuant to the Assignment Agreement, and the County hereby approves such assignment. The parties hereto further agree to execute any and all documents necessary and proper in connection therewith.

SECTION 8. ADDITIONS AND IMPROVEMENTS; REMOVAL. The County shall have the right during the Lease Term to make any additions or improvements to the Leased Premises, to attach fixtures, structures or signs, and to affix any personal property to the Leased Premises, so long as the fair market value of the Leased Premises is not thereby reduced. Title to all fixtures, equipment or personal property placed by the County on the Leased Premises shall remain in the County. The title to any personal property, improvements or fixtures placed on the Leased Premises by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with this Sublease.

SECTION 9. RIGHT OF ENTRY. Representatives of the Corporation shall, subject to reasonable security precautions, have the right to enter upon the Leased Premises during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Corporation under this Sublease or (iii) for all other lawful purposes.

SECTION 10. QUIET ENJOYMENT. The Corporation covenants and agrees that the County, by keeping and performing the covenants and agreements herein contained, shall, at all times during the Lease Term, peaceably and quietly have, hold, and enjoy the Leased Premises.

SECTION 11. INDEMNIFICATION AND HOLD HARMLESS AGREEMENT. To the extent permitted by law, the County hereby agrees to indemnify and hold harmless the Corporation and its officers and directors against any and all liabilities which might arise out of or are related to this Sublease, the Leased Premises or the Certificates, and the County further agrees to defend the Corporation and its officers and directors in any action arising out of or related to this Sublease, the Leased Premises or the Certificates.

SECTION 12. DEFAULT BY COUNTY; REMEDIES.

12.1 Defaults. If the County shall (i) fail to pay any Base Rental payable hereunder when the same becomes due and payable, time being expressly declared to be of the essence in this Sublease, (ii) become the subject of proceedings under Title 11 of the United States Code or any successor or similar law, act or regulation and such proceedings are not dismissed within 90 days, or (iii) fail to keep, observe or perform any other term, covenant or condition contained herein or in the Trust Agreement to be kept or performed by the County, the County shall be deemed to be in default hereunder and it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Sublease. The County shall in no event be in default in the observance or performance of any covenant, condition or agreement in this Sublease on its part to be observed or performed, other than as referred to in clause (i) of the preceding sentence, unless the County shall have failed, for a period of 30 days or such additional time as is reasonably required, but in no event greater than 60 days, to correct any such default after notice by the Corporation or the Trustee to the County properly specifying wherein the County has failed to perform any such covenant, condition or agreement; provided, however, that if the County fails to perform its obligation to deposit Base Rental with the Trustee as set forth in Section 3.1(a)(iii) hereof, then the County shall not be in default unless the County shall have failed, for a period of 5 days, to correct such default after notice by the Trustee to the County properly specifying such default.

12.2 Remedies. Upon any default set forth in Section 12.1 hereof, the Corporation or its assignee, in addition to all other rights and remedies it may have at law or in equity, shall have the option to do any of the following:

(a) To terminate this Sublease in the manner hereinafter provided on account of default by the County, notwithstanding any re-entry or re-letting of the Leased Premises as hereinafter provided for in subparagraph (b) hereof, and to re-enter the Leased Premises and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County. In the event of such termination, the County agrees to surrender immediately possession of the Leased Premises, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Premises and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. Neither notice to pay Base Rental or to deliver up possession of the Leased Premises given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under this Sublease shall of itself operate to terminate this Sublease, and no termination of this Sublease on account of default by the County shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Corporation shall have given written notice to the County of the election on the part of the Corporation to terminate this Sublease. The County

covenants and agrees that no surrender of the Leased Premises or of the remainder of the term hereof or any termination of this Sublease shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(b) Without terminating this Sublease, (x) to collect each installment of Base Rental as the same become due and enforce any other terms or provisions hereof to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Premises, or (y) to exercise any and all rights of entry and re-entry upon the Leased Premises. In the event the Corporation does not elect to terminate this Sublease in the manner provided for in subparagraph (a) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the County and, if the Leased Premises are not re-let, to pay the full amount of Base Rental to the end of the term of this Sublease or, in the event that the Leased Premises are re-let, to pay any deficiency in Base Rental that results therefrom; and further agrees to pay said Base Rental and/or Base Rental deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental hereunder, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Base Rental in excess of the Base Rental herein specified, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises. Should the Corporation elect to re-enter as herein provided, the County hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to re-let the Leased Premises, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County, and the County hereby indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Premises and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The County agrees that the terms of this Sublease constitute full and sufficient notice of the right of the Corporation to re-let the Leased Premises in the event of such re-entry without effecting a surrender of this Sublease, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of this Sublease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate this Sublease shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (a) hereof. The County further agrees to pay the Corporation the cost of any alterations or additions to the Leased Premises necessary to place the Leased Premises in condition for re-letting immediately upon notice to the County of the completion and installation of such additions or alterations.

(c) The County hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the County, or an other person, that may be in or upon the Leased Premises.

(d) Notwithstanding anything contained herein to the contrary, prior to the exercise of the Corporation's right hereunder to re-let or otherwise change the use of the Leased Premises after termination of this Sublease, the Corporation shall obtain an opinion of Independent Counsel to the effect that such use of the Leased Premises will not adversely affect the tax exemption of interest with respect to the Certificates.

(e) In addition to the other remedies set forth in this Section 12.2, upon the occurrence of an event of default under this Section 12, the Corporation or its assignee shall be entitled to proceed to protect and enforce the rights vested in the Corporation or its assignee by this Sublease or by law. The provisions of this Sublease and the duties of the County and of its board, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation or its assignee shall have the right to bring the following actions:

(i) *Accounting.* By action or suit in equity to require the County and its board, officers, employees and assigns (if any) to account as the trustee of an express trust.

(ii) *Injunction.* By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation or its assignee.

(iii) *Mandamus.* By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the County (and its board, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the Corporation as provided herein.

(f) Each and all of the remedies given to the Corporation hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, remedy, power or privilege hereunder shall not impair the right of the Corporation to the further exercise thereof or the exercise of any or all other rights, remedies, powers or privileges hereunder or at law or in equity. The term "re-let" or "re-letting" as used in this Section 12 shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Leased Premises. If any statute or rule of law validly shall limit the remedies given to the Corporation hereunder, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Corporation shall prevail in any action brought to enforce any of the terms or provisions of this Sublease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Corporation in connection with such action.

Notwithstanding anything contained herein to the contrary, the Corporation shall have no right upon a default hereunder by the County to accelerate Base Rental.

12.3 Effect of Termination; No Termination by County. Notwithstanding anything contained herein to the contrary, (i) the termination of this Sublease by the Corporation or its assignees on account of a default by the County under this Section 12 shall not effect or result in a termination of the lease of the Leased Premises by the County to the Corporation pursuant to the Site Lease, and (ii) the County shall have no right to terminate this Sublease as a remedy for a default by the Corporation in the performance of its obligations hereunder.

12.4 Application of Damages and Other Payments. All damages and other payments received by the Corporation or its assignee pursuant to the exercise of its rights and remedies pursuant to this Section 12 shall be applied in the manner set forth in Section 8.09 of the Trust Agreement.

SECTION 13. WAIVER. Neither the waiver by the Corporation of any breach by the County, nor the waiver by the County of any breach by the Corporation, of any term, covenant or condition hereof shall operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

SECTION 14. OPTION TO PURCHASE. The County shall have the exclusive right and option, which shall be irrevocable during the term of this Sublease, to purchase the Corporation's interest in the Leased Premises on any Business Day, upon payment of the Option Price (as hereinafter defined) and all other amounts then due and payable by the County to the Trustee hereunder and under the Trust Agreement, but only if the County is not in default under this Sublease or the Trust Agreement and only in the manner provided in this Section 14.

The option price for the Leased Premises in any Lease Year shall be determined by reference to **Exhibit C** to this Sublease (the "**Option Price**"). The County shall exercise its option to purchase by giving notice thereof to the Trustee and to each Rating Agency then providing a rating or ratings on Outstanding Certificates not later than 15 days prior to the Business Day on which it desires to purchase the Leased Premises, unless the Business Day on which the County intends to exercise its option hereunder is, in accordance with the terms of Section 4.01(a) of the Trust Agreement, a date on which Certificates are subject to optional prepayment, in which case the County shall give notice to the Trustee and such Rating Agencies of its intention to exercise its option hereunder not later than 45 days prior to the Business Day on which it desires to purchase the Leased Premises. The failure of any Rating Agency to receive the County's notice of its intent to exercise its option to purchase shall not affect the validity of the exercise of the option to purchase.

If the Business Day on which the County intends to exercise its option hereunder is, in accordance with the terms of Section 4.01(a) of the Trust Agreement, a date on which Certificates are subject to optional prepayment, then the County shall deposit with the Trustee on

such purchase date an amount equal to the Option Price which amount shall be in addition to the Base Rental due on such date.

If the Business Day on which the County intends to exercise its option hereunder is not a date on which Certificates are subject to optional prepayment pursuant to the terms of Section 4.01(a) of the Trust Agreement, then the Option Price shall be payable in installments. Each such installment, all as determined by reference to **Exhibit B** hereto, (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised until the due date of the final installment referred to in the proviso set forth below in this paragraph, and (ii) shall equal the principal amount of each Base Rental payment referred to in clause (i) above; provided, however, that the final installment shall be payable on the first date on which Certificates are subject to optional prepayment pursuant to the terms of Section 4.01(a) of the Trust Agreement and shall be in an amount equal to the Option Price on such date for the Leased Premises so purchased. Each such installment shall bear interest until paid at a rate equal to the rate which would have been payable with respect to the payments of Base Rental referred to in clause (i) above.

In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the County, concurrently with the exercise of its option hereunder, shall deposit or cause to be deposited with the Trustee, in trust, cash or investments of the type described in Section 10.01(3) of the Trust Agreement in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to in the immediately preceding paragraph at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the County shall be remitted to the County.

On any Business Day as to which the County shall properly have exercised the option granted it pursuant hereto, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required Option Price, the Corporation shall execute and deliver to the County a quitclaim deed conveying to the County or its nominee the Corporation's interest in the Leased Premises so purchased. If the County shall properly exercise the option provided in this Section 14 with respect to the Leased Premises prior to the expiration of the Lease Term, and the Corporation shall execute and deliver the quitclaim deed to such Leased Premises as aforesaid, then this Sublease shall terminate with respect to the Leased Premises, but such termination shall not affect the County's obligation to pay the Option Price on the terms herein set forth.

SECTION 15. VALIDITY. If any one or more of the terms, provisions, promises, covenants or conditions of this Sublease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of this Sublease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Sublease shall be held by a court of competent jurisdiction void, voidable, or unenforceable by the Corporation or by the County, or if for any reason it is held by

such a court that any of the covenants and agreements of the County hereunder, including the covenant to pay Base Rental and Additional Rental hereunder, is unenforceable for the full Lease Term, then and in such event for and in consideration of the right of the County to possess, occupy and use the Leased Premises, which right in such event is hereby granted, this Sublease shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental payments and Additional Rental payments herein specified will be paid by the County.

SECTION 16. COUNTERPARTS. This Sublease may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same agreement.

SECTION 17. NO MERGER. If both the Corporation's and the County's estate under this or any other lease relating to the Leased Premises or any portion thereof shall at any time for any reason become vested in one owner, this Sublease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger and the County shall continue to have and enjoy all of its rights and privileges as to the separate estates. This Sublease shall not operate as a merger of the County's leasehold estate in the Leased Premises pursuant hereto and its fee estate in the Leased Premises and shall not cause the extinguishment of the leasehold interest granted to the Corporation in the Site Lease.

SECTION 18. GOVERNING LAW. This Sublease shall be construed and governed in accordance with the laws of the State.

SECTION 19. AMENDMENT. This Sublease may be amended by the parties hereto in writing, but only in accordance with and as permitted by the terms of Section 6.02 of the Trust Agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the day and year first above written.

COUNTY OF RIVERSIDE

By: _____
Paul McDonnell
County Finance Director

ATTEST:

By _____
Clerk of the Board

**COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION**

By: _____
Harold Trubo
President

ATTEST:

By: _____
Name: Dean Deines
Title: Assistant Secretary

County of Riverside
Certificate of Clerk of the Board

On this _____ day of _____, 2009, pursuant to Section 25103 of the Government Code, the undersigned Clerk of the Board certifies that on this date, a copy of this document was delivered to the Chairman of the Board of Supervisors of the County of Riverside.

Nancy Romero
Clerk of the Board

By: _____
Deputy

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)

On _____, 2009, before me, _____, a Notary Public in and
for the State of California, personally appeared _____, proved to me
on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

(Seal)

Signature _____

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)

On _____, 2009, before me, _____, a Notary Public in and
for the State of California, personally appeared _____, proved to me
on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

(Seal)

Signature _____

EXHIBIT A

DESCRIPTION OF THE LEASED PREMISES

[Attached]

Notwithstanding anything contained in this Sublease to the contrary, the Leased Premises set forth in this Exhibit A may be amended, modified, released, transferred, changed or substituted by other properties pursuant to Section 2.2 of this Sublease.

EXHIBIT B
BASE RENTAL PAYMENT SCHEDULE

[Attached]

EXHIBIT C

OPTION PRICE

The Option Price shall equal the principal amount of Certificates, plus the interest component and any premium attributable to such Certificates, to the date such Certificates are to be prepaid in accordance with the terms of the Trust Agreement.

TRUST AGREEMENT
(2009 LARSON JUSTICE CENTER REFUNDING)

Dated as of December 1, 2009

by and among

COUNTY OF RIVERSIDE,

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Relating to the
\$ _____ COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION,
(2009 LARSON JUSTICE CENTER REFUNDING)

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TRUST AGREEMENT

THIS TRUST AGREEMENT (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (this "Trust Agreement"), by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (the "Trustee"), the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), and the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a California nonprofit public benefit corporation (the "Corporation");

WITNESSETH:

WHEREAS, pursuant to a Trust Agreement, dated as of April 1, 1998, (the "Prior Trust Agreement"), by and among State Street Bank and Trust Company of California, N.A., as trustee (the "Prior Trustee"), the County and the Corporation, the County executed and delivered \$36,100,000 aggregate principal amount of County of Riverside Certificates of Participation (1998 Larson Justice Center Refunding Project) (the "1998 Certificates"); and

WHEREAS, the proceeds of the 1998 Certificates were used to (i) refund the outstanding Certificates of Participation (1994 Desert Justice Facility Project) executed and delivered in the aggregate principal amount of \$32,330,000 (the "1994 Certificates") for the purpose of financing the acquisition and construction of the Larson Justice Center (the "1994 Project") and (ii) finance the acquisition and construction of certain other capital projects within the County (the "1998 Project" and together with the 1994 Project, the "Prior Project"); and

WHEREAS, the County has determined that it is in its best interest to refund the 1998 Certificates pursuant to the Prior Trust Agreement with the proceeds of the County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) (the "Certificates") executed and delivered pursuant to this Trust Agreement; and

WHEREAS, the Corporation and the County have entered into a Site and Facilities Lease (2009 Larson Justice Center Refunding), dated as of the date hereof (the "Site Lease"), pursuant to which the County has agreed to lease to the Corporation the real property, buildings and improvements described in Exhibit A to the Site Lease (collectively, the "Leased Premises"); and

WHEREAS, the Corporation and the County have entered into a Sublease and Option to Purchase (2009 Larson Justice Center Refunding), dated as of the date hereof (the "Sublease"), pursuant to which the County has agreed to sublease for County purposes the Leased Premises from the Corporation, in consideration for which the County has agreed to make certain payments of base rental ("Base Rental") and additional rental, all as more particularly described in the Sublease; and

WHEREAS, the Corporation and the Trustee have entered into an Assignment Agreement (2009 Larson Justice Center Refunding), dated as of the date hereof (the "Assignment Agreement"), pursuant to which the Corporation has transferred all of its rights, title and interests (excluding its rights to indemnification and payment or reimbursement for its

costs and expenses) in and to the Site Lease and the Sublease, including the right to receive payments of Base Rental due under the Sublease, to the Trustee for the benefit of the Owners of the Certificates and any Additional Certificates executed and delivered pursuant to this Trust Agreement; and

WHEREAS, the Trustee shall execute and deliver the Certificates, representing proportionate interests of the owners thereof (the "**Owners**") in the Sublease, including, without limitation, the right to receive Base Rental payable thereunder, and shall undertake such other responsibilities as are assigned to the Trustee pursuant to this Trust Agreement; and

WHEREAS, the County has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Trust Agreement do exist, have happened and have been performed in due time, form, and manner as required by law, and the parties hereto are duly authorized to execute and enter into this Trust Agreement.

NOW, THEREFORE, in consideration of the promises herein contained, of the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Certificates by the Owners thereof, and to fix and declare the terms and conditions upon which the Certificates are to be executed, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, and to secure the payment of the Certificates and the interest with respect thereto according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained therein, herein and in the Sublease, the County by these presents does hereby grant, bargain, sell, release, convey, assign, transfer and pledge unto the Trustee for the benefit of the Owners all its right, title and interest in and to all amounts on hand from time to time in the funds and accounts established hereunder and any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien hereof by the County or by anyone on its behalf, subject only to the provisions of this Trust Agreement and the Sublease.

To have and to hold all of the above unto the Trustee and its successors and assigns forever for the equal and ratable benefit of the Owners from time to time of all the Certificates executed and delivered hereunder and Outstanding (as defined herein), without any priority of any one Certificate over any other, upon the trusts and subject to the covenants and conditions hereinafter set forth.

ARTICLE I APPOINTMENT OF TRUSTEE; DEFINITIONS

Section 1.01. Appointment of Trustee. The Trustee is hereby appointed to act solely as expressly set forth herein, to receive, hold and disburse, in accordance with the terms hereof, the money paid to it, to execute and deliver Certificates representing proportionate interests in the Sublease including the Base Rental payable thereunder, to apply and disburse payments received pursuant to the Sublease to Owners of such Certificates, and to perform certain other functions, all as hereinafter provided. By executing and delivering this Trust Agreement, the Trustee accepts the duties and obligations provided herein, but only upon the terms and conditions herein set forth.

Section 1.02. Definitions. The terms defined in this Section 1.02 shall, for all purposes of this Trust Agreement, have the following respective meanings unless the context otherwise requires:

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to Section 6.04 hereof.

"Additional Rental" means the amounts specified as such in Section 3.1(b) of the Sublease.

"Administrative Expense Fund" means the fund by that name established pursuant to Section 3.03 hereof.

"Assignment Agreement" means the Assignment Agreement (2009 Larson Justice Center Refunding) dated as of the date hereof, between the Corporation and the Trustee.

"Base Rental" means the amounts specified as such in Section 3.1(a) of the Sublease.

"Base Rental Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 hereof.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in the State of California or the State of New York.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

"Certificate Fund" means the fund by that name established pursuant to Section 3.04 hereof.

"Certificate Register" means the books referred to in Section 2.08 hereof.

"Certificates" means the County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) and all Additional Certificates.

"Closing Date" means, with respect to the Certificates, December 1, 2009.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" means, with respect to the Certificates, that certain Continuing Disclosure Certificate, dated as of December 1, 2009, executed by the County, as it may from time to time be amended or supplemented.

"Corporation" means the County of Riverside Asset Leasing Corporation, a nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State of California.

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with this Trust Agreement, the Sublease, the Site Lease, the Assignment Agreement, the Certificates and the official statement pertaining to the Certificates; Rating Agency fees; market study fees; legal fees and expenses of counsel with respect to execution and delivery of the Certificates; any computer and other expenses incurred in connection with the Certificates; any financial advisory fees; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); and any other fees and expenses incurred in connection with the execution and delivery of the Certificates, to the extent such fees and expenses are approved by the County.

"Costs of Issuance Fund" means the fund by that name established in accordance with Section 3.02.

"County" means the County of Riverside, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California.

"County Representative" means the County Executive Officer, the Deputy County Executive Officer, the Finance Director of the County or another official designated by such officer and authorized to act on behalf of the County under or with respect to this Trust Agreement and all other agreements related hereto.

"Defeasance Opinion" has the meaning given that term in Section 10.01 hereof.

"DTC" has the meaning given that term in Section 2.11(a) hereof.

"Earnings Fund" means the fund established under, and held by the Trustee pursuant to, Section 3.06 hereof.

"Excess Earnings Account" means the account by that name established within the Earnings Fund pursuant to Section 3.06 hereof.

"Fiscal Year" means the fiscal year of the County, which at the date of the Sublease is the period from July 1 to and including the following June 30.

"Fitch" means Fitch Ratings and its successors and assigns.

"Independent Counsel" means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the County.

"Interest Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 hereof.

"Interest Payment Date" means, with respect to the Certificates, June 1 and December 1 in each year, commencing June 1, 2010, until the maturity or earlier prepayment date of the Certificates.

"Investment Earnings" means the investment earnings received in respect of money on deposit in any fund or account established pursuant to this Trust Agreement.

"Investment Earnings Account" means the account by that name established within the Earnings Fund pursuant to Section 3.06 hereof.

"Lease Year" means the period from each December 1 to and including the following November 30, during the term of the Sublease.

"Leased Premises" means the real property, buildings and improvements described in Exhibit A to the Sublease.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"Municipal Obligations" means bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long term rating categories assigned by such Rating Agencies.

"1994 Certificates" means the County of Riverside Certificates of Participation (1994 Desert Justice Facility Project) originally executed and delivered in the aggregate principal amount of \$32,330,000.

"1998 Certificates" means the County of Riverside Certificates of Participation (1998 Larson Justice Center Refunding Project) originally executed and delivered in the aggregate principal amount of \$36,100,000.

"Nonarbitrage Certificate" means, with respect to the Certificates, the Tax and Nonarbitrage Certificate executed by the County and the Corporation on the date of execution and delivery of the Certificates, as such Nonarbitrage Certificate may be amended from time to time pursuant to this Trust Agreement.

"Outstanding" when used as of any particular time with respect to the Certificates, means all Certificates theretofore executed and delivered by the Trustee under this Trust Agreement except: (1) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates for the payment or prepayment of which funds or eligible securities in the necessary amount shall have theretofore been deposited with the Trustee in accordance with this Trust Agreement (whether on or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in this Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to this Trust Agreement.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Prepayment Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 hereof.

"Prepayment Notice" has the meaning given that term in Section 4.03 hereof.

"Principal Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 hereof.

"Prior Project" has the meaning as set forth in the recitals hereto.

"Prior Trust Agreement" means the Trust Agreement, dated as of April 1, 1998, by and among State Street Bank and Trust Company of California, N.A., the County and the Corporation, pursuant to which the 1998 Certificates were executed and delivered, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

"Prior Trustee" means State Street Bank and Trust Company of California, N.A.

"Qualified Investments" means, if and to the extent permitted by law:

1. Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("U.S. Government Securities").
2. Direct obligations* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:
 - (a) Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest
 - (b) Federal Housing Administration – debentures
 - (c) General Services Administration – participation certificates
 - (d) Government National Mortgage Association ("GNMAs") – guaranteed mortgage-backed securities and guaranteed participation certificates
 - (e) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates
 - (f) U.S. Department of Housing & Urban Development – local authority bonds
 - (g) U.S. Maritime Administration – guaranteed Title XI financings
 - (h) Washington Metropolitan Area Transit Authority – guaranteed transit bonds

* The following are explicitly excluded from the securities enumerated in 2 and 3:

- (i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
- (iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
- (iv) Collateralized Mortgage-Backed Obligations ("CMOs").

3. Direct obligations* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:
 - (a) Federal National Mortgage Association ("FNMAs") – senior debt obligations rated Aaa by Moody's Investors Service ("Moody's") and AAA by Standard & Poor's Ratings Services ("S&P")
 - (b) Federal Home Loan Mortgage Corporation ("FHLMCs") – participation certificates and senior debt obligations rated Aaa by Moody's and AAA by S&P
 - (c) Federal Home Loan Banks – consolidated debt obligations
 - (d) Student Loan Marketing Association – debt obligations
 - (e) Resolution Funding Corporation – debt obligations
4. Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P.
5. Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.
6. Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.
7. Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).
8. Investments in money-market funds rated AAAm or AAAm-G by S&P.
9. State-sponsored investment pools rated AA- or better by S&P.
10. Repurchase agreements that meet the following criteria:
 - (a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

- (b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies rated Aaa by Moody's and AAA by S&P.
- (c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.
- (d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMA's, FNMA's or FHLMCs. The repurchase agreement shall require (i) the Trustee or the Agent to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.
- (e) The repurchase securities shall be delivered free and clear of any lien to the bond trustee (herein, the "Trustee") or to an independent third party acting solely as agent ("Agent") for the Trustee, and such Agent is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.
- (f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the issuer and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.
- (g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

- (h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities:
 - (i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;
 - (ii) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under item 10(d) above; or
 - (iii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.
- 11. Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:
 - (a) A master agreement or specific written investment agreement governs the transaction.
 - (b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies rated Aaa by Moody's and AAA by S&P.
 - (c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies rated Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in 11(f) below.
 - (d) The investment agreement shall provide that if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued [and unpaid] interest on the investment; or (ii) deliver Permitted Collateral as provided below.
 - (e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below A3 from Moody's or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty to the Issuer.

- (f) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:
 - (i) U.S. Government Securities at 104% of principal plus accrued interest; or
 - (ii) Obligations of GNMA, FNMA or FHLMC (described in 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest.
- (g) The investment agreement shall require the Trustee or Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:
 - (i) the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters;
 - (ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or
 - (iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.
- (h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent.
- (i) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under 11(f) above, the Trustee shall receive an opinion of counsel as to the perfection of the security interest in the collateral.
- (j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee or other penalty, upon not more than two (2) business days' notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:
 - (i) In the event of a deficiency in the debt service account;
 - (ii) Upon acceleration after an event of default;
 - (iii) Upon refunding of the bonds in whole or in part;

- (iv) Reduction of the debt service reserve requirement for the bonds; or
- (v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the issuer's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the bonds and to make deposits to the debt service reserve fund.

- (k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities:
 - (i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;
 - (ii) Insolvency of the provider or the guarantor (if any) under the investment agreement;
 - (iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
 - (iv) Failure by the provider to make a payment or observe any covenant under the agreement;
 - (v) The guaranty (if any) is terminated, repudiated or challenged; or
 - (vi) Any representation of warranty furnished to the Trustee or the issuer in connection with the agreement is false or misleading.
- (l) The investment agreement must incorporate the following general criteria:
 - (i) "Cure periods" for payment default shall not exceed two (2) business days;
 - (ii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee;
 - (iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended;
 - (iv) If the investment agreement is for a debt service reserve fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate.
 - (v) The provider shall be required to immediately notify the Trustee of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;
 - (vi) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;

- (vii) The agreement shall require the provider to submit information reasonably requested by the County or the Trustee, including balance invested with the provider, type and market value of collateral and other pertinent information.
- 12. Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:
 - (a) A specific written investment agreement governs the transaction.
 - (b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured investment companies rated Aaa by Moody's and AAA by S&P.
 - (c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's or A- or A-1 from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.
 - (d) Permitted securities shall include the investments listed in 1, 2 and 3 above.
 - (e) The forward delivery agreement shall include the following provisions:
 - (i) The permitted securities must mature at least one (1) business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.
 - (ii) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.
 - (iii) Any breakage fees shall be payable only on debt service payment dates and shall be subordinated to the payment of debt service and debt service reserve fund replenishments.

- (iv) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate.
 - (v) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended.
- 13. Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the issuer or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement.
- 14. Maturity of investments shall be governed by the following:
 - (a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.
 - (b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.
 - (c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

"Qualified Tax-Exempt Obligations" means Municipal Obligations the interest on which is (i) excluded from gross income for federal income tax purposes and (ii) is not a specific tax preference item for purposes of the federal alternative minimum tax.

"Rating Agencies" means, collectively, Fitch, Moody's and S&P, and, if any such Rating Agency shall for any reason no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the County. Unless the context dictates otherwise, whenever rating categories of any Rating Agency are specified in this Trust Agreement, such categories shall be irrespective of gradations within a category.

"Rebatable Arbitrage" shall have the meaning given such term in the Nonarbitrage Certificate.

"Record Date" means the fifteenth day of each month immediately preceding a month in which an Interest Payment Date occurs.

"Representation Letter" has the meaning given that term in Section 2.11(a) hereof.

"Reserve Fund" means the fund established pursuant to Section 3.05 hereof.

"Reserve Requirement" means, as of any date of calculation, the least of (i) 10% of the principal amount of the Certificates Outstanding, (ii) the maximum Base Rental payable by the

County in any Lease Year between such date and the expiration of the Sublease, and (iii) 125% of the average annual Base Rental on the Certificates Outstanding.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc., and its successors and assigns.

"Site Lease" means the Site and Facilities Lease (2009 Larson Justice Center Refunding), dated as of the date hereof, between the County and the Corporation with respect to the Leased Premises, including any amendments or supplements thereto.

"Special Account" means the account established by the Trustee pursuant to Section 3.10 hereof for the purposes described therein.

"State" means the State of California.

"Sublease" means the Sublease and Option to Purchase (2009 Larson Justice Center Refunding), dated as of the date hereof, between the Corporation and the County with respect to the Leased Premises, including any amendments or supplements thereto.

"Trust Agreement" means this Trust Agreement (2009 Larson Justice Center Refunding), by and among the County, the Corporation and the Trustee, including any amendments or supplements hereto.

"Trustee" means the Trustee acting in its capacity as such under this Trust Agreement or any successor appointed as herein provided.

"2009 Larson Justice Center Account of the Administrative Expense Fund" means the account by that name established pursuant to Section 3.03 hereof.

Section 1.03. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. The words "include" or "including" do not limit the preceding words or terms.

Section 1.04. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution and delivery of this Trust Agreement.

ARTICLE II CERTIFICATES OF PARTICIPATION

Section 2.01. Designation. The Trustee is hereby authorized and directed upon written request from the County to execute and deliver the Certificates to the original purchaser or purchasers thereof. The Certificates evidence proportionate interests in the Sublease, including the right to receive Base Rental payments thereunder. The Certificates shall be designated "County of Riverside Certificates of Participation (2009 Larson Justice Center

Refunding)." The Certificates shall be executed and delivered in the aggregate principal amount of \$_____.

Section 2.02. Description of Certificates. Except as provided in Section 2.11 hereof, each Certificate shall be executed and delivered in fully registered form numbered from one upwards in consecutive numerical order and, if desired by the Trustee, with alphabetical prefixes for each maturity. The Certificates shall be dated the date of delivery thereof and shall be executed and delivered in denominations of \$5,000 and any integral multiple thereof.

The Certificates shall mature on the dates and in the principal amounts shown below, and interest with respect thereto (based upon a 360-day year composed of 12 months of 30 days each) shall be computed at the rates as shown below:

Maturity Date (December 1)	Principal Amount (\$)	Interest Rate (%)
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Interest with respect to each Certificate shall accrue from the Interest Payment Date next preceding the date of execution thereof, unless it is executed after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date or unless it is executed prior to the close of business on the first Record Date, in which event interest with respect thereto shall be payable from the date of delivery thereof; provided, however, that if, at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Interest with respect to any Certificate shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid

by check of the Trustee, mailed to the Owner first class mail at his address as it appears on the Certificate Register, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the Record Date for such Interest Payment Date. Payments of defaulted interest shall be paid by check to the Owners of the Certificates as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owners of the Certificates not less than ten days prior thereto. Principal and premium, if any, with respect to any Certificate are payable upon surrender thereof at the principal corporate trust office or agency of the Trustee in St. Paul, Minnesota or at the office of any paying agent. The principal, premium, if any, and interest with respect to the Certificates shall be payable in lawful money of the United States of America.

Section 2.03. Form. The Certificates shall be substantially in the form set forth in **Exhibit A** attached hereto and incorporated herein by reference.

Section 2.04. Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 2.05. Transfer and Exchange. The registration of any Certificate may be transferred upon the Certificate Register upon surrender of such Certificate to the Trustee. Such Certificate shall be endorsed or accompanied by delivery of the written instrument of transfer in the form set forth in **Exhibit A** hereto, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Trustee may establish. Upon such registration of transfer, a new Certificate or Certificates, of authorized denominations, for the same aggregate principal amount, maturity and interest rate will be executed and delivered to the transferee in exchange therefor.

The County and the Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether the principal or interest with respect to such Certificate shall be overdue or not, for the purpose of receiving payment of principal, premium (if any) and interest with respect to such Certificate and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the County nor the Trustee shall be affected by any notice to the contrary. The County agrees, to the extent permitted by law, to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, while acting in good faith and without gross negligence hereunder, in so treating such Owner.

Certificates may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Certificates in denominations of \$5,000 or any integral multiple thereof of the same maturity and interest rate. All Certificates surrendered in any such exchange shall thereupon be canceled by the Trustee. The Trustee may charge the Owner a reasonable sum for each new Certificate executed and delivered upon any exchange and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to register the transfer or exchange of any Certificate that has been called or is subject to being called for prepayment, during a period beginning at the opening of business 15 days before any selection of Certificates to be prepaid through the close of business on the applicable payment date, except for the unprepaid portion of any Certificate prepaid only in part.

Section 2.06. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like tenor and denomination in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and either delivered to the County upon its order or destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee and the County has been given, the Trustee shall, at the expense of the Owner, execute and deliver a new Certificate of like tenor in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section 2.06 and of the expenses which may be incurred by the Trustee in carrying out its duties under this Section 2.06. Any Certificate executed and delivered under the provisions of this Section 2.06 in lieu of any Certificate claimed to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates. Notwithstanding any other provision of this Section 2.06, in lieu of delivering a new Certificate in exchange and substitution for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment of the principal or interest with respect to such Certificate.

Section 2.07. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner. The fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any

Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.08. Certificate Register. The Trustee shall keep or cause to be kept at its corporate trust office sufficient books for the registration and registration of transfer of the Certificates, which books shall at all times during regular business hours be open to inspection by the County. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Certificates, or cause the same to be registered or cause the registration of the same to be transferred, on such books.

Section 2.09. Non-presentment of Certificates. Except as otherwise provided in Section 2.10 hereof, in the event any Certificates shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Certificates shall be held by the Trustee for the benefit of the Owner or Owners thereof, all liability of the County to the Owner or Owners thereof for the payment of the portion of Base Rental corresponding to the principal amount with respect to such Certificates shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds (subject to Section 2.10 hereof), without liability for interest thereon, for the benefit of the Owner or Owners of such Certificates who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Certificates.

Section 2.10. Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying any of the Certificates shall be held in trust for the respective Owners of such Certificates, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owners of such Certificates for a period of two years after the date on which any payment with respect to such Certificates shall have become due and payable shall be paid to the County; provided, however, that the Trustee, before making any such payment, shall at the expense of the County cause notice to be mailed to the Owners of such Certificates, by first-class mail, postage prepaid to the effect that such money has not been claimed and that after a date named therein any unclaimed balance of such money then remaining will be returned to the County. Thereafter, the Owners of such Certificates shall look only to the County for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee shall have no responsibility with respect to such money. The unclaimed money provisions provided for in this Section 2.10 are subject to all applicable escheat laws.

Section 2.11. Special Covenants as to Book-Entry Only System

(a) Except as otherwise provided in subsections (b) and (c) of this Section 2.11 or as otherwise set forth in an amendment or supplement to this Trust Agreement with respect to any Additional Certificates, all of the Certificates initially executed and delivered hereunder shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC shall request pursuant to the Representation Letter (as defined below). Payment of the interest with respect to any Certificate registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Certificate to the account, in the manner and at the address indicated in or pursuant to the

Representation Letter, delivered to DTC by the Trustee on or before the date of execution of the Certificates (the "Representation Letter").

(b) The Certificates executed and delivered hereunder shall be in the form of one or more fully registered certificates for each stated maturity, representing the aggregate principal amount of the Certificates maturing on such date. Upon initial execution and delivery of the Certificates, the ownership of all such Certificates shall be registered in the registration records maintained by the Trustee pursuant to Section 2.08 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the County and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Certificates registered in its name for the purposes of payment of principal, premium, if any, and interest with respect to such Certificates, selecting the Certificates or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under this Trust Agreement, registering the transfer of Certificates, obtaining any consent or other action to be taken by Owners of the Certificates and for all other purposes whatsoever; and neither the Trustee nor the County or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the County or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.11, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Certificates under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to the Certificates, (iii) any notice which is permitted or required to be given to Owners under this Trust Agreement, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial prepayment of the Certificates, or (v) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest with respect to the Certificates only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the County's obligations with respect to the payment of principal, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. 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 its then existing nominee, the Certificates will be transferable to such new nominee in accordance with subsection (f) of this Section 2.11.

(c) In the event that the County and the Trustee determine that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain physical certificates, the Trustee shall, upon the written instruction of the County, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of physical certificates. In such event, the Certificates will be transferable in accordance with subsection (f) of this Section 2.11. DTC may determine to discontinue providing its services with respect to the Certificates at any time by giving written notice of such discontinuance to the County and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Certificates will be transferable in accordance with subsection (f) of this Section 2.11. Whenever DTC requests the County and the Trustee to do so, the Trustee and the County will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another

securities depository to maintain custody of all certificates evidencing the Certificates then Outstanding. In such event, the Certificates will be transferable to such securities depository in accordance with subsection (f) of this Section 2.11, and thereafter, all reference in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Certificates Outstanding are registered in the name of any nominee of DTC, all payments of principal, premium, if any, or interest with respect to each such Certificate and all notices with respect to each such Certificate shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) reserved

(f) In the event that any transfer or exchange of Certificates is authorized under subsection (b) or (c) of this Section 2.11, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Certificates to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of this Trust Agreement (including, with respect to the Certificates, Section 2.05 hereof). In the event Certificates are executed and delivered to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the Certificates, another securities depository as Owner of all the Certificates, or the nominee of such successor securities depository, the provisions of this Trust Agreement (including, with respect to the Certificates, Section 2.05 hereof) shall also apply to, among other things, the registration, exchange and transfer of the Certificates and the method of payment of principal, premium, if any, and interest with respect to the Certificates.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Application of Proceeds of Sale of the Certificates. Upon the receipt of payment for the Certificates when the same shall be sold to the original purchaser or purchasers thereof, the proceeds of such sale (less underwriters' discount), shall be paid to the County in care of the Trustee and deposited as follows:

1. The Trustee shall deposit into the Costs of Issuance Fund the sum of \$_____.

2. The Trustee shall deposit into the Reserve Fund the sum of \$_____, which amount represents the Reserve Requirement as of the date of execution and delivery of the Certificates.

3. The Trustee shall transfer to the Prior Trustee the amount of \$_____, to be applied to refund on December 1, 2009 the 1998 Certificates in accordance with the provisions of the Prior Trust Agreement.

4. The Trustee shall deposit into the 2009 Larson Justice Center Account of the Administrative Expense Fund the sum of \$_____.

Section 3.02. Costs of Issuance Fund. The Trustee shall establish and maintain a separate special fund to be held by the Trustee known as the Costs of Issuance Fund. The Trustee shall disburse monies from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance related to the Certificates, in each case upon the written request of the County, in substantially the form of **Exhibit B** hereto. On July 1, 2010, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Interest Fund, and upon such transfer the Costs of Issuance Fund shall be closed.

Section 3.03. Establishment and Application of Administrative Expense Fund. There is hereby established in trust a special fund designated the "**Administrative Expense Fund**," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Within the Administrative Expense Fund, the Trustee shall establish a 2009 Larson Justice Center Account. There shall be deposited in the 2009 Larson Justice Center Account of the Administrative Expense Fund those amounts specified in Sections 3.01, 3.05 and 3.06 hereof. The Trustee shall administer the Administrative Expense Fund as provided in this Article III.

The Trustee shall, to the extent of monies available therein, disburse money from the 2009 Larson Justice Center Account of the Administrative Expense Fund on such dates and in such amounts as are necessary to pay all expenses of the Corporation or the County (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) incidental to the execution and delivery of the Certificates, including but without limiting the generality of the foregoing; salaries, wages, expenses, fees and charges of auditors, accountants, architects, attorneys and engineers, and all other necessary administrative charges of the Corporation or the County or charges required to be paid by either of them in order to comply with the terms of the Certificates or of this Trust Agreement and for any other lawful purpose of the County in accordance with the applicable Nonarbitrage Certificate, in each case, in accordance with a payment request in the form attached hereto as Exhibit B.

Section 3.04. Establishment and Application of Certificate Fund. There is hereby established in trust a special fund designated the "**Certificate Fund**," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article III. The Certificate Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Sublease, or until such earlier date as there are no Certificates Outstanding. Within the Certificate Fund, the Trustee shall establish the following accounts: Base Rental Account, Interest Account, Principal Account, and Prepayment Account. Within each such account, the Trustee shall establish a 2009 Larson Justice Center Subaccount.

(a) **Base Rental Account.** Except as otherwise provided in this paragraph or in a supplement or amendment to this Trust Agreement, Base Rental and proceeds of rental interruption insurance with respect to the Leased Premises, if any, received by the Trustee shall be deposited in the 2009 Larson Justice Center Subaccount of the Base Rental Account. On each Interest Payment Date with respect to the Certificates, monies in the 2009 Larson Justice Center

Subaccount of the Base Rental Account shall be transferred to the 2009 Larson Justice Center Subaccounts of the Interest Account and the Principal Account in accordance with Section 3.04(b) and Section 3.04(c) hereof. Any amounts remaining in the 2009 Larson Justice Center Subaccount of the Base Rental Account on an Interest Payment Date after the transfers referred to in the preceding sentence have been made shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement; (ii) the 2009 Larson Justice Center Subaccount of the Interest Account to the extent necessary to make the total amount so deposited equal to the amount of the interest component of the next succeeding Base Rental payment; and (iii) the 2009 Larson Justice Center Subaccount of the Principal Account to the extent necessary to make the total amount so deposited equal to the amount of the principal component of the next Base Rental payment which has a principal component. Amounts not required to be so deposited shall be remitted to the County. Any delinquent Base Rental payments and any proceeds of rental interruption insurance with respect to the Leased Premises deposited in the 2009 Larson Justice Center Subaccount of the Base Rental Account shall be applied first to the 2009 Larson Justice Center Subaccount of the Interest Account for the immediate payment of interest payments past due and then to the 2009 Larson Justice Center Subaccount of the Principal Account for immediate payment of principal payments past due according to the tenor of any Certificate, and then to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Any remaining monies representing delinquent Base Rental payments and any proceeds of rental interruption insurance shall remain on deposit in the 2009 Larson Justice Center Subaccount of the Base Rental Account to be applied in the manner provided herein.

(b) Interest Account. The Trustee shall transfer from the 2009 Larson Justice Center Subaccount of the Base Rental Account to the 2009 Larson Justice Center Subaccount of the Interest Account on each Interest Payment Date an amount which, together with monies on deposit in the 2009 Larson Justice Center Subaccount of the Interest Account (or to be deposited therein pursuant to Section 3.06 hereof on or prior to such Interest Payment Date), equals the interest then due on such Interest Payment Date with respect to the Certificates in accordance with the terms of this Trust Agreement.

(c) Principal Account. The Trustee shall transfer from the 2009 Larson Justice Center Subaccount of the Base Rental Account to the 2009 Larson Justice Center Subaccount of the Principal Account on each Interest Payment Date an amount which, together with monies on deposit in the 2009 Larson Justice Center Subaccount of the Principal Account, equals the principal then due or required to be prepaid on such Interest Payment Date with respect to the Certificates.

(d) Prepayment Account. Any proceeds of insurance (other than rental interruption insurance) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Leased Premises, and any other amounts provided for the prepayment of Certificates in accordance with Section 4.01 hereof, shall be deposited by the Trustee in the 2009 Larson Justice Center Subaccount of the Prepayment Account. On the scheduled prepayment date, the Trustee shall withdraw from the 2009 Larson Justice Center Subaccount of the Prepayment Account and pay to the Owners entitled thereto the prepayment price of the Certificates prepaid on such date.

Section 3.05. Establishment and Application of Reserve Fund. There is hereby established in trust a special fund designated the "**Reserve Fund**," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. There shall be deposited in the Reserve Fund those amounts required to be deposited therein pursuant to this Trust Agreement. The Trustee shall maintain and administer the Reserve Fund as provided in this Article III until the Base Rental is paid in full pursuant to the Sublease or until there are no longer any Certificates Outstanding.

If on any Interest Payment Date the amounts in the applicable subaccounts of the Certificate Fund are less than the principal and interest payments due with respect to the Outstanding Certificates on such date, then the Trustee shall transfer from the Reserve Fund for credit to the applicable subaccounts of the Interest Account and the Principal Account of the Certificate Fund, respectively, amounts sufficient to make up such deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer. Unless otherwise directed by the County, the Trustee shall transfer any amounts in the Reserve Fund in excess of the Reserve Requirement first to the 2009 Larson Justice Center Account of the Administrative Expense Fund to the extent needed to pay expenses pursuant to Section 3.03, then to the 2009 Larson Justice Center Subaccount of the Base Rental Account.

Section 3.06. Establishment and Application of Earnings Fund. There is hereby established in trust a special fund designated the "**Earnings Fund**," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Earnings Fund as provided in this Article III and in Section 7.05 hereof. The Earnings Fund shall be maintained by the Trustee until the County directs, in writing, that it be closed. The Trustee shall establish and maintain within the Earnings Fund an account designated the "**Investment Earnings Account**" and an account designated the "**Excess Earnings Account**." Within each such account, the Trustee shall establish a 2009 Larson Justice Center Subaccount. All monies in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and accounts held by the Trustee. Pursuant to Section 3.17 hereof, the Trustee shall transfer all Investment Earnings on deposit in the funds and accounts established hereunder with respect to the Certificates (other than the applicable accounts or subaccounts of the Excess Earnings Account, the Interest Account and the Principal Account of the Certificate Fund, and the Administrative Expense Fund) to the 2009 Larson Justice Center Subaccount of the Investment Earnings Account. All amounts deposited into the 2009 Larson Justice Center Subaccounts of the Excess Earnings Account and the Investment Earnings Account shall be retained in such accounts until transferred in accordance with the direction in writing of the County in accordance with the Nonarbitrage Certificate.

Pursuant to the Nonarbitrage Certificate, the County is required to compute its Rebtable Arbitrage, as such term is defined in the Nonarbitrage Certificate, at least once each year. After any such Rebtable Arbitrage computation, the County shall ascertain whether the amount on deposit in the 2009 Larson Justice Center Subaccount of the Excess Earnings Account is at least equal to the Rebtable Arbitrage it has earned. If the amount on deposit in the 2009 Larson Justice Center Subaccount of the Excess Earnings Account is less than the Rebtable Arbitrage earned, the Trustee shall transfer monies from the 2009 Larson Justice Center

Subaccount of the Investment Earnings Account to the 2009 Larson Justice Center Subaccount of the Excess Earnings Account in accordance with instructions from the County. Any amounts remaining in the 2009 Larson Justice Center Subaccount of the Investment Earnings Account shall be transferred to the following funds and accounts in the order of priority indicated: (i) to the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement; (ii) to the 2009 Larson Justice Center Account of the Administrative Expense Fund to the extent needed to pay expenses of the Corporation and the County pursuant to Section 3.03 hereof; (iii) to the 2009 Larson Justice Center Subaccount of the Interest Account to the extent necessary to make the total amount deposited therein equal to the amount of the interest component of the next succeeding Base Rental payment; and (iv) to the 2009 Larson Justice Center Subaccount of the Principal Account to the extent necessary to make the total amount deposited therein equal to the amount of the principal component of the next succeeding Base Rental payment which has a principal component.

Any monies deposited in the Excess Earnings Account shall be applied to payments of Rebatable Arbitrage to the United States of America in accordance with written instructions of the County, unless the County shall direct the Trustee in writing that such monies are not needed for such purpose and are to be transferred to another fund or account established pursuant to this Trust Agreement.

Section 3.07. Surplus. After payment or prepayment of all amounts due with respect to the Certificates (or a defeasance of the Certificates pursuant to Section 10.01 hereof), the payment of all fees and expenses to the Trustee, or satisfactory provision for such payments having been made, and the transfer of any amounts required to be transferred to the 2009 Larson Justice Center Subaccount of the Excess Earnings Account in accordance with the Nonarbitrage Certificate, any amounts remaining in any of the funds or accounts established hereunder with respect to the Certificates and not required for the purposes set forth herein shall be remitted to the County and used for any lawful purpose thereof; provided, however, in the event of defeasance, amounts shall not be remitted to the County until the County has delivered or caused to be delivered to the Trustee an opinion of Independent Counsel to the effect that remission of such amounts to the County shall not affect the exclusion from gross income for federal income tax purposes of any Base Rental payment under the Sublease comprising interest with respect to the Certificates.

Section 3.08. Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Sublease, such Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Sublease or this Trust Agreement.

Section 3.09. Reserved.

Section 3.10. Repair or Replacement; Application of Insurance Proceeds and Condemnation Awards. If the Leased Premises or any portion thereof shall be stolen, damaged or destroyed, the County shall continuously and diligently repair or replace the Leased Premises or such portion thereof, unless the County elects not to repair or replace the Leased Premises or such portion thereof in accordance with the provisions of this Section 3.10. If the

Leased Premises or any portion thereof shall be taken by eminent domain proceedings, the County shall take such action as is reasonably necessary to obtain compensation for a taking by eminent domain at least equal to the proportionate amount of the Outstanding Certificates related to the Leased Premises or such portion thereof taken.

In the event the Trustee receives proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance fund, and of any condemnation award, received on account of any damage, destruction or taking of the Leased Premises or any portion thereof, the Trustee shall establish in trust a special account designated the "Special Account." Any such proceeds shall be held by the Trustee in the Special Account and made available for, and to the extent necessary be applied to, the cost of repair or replacement of the Leased Premises or such portion thereof. Pending such application, such proceeds may be invested by the Trustee, as directed in writing by the County, in Qualified Investments that mature not later than such times as monies are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall notify in writing the Trustee within 90 days of the receipt by the Trustee of insurance or condemnation proceeds, whether the County intends to replace or repair the Leased Premises or the portion thereof in respect of which such proceeds were received, in which event the County shall promptly deposit with the Trustee the full amount of any insurance deductible to be credited to the Special Account. The County shall replace or repair the Leased Premises or such portion thereof as required in Section 4.1 of the Sublease, unless it deposits the full amount of any insurance deductible and all other amounts necessary to prepay the Certificates relating to the Leased Premises or such portion thereof into the applicable subaccount of the Prepayment Account and the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Certificates after the date on which Certificates relating to the Leased Premises or such portion thereof are prepaid. The proceeds of any insurance (other than rental interruption insurance), including the proceeds of any self-insurance fund or of any condemnation award, not applied to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing by the County of its intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been given to the Trustee within six months after receipt of such proceeds by the Trustee, or which the County shall at any time during such period have notified the Trustee in writing are not to be so applied, shall forthwith be deposited into the applicable subaccount of the Prepayment Account and applied to the prepayment of Certificates in accordance with Article IV hereof.

Section 3.11. Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Premises shall be applied and disbursed by the Trustee upon written direction of the County as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Premises and will not result in an abatement of Base Rental payable by the County under the Sublease, such proceeds shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Premises has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Base Rental payable by the County under the Sublease, then the Trustee shall immediately deposit such proceeds in the applicable subaccount of the Prepayment Account of the Certificate Fund and such proceeds shall be applied to the prepayment of Certificates in the manner provided in Section 4.01 hereof.

Section 3.12. Application of Amounts After Default by County. All payments received by the Trustee with respect to the rental of any portion of the Leased Premises after a default by the County pursuant to Section 12 of the Sublease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under such Section 12, shall be held and applied in accordance with Section 8.09 hereof.

Section 3.13. Held in Trust. The money and investments held by the Trustee hereunder are irrevocably held in trust for the purposes herein specified, and such money and investments, and any income or interest earned thereon, shall be expended only as provided herein, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the Corporation, (ii) the County, (iii) the Trustee or (iv) any Owner of Certificates.

Section 3.14. Investments Authorized. Subject to the restrictions contained in Section 7.05 hereof, money held by the Trustee in any fund or account hereunder shall be invested by the Trustee in Qualified Investments pending application as provided herein subject to the direction of the County, shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee, where applicable. The County shall, where applicable, direct the Trustee in writing prior to 12:00 noon Pacific Time on the day before any Qualified Investment matures or is redeemed as to the reinvestment of such proceeds. If the County shall fail to provide the Trustee direction with respect to any monies subject to investment, the Trustee shall, nevertheless, invest such monies in those investments described in clause 8 of the definition of Qualified Investments for a period of no longer than 180 days. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 3.14. Any investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available hereunder and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes set forth in this Trust Agreement, provided, however, that investments purchased with funds on deposit in the Reserve Fund shall have a maturity of not greater than five years. The Trustee may act as agent in the making or disposing of any investment. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section 3.14.

To the extent regulations of the Comptroller of the Currency or other applicable regulatory entity provide that the County has the right to receive brokerage confirmations of security transactions as they occur, the County will waive such confirmations to the extent permitted by law. The Trustee will furnish the County periodic cash transaction statements which include details for all investment transactions made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or provide administrative services in connection with any Qualified Investment. The Trustee may make any investments through its own investment or bond department, or that of any of its affiliates. The Trustee may rely upon

any investment direction from the County as a certification to the Trustee that such investment constitutes a Qualified Investment.

Section 3.15. Reports. The Trustee shall furnish monthly to the County a report of all investments made by the Trustee and of all amounts on deposit in each fund, account and subaccount maintained hereunder, provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero and (b) has not had any activity since the last report was delivered.

Section 3.16. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account hereunder, all Qualified Investments shall be valued as frequently as deemed necessary by the County, but not less often than quarterly at the market value of such investments (exclusive of accrued interest). Such valuations may be in the form of the Trustee's customary statement. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. The Trustee may sell at the best price obtainable, or present for prepayment, any Qualified Investment so purchased by the Trustee whenever it shall be necessary in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from any fund or account hereunder, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale.

Section 3.17. Application of Investment Earnings. The Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it hereunder (except the Excess Earnings Account of the Earnings Fund, the Certificate Fund, and the Administrative Expense Fund) into the Investment Earnings Account of the Earnings Fund established pursuant to Section 3.06 hereof. All Investment Earnings on amounts on deposit in the Excess Earnings Account of the Earnings Fund shall be retained therein and applied as provided in Section 3.06 hereof. Following the computation of Rebatable Arbitrage and, to the extent required, the transfer of Rebatable Arbitrage to the Excess Earnings Account pursuant to the Nonarbitrage Certificate and Section 3.06 hereof, any amounts remaining in the Investment Earnings Account shall be applied as set forth in Section 3.06. Investment Earnings on amounts on deposit in the Certificate Fund and the Administrative Expense Fund shall remain in such Funds and be applied in accordance with Sections 3.04 and 3.03, respectively.

ARTICLE IV PREPAYMENT

Section 4.01. Prepayment. The Certificates shall be subject to prepayment prior to their stated maturity only as set forth below:

(a) *Optional Prepayment.* The Certificates maturing on or after December 1, 20__, are subject to optional prepayment prior to maturity on or after December 1, 20__, at the option of the County, as a whole or in part on any date, from amounts deposited with the Trustee by the County in furtherance of the exercise of the County's option to purchase the Corporation's interest in the Leased Premises or any Leased Component in accordance with Section 14 of the Sublease and from any other funds available therefor, at a prepayment price equal to the

principal amount thereof, without premium, plus accrued but unpaid interest to the prepayment date.

In the event the County intends to exercise its option to purchase the Corporation's interest in the Leased Premises or any Leased Component on a date on which the Certificates are subject to optional prepayment, the County will give notice to the Trustee of such intention to purchase not later than forty-five (45) days prior to the intended purchase date in accordance with Section 14 of the Sublease.

(b) *Extraordinary Prepayment.* The Certificates are subject to mandatory prepayment prior to maturity in whole or in part on the first practicable date, at a prepayment price equal to the principal amount thereof plus accrued but unpaid interest without premium from the net proceeds deposited by the Trustee in the Prepayment Account in the Certificate Fund, pursuant to Sections 3.04, 3.10 and 3.11 hereof.

(c) *Mandatory Sinking Fund Prepayment.* The Certificates with a maturity date of December 1, 20__ are subject to mandatory prepayment in part, by lot, prior to their maturity date on December 1, 20__ and on each December 1 thereafter, to and including December 1, 20__ from sinking fund installments, at the principal amount to be prepaid, without premium, plus accrued interest represented thereby to the prepayment date, in the principal amounts and on the dates set forth below:

Maturity Date December 1, 20__

<u>Year</u>	<u>Amount</u>
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The Certificates with a maturity date of December 1, 20__ are subject to mandatory prepayment in part, by lot, prior to their maturity date on December 1, 20__ and on each December 1 thereafter, to and including December 1, 20__ from sinking fund installments, at the principal amount to be prepaid, without premium, plus accrued interest represented thereby to the prepayment date, in the principal amounts and on the dates set forth below:

Maturity Date December 1, 20__

<u>Year</u>	<u>Amount</u>
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The Certificates with a maturity date of December 1, 20__ are subject to mandatory prepayment in part, by lot, prior to their maturity date on December 1, 20__ and on each December 1 thereafter, to and including December 1, 20__ from sinking fund installments, at the principal amount to be prepaid, without premium, plus accrued interest represented thereby to the prepayment date, in the principal amounts and on the dates set forth below:

Maturity Date December 1, 20__

<u>Year</u>	<u>Amount</u>
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Section 4.02. Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of Certificates and less than all outstanding Certificates are to be prepaid, the Trustee shall select Certificates for prepayment among maturities as directed by the County (which direction shall be consistent with Exhibit B to the Sublease and this Article IV and shall be accompanied by a written certificate of a County Representative to the effect that: (i) the Base Rental payable under the Sublease, as amended in connection with such prepayment, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates as and when due following such prepayment, and (ii) the Base Rental payable under the Sublease, as amended in connection with such prepayment, is not in excess of the fair rental value of the Leased Premises in any Lease Year following such prepayment), and within a maturity by lot. The Trustee shall promptly confirm in writing to the County the Certificates so selected for prepayment.

Prepayment by lot shall be in such manner as the Trustee shall determine. Notwithstanding anything to the contrary herein, the portion of any Certificate to be prepaid shall be in the principal amount of \$5,000 or any integral multiple thereof.

Section 4.03. Notice of Prepayment. When prepayment is authorized or required pursuant to Section 4.01 hereof, the Trustee shall give notice ("Prepayment Notice"), at the expense of the County, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (a) the date of prepayment, (b) the place or places where the prepayment will be made, including the name and address of any paying agent, (c) the prepayment price, (d) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (e) the numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificates to be prepaid in part only, the amount of such Certificates to be prepaid, and (f) the interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price, together with interest accrued to the prepayment date thereon, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

At least thirty (30) but not more than sixty (60) days prior to the prepayment date, such Prepayment Notice shall be given by the Trustee to the respective Owners of the Certificates designated for prepayment by first class mail, postage prepaid, at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such Prepayment Notice is given. The failure of any Owner to receive such Prepayment Notice or any defect in such Prepayment Notice shall not affect the validity of the prepayment of any Certificates. The Trustee shall not be liable for any errors in such Prepayment Notice with respect to CUSIP numbers. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been given, whether or not the Owner of any Certificates which are to be prepaid receives the notice. The notice of prepayment for any optional prepayment pursuant to Section 4.01 hereof shall contain a statement to the effect that the prepayment of the Certificates is conditioned upon the receipt by the Trustee of amounts equal to the prepayment price of the Certificates to be prepaid on or before the prepayment date, and such optional prepayment shall be so conditioned.

Section 4.04. Partial Prepayment of Certificates. Upon the surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the registered Owner thereof, at the expense of the County, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered. Such partial prepayment shall be valid upon payment of the amount required to be paid to such registered Owner, and the County and the Trustee shall be released and discharged thereupon from all liability to the extent of such payment.

Section 4.05. Effect of Notice of Prepayment. Notice having been given as aforesaid, and the monies for the prepayment (including the interest to the applicable date of prepayment) having been set aside in the Certificate Fund, the Certificates to be prepaid shall become due and payable on such date of prepayment.

If on such prepayment date money for the prepayment of all the Certificates to be prepaid, together with interest to such prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and if notice of prepayment thereof shall have been given as aforesaid, then from and after such prepayment date interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All money held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid.

On each such prepayment date, the Trustee shall recompute the amount of Base Rental to become due in each remaining year of the Sublease following prepayment of the Certificates to be prepaid and shall notify the County in writing of the amount of such Base Rental.

Section 4.06. Certificates No Longer Outstanding. When any Certificates (or portions thereof), which have been duly called for prepayment prior to maturity under the provisions of this Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to maturity at the earliest prepayment date have been given to the Trustee, in form satisfactory to it, and sufficient monies shall be held by the Trustee irrevocably in trust for the payment of the prepayment price of such Certificates or portions thereof, and accrued interest

with respect thereto to the date fixed for prepayment, all as provided in this Trust Agreement, then such Certificates (or portions thereof) shall no longer be deemed Outstanding under the provisions of this Trust Agreement. All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of this Trust Agreement shall be canceled upon surrender thereof and delivered to or upon the order of the County. If the County shall otherwise acquire any of the Certificates, such Certificates shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

ARTICLE V THE TRUSTEE AND PAYING AGENTS

Section 5.01. Compensation of Trustee. Subject to the terms of any compensation agreement, the County shall from time to time, on demand, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. To the extent permitted by law, compensation and reimbursement to the Trustee shall not be limited by any statutory provisions which limit compensation to trustees of express trusts. Further, the services of the Trustee in administering the trusts hereunder shall be deemed a substantial contribution to the administration of this Trust Agreement in all events.

Section 5.02. Removal of Trustee. The County may at any time, when not in default, for good cause shown, or the Owners of a majority in aggregate principal amount of all Certificates then Outstanding may by written request at any time and for any reason, remove the Trustee or any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and shall be subject to supervision or examination by a federal or state banking 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 purposes of this Section 5.02 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. The County may, for any breach of trust by the Trustee and following any event of default, as defined in Section 8.01 hereof, remove the Trustee and any successor thereto, and the County may, subject to the requirements set forth above, appoint a successor thereto. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Section 5.03. Resignation of Trustee. The Trustee or any successor may at any time resign by giving written notice to the County and by giving mailed notice to the Owners of its intention to resign which shall be effective upon appointment and acceptance by a successor Trustee as provided herein.

Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the County fails to appoint a successor Trustee who shall have accepted its appointment within 60 days following receipt of such written notice of resignation, the resigning Trustee may petition any

federal court or other appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the County or any court shall satisfy the qualifications set forth in Section 5.02 hereof.

Section 5.04. Merger or Consolidation. 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 is eligible under Section 5.02 hereof), shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 5.05. Protection and Rights of the Trustee. (a) The Trustee shall be protected and shall incur no liability whatsoever in acting upon or processing any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which the responsible trust officer of the Trustee shall believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry whatsoever as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Notwithstanding anything to the contrary herein, the Trustee may consult with counsel, who may or may not be counsel to the County, 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 in good faith reliance thereon.

(b) The Trustee shall not be liable for any error in judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) 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 written direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or relating to the exercise of any trust or power conferred upon the Trustee under this Trust Agreement.

(d) Whenever in the administration of its duties under this Trust Agreement 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) shall be deemed to be conclusively proved and established by a written certificate of a County Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement in good

faith reliance thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(e) The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee; may acquire and dispose of bonds or other evidences of indebtedness of the County and enforce its rights as Owner thereof to the same extent as if it were not Trustee; and may act as a 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 Owners of Certificates, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

(f) The recitals, statements and representations by the County contained in this Trust Agreement or in the Certificates shall be taken and construed as made by and on the part of the County and not by the Trustee, and the Trustee shall not assume, and shall not have, any responsibility or obligation for the correctness of any such recital, statement or representation. The Trustee shall not assume, and shall not have, any responsibility or obligation under the Nonarbitrage Certificate other than to comply with instructions of the County with respect thereto.

(g) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents or receivers, and shall be entitled to advice of counsel concerning all matters of trust and concerning its duties hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care.

(h) The Trustee is authorized and directed to execute, in its capacity as Trustee, the Assignment Agreement.

(i) Every provision of the Sublease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article V.

(j) The Trustee makes no representation or warranty, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Premises or any portion thereof, or any other representation or warranty with respect to the Leased Premises or any portion thereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with this Trust Agreement or the Sublease for the existence, furnishing or function of the Leased Premises or the County's use of the Leased Premises.

(k) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

(l) The Trustee shall not be deemed to have knowledge of an event of default hereunder, under the Sublease or any other document related to the Certificates unless it shall have actual knowledge thereof.

(m) The immunities extended to the Trustee hereunder shall also extend to its directors, officers, employees and agents.

(n) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

(o) In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the County, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except to the extent of its negligence or willful misconduct. Under no circumstances shall the Trustee be liable in its individual personal capacity for the obligations evidenced by the Certificates.

(p) No provision of this Trust Agreement or the Sublease shall require the Trustee to expend or advance its own funds in the performance of its duties hereunder or thereunder.

(q) Before taking any action under Article VIII hereof, the Trustee may require indemnity from the Owners of the Certificates satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder.

Section 5.06. Trustee to Act as Set Forth Herein. The Trustee has the power to receive, to hold in accordance with the terms hereof and to disburse the money to be paid pursuant to the Sublease and this Trust Agreement. The Trustee has no power to vary, alter or substitute the Sublease or the corpus of any trust created hereby or pursuant to the Sublease or this Trust Agreement at any time, except as specifically authorized herein.

Section 5.07. Paying Agents. The Trustee is hereby appointed as paying agent for the Certificates. The County, upon written consent of the Trustee, may appoint such other paying agents with respect to the Certificates as it may deem advisable. Any paying agent appointed shall be a bank or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and shall be subject to supervision by a federal or state banking authority.

ARTICLE VI AMENDMENTS

Section 6.01. Amendments to Trust Agreement. This Trust Agreement may be amended in writing by agreement between the parties, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, this Trust Agreement and the rights and obligations provided hereby may also be modified or amended at any time without the consent of any Owners of the Certificates, upon the written agreement of the County, the Corporation and the Trustee, but only (1) in regard to questions arising under this Trust Agreement which the County, the Corporation and the Trustee may deem necessary or desirable and not inconsistent with this Trust Agreement and which shall not adversely affect the interests of the Owners of the Certificates, (2) to preserve and maintain the exclusion from gross income for federal income tax purposes of that

portion of each Base Rental payment designated as and comprising interest, (3) to qualify this Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect, (4) to authorize the execution and delivery of Additional Certificates if the conditions set forth in Section 6.04 hereof are met or (5) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification hereof upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment or modification shall impair the right of any Owner to receive such Owner's proportionate share of principal and interest in accordance with the terms of his or her Certificate.

Section 6.02. Amendments to Sublease, Site Lease and Assignment Agreement. The Sublease, the Site Lease and the Assignment Agreement may be amended in writing by agreement between the parties thereto, with the consent of the Trustee, but no such amendment shall become effective as to the Owners of Certificates unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Sublease, the Site Lease and the Assignment Agreement and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of any Owners of the Certificates upon the written agreement of the County and the Corporation, but only (1) for the purpose of amending the Leased Premises pursuant to Section 3.09 hereof and Section 2.2 of the Sublease, (2) in regard to questions arising under the respective Sublease, the Site Lease or the Assignment Agreement that the County and the Corporation may deem necessary or desirable and not inconsistent with such Sublease, Site Lease or Assignment Agreement and that shall not adversely affect the interests of the Owners of the Certificates, (3) to provide for the authorization of Additional Certificates if the conditions set forth in Section 6.04 hereof have been met, or (4) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification.

Section 6.03. Notice to Rating Agencies. The County shall provide notice to the Rating Agencies of any amendment to the Site Lease, Sublease or Trust Agreement at least 15 days prior to the effective date thereof. Such notice shall include a copy of such proposed amendment.

Section 6.04. Additional Certificates. The County may, from time to time, with the prior written consent of the Corporation, by a supplement or amendment to this Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Sublease, on parity with the Outstanding Certificates. The Trustee shall execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement or amendment to this Trust Agreement authorizing such series of Additional Certificates which shall, among other provisions, specify:

(i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates payable with respect to the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the funds and accounts held by the Trustee under this Trust Agreement to provide for the payment of principal of, premium, if any, and interest with respect to such Additional Certificates, (ix) the Reserve Requirement immediately following the execution and delivery of such Additional Certificates, and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the County and the Corporation shall deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts.

(b) A duly executed copy of an amendment to the Sublease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Premises, and (ii) the insurance provisions of the Sublease shall provide adequate coverage for any new Leased Premises. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence shall be evidenced by a written certificate of a County Representative. If appropriate, such amendment shall contain any modifications necessary to include additional real property, buildings or improvements in the Leased Premises in connection with the execution and delivery of such Additional Certificates.

(c) Evidence that any amendments to the Sublease, Site Lease or Assignment Agreement executed in connection with such Additional Certificates have been duly recorded in the official records of the County Recorder of the County of Riverside.

(d) If such Additional Certificates are being executed and delivered to finance the construction or acquisition of new additions or improvements to the existing Leased Premises, such written certificate of a County Representative shall, in addition to the requirements set forth in subsection (b) above, certify that: (i) the fair rental value of the Leased Premises, without taking into account such new buildings or improvements, is at least equal to the Base Rental payable under the Sublease, as amended, (ii) the fair rental value of the Leased Premises, including any new real property, buildings or improvements which are completed and are available for use and possession by the County and constitute a portion of the Leased Premises under the Sublease, as amended, is at least equal to the Base Rental payable under the Sublease, as amended or (iii) the fair rental value of the Leased Premises, including such new real property, buildings or improvements, when acquired or completed, will be at least equal to the Base Rental payable under the Sublease, as amended, which certificate, in the case of clause (iii), shall include a further certification that the County has provided for the deposit of a sufficient amount of capitalized interest to pay interest with respect to such Additional Certificates until such scheduled completion date (which certification may be waived by the Trustee if the Trustee receives evidence satisfactory to it that the payment of such interest has been otherwise provided for).

(e) An opinion or opinions of Independent Counsel substantially to the effect that (i) the supplement or amendment to this Trust Agreement and any amendment to the Sublease, the Site Lease or the Assignment Agreement executed in connection therewith are authorized or permitted by the Constitution and laws of the State and this Trust Agreement and have been duly and validly authorized, executed and delivered by each of the County and the Corporation, as appropriate, and constitute the legally valid and binding obligations of the County and the Corporation, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest with respect to the Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis.

(f) Written evidence from the Rating Agencies that the execution and delivery of such Additional Certificates will not, by itself, result in a downgrading of the ratings assigned to any Certificates from the ratings in effect immediately prior to such execution and delivery of such Additional Certificates.

ARTICLE VII COVENANTS; NOTICES

Section 7.01. County to Perform Pursuant to Sublease. The County covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Sublease.

Section 7.02. Extension of Payment of Certificates. The County shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing herein shall be deemed to limit the right of the County to issue any securities for the purpose of providing funds for the prepayment of the Certificates and such issuance shall not be deemed to constitute an extension of the maturity of the Certificates.

Section 7.03. Access to Books and Records. The Trustee shall at all times have access to those books and records of the County which may be reasonably required by the Trustee to fulfill its duties and obligations hereunder.

Section 7.04. General. The County shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the County under the provisions of this Trust Agreement.

The County certifies, recites and declares that, upon the date of execution and delivery of any of the Certificates, all conditions, acts and things required by law and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Certificates do exist, have happened and have been performed and the execution and delivery of such Certificates shall comply in all respects with the applicable laws of the State.

Section 7.05. Tax Covenant. In order to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates, the County covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the County agrees to comply with the Nonarbitrage Certificate as a source of guidance for compliance with such provisions. The Trustee hereby agrees to comply with any instructions received from the County which the County indicates must be followed in order to comply with the Nonarbitrage Certificate.

Notwithstanding any other provision of this Trust Agreement to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing covenant, no person other than the Trustee or the Owners of the Certificates shall be entitled to exercise any right or remedy provided to such Owners under this Trust Agreement on the basis of the County's failure to observe, or refusal to comply with, the covenant.

Section 7.06. Performance. The County shall faithfully observe all covenants and other provisions contained in this Trust Agreement, in each Certificate executed and delivered hereunder, and in the Sublease. Except as provided in the Sublease, the County shall not agree to any amendment to the Sublease that would either lengthen the term thereof or reduce the amount of Base Rental or Additional Rental payable thereunder, or change the time or times of payment of such Base Rental or Additional Rental, or agree to any other amendment detrimental to the rights of the Owners.

Section 7.07. Prosecution and Defense of Suits. The County shall promptly take such action as may be necessary to cure any defect in the title to the Leased Premises or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such.

Section 7.08. Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out its obligations under the Continuing Disclosure Certificate, and whenever the County obtains knowledge of any material event under Section 5 of the Continuing Disclosure Certificate, it shall promptly provide such information to the Trustee. Notwithstanding any other provision of this Trust Agreement, failure of the County to provide such information or to comply with the Continuing Disclosure Certificate shall not be considered an event of default and shall not be deemed to create any monetary liability on the part of the County or the Trustee to any other persons, including Owners of the Certificates.

Section 7.09. Further Assurances. The County will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and to assure and confirm to the Owners of the Certificates the rights and benefits provided herein.

Section 7.10. Additional Further Assurances. The County shall, on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and recordings necessary or desirable in order to perfect, preserve and protect the interest of the Trustee in the Leased Premises to the extent possible under applicable law. Not earlier than 180 days nor later than 30 days prior to each fifth anniversary of the closing for the Certificates, the County shall deliver to the Trustee an opinion of local counsel indicating that all filings and

recordings have been made and all other actions have been taken so as to perfect, preserve and protect such interests under applicable law. This provision shall survive any termination of the Agreement until such time as there are no Certificates Outstanding.

ARTICLE VIII EVENTS OF DEFAULT

Section 8.01. Events of Default Defined. The following shall be “events of default” under this Trust Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Trust Agreement, any one or more of the following events:

(a) An event of default shall have occurred under the Sublease.

(b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Trust Agreement, other than such failure as may constitute an event of default under clause (a) of this Section 8.01, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee or to the County and the Trustee by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding; provided, however, that if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the County within such period and diligently pursued until the default is corrected, but only if such extension (i) would not materially adversely affect the interest of any Owner and (ii) does not exceed a total of 60 days.

(c) Failure by the County to perform its obligation to deposit the Base Rental with the Trustee as set forth in Section 3.1(a)(iii) of the Sublease for a period of 5 days after written notice specifying such failure has been given to the County by the Trustee.

Section 8.02. Notice of Events of Default. In the event the County is in default, the Trustee shall give notice of such default to the Owners of the Certificates. Such notice shall state that the County is in default and shall provide a brief description of such default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. The notice provided for in this Section 8.02 shall be given by mail to the Owners within 30 days of the Trustee’s knowledge of such occurrence of default.

Section 8.03. Remedies on Default. Upon the occurrence and continuance of any event of default specified in Section 8.01(a) or Section 8.01(c) of this Trust Agreement, the Trustee shall proceed, or upon the occurrence and continuance of any other event of default hereunder, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding), to exercise the remedies set forth in Section 12 of the Sublease or available to the Trustee hereunder.

Section 8.04. Collection of Base Rental Payments. The Trustee shall take any appropriate action to cause the County to pay any Base Rental payment not paid when due, upon written request and authorization by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and unpaid, and upon being satisfactorily indemnified against any expense and liability with respect thereto and receiving payment for its fees and expenses.

Section 8.05. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Trust Agreement and the Sublease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII or by law.

Section 8.06. No Additional Waiver Implied by One Waiver. In the event any provision contained in this Trust Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.07. Action by Owners. In the event the Trustee fails to take any action to eliminate an event of default under Section 12 of the Sublease or hereunder, the Owners of a majority in aggregate principal amount of Certificates then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Sublease or this Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within 90 days.

Section 8.08. Reserved.

Section 8.09. Application of Proceeds in Event of Default. All payments received by the Trustee with respect to the rental of any portion of the Leased Premises after a default by the County, and all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under Section 12 of the Sublease, after payments of all fees and expenses of the Trustee, including those of its attorneys and advisors, shall be deposited by the Trustee into the Base Rental Account in the Certificate Fund. Notwithstanding anything herein to the contrary, after a default by the County, the Trustee shall not fail to liquidate investment obligations in the Certificate Fund and the Reserve Fund and apply amounts credited to such funds to the payment of principal of and interest with respect to the Certificates when due.

ARTICLE IX LIMITATION OF LIABILITY

Section 9.01. No Liability of County for Trustee Performance. The County shall not have any obligation or liability to any other party or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust

Agreement, including the distribution by the Trustee of principal and interest to the Owners of the Certificates.

Section 9.02. No Liability of Trustee for Base Rental Payments by County.

Except as provided herein, the Trustee shall have no obligation or liability to the Owners of the Certificates with respect to the payment of the Base Rental by the County when due, or with respect to the performance by the County of any other covenant made by it in the Sublease.

Section 9.03. No Liability of County Except as Stated. Except for (i) the payment of Base Rental and Additional Rental when due in accordance with the terms of the Sublease, and (ii) the performance by the County of its obligations and duties as set forth in the Sublease, the Site Lease and in this Trust Agreement, the County shall have no obligation or liability to the Trustee or the Owners.

Section 9.04. Limited Liability of Trustee. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment quality of the Certificates, for the sufficiency or collection of any Base Rental or for the actions or representations of any other party to this Trust Agreement. The Trustee shall have no obligation or liability to any other party or to the Owners with respect to the failure or refusal of any other party to perform any covenant or agreement made by it under this Trust Agreement or the Sublease, but shall be responsible solely for the performance of the duties expressly imposed upon it hereunder. The recitals of facts, covenants and agreements contained herein and in the Certificates shall be taken as statements, covenants and agreements of the County and the Trustee assumes no responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of this Trust Agreement, the Sublease, the Assignment Agreement or the Certificates, or as to the value of or title to the Leased Premises, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations herein assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Section 9.05. Indemnification. To the extent permitted by law, the County hereby agrees to indemnify and save the Trustee, its officers, directors, agents and employees (collectively, the "**Indemnitees**") harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages suffered by it as a result thereof, where and to the extent such claim, suit or action is related to or arises from the Trustee's acceptance and performance of its duties hereunder and under the Sublease including where and to the extent such claim arises out of the actions of any other party to this Trust Agreement or the Sublease. Such indemnification shall not extend to judgments obtained against the Indemnitees and expenses of litigation in connection therewith based upon the negligence or willful default of the Indemnitees in performing and carrying out the duties specifically imposed upon and to be performed by them pursuant to this Trust Agreement. In the event the County is required to indemnify the Indemnitees as herein provided, the County shall be subrogated to the rights of the Indemnitees to recover such losses or damages from any other person or entity. Such obligation of the County shall survive the discharge of this Trust Agreement or the resignation or removal of the Trustee.

Section 9.06. Limitation of Rights. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the County, the Corporation, the Trustee and the Owners of the Certificates any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the County, the Corporation, the Trustee and such Owners.

ARTICLE X MISCELLANEOUS

Section 10.01. Defeasance. If all Outstanding Certificates executed and delivered pursuant to this Trust Agreement shall be paid and discharged in any one or more of the following ways:

- (1) by well and truly paying or causing to be paid the principal and interest with respect to all such Certificates Outstanding, as and when the same become due and payable;
- (2) by the deposit by the County with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Certificate Fund and the Reserve Fund without the need for further investment, is fully sufficient to pay all such Certificates Outstanding, including all principal, premium (if any) and interest at or before their respective maturity dates, notwithstanding that any Certificates shall not have been surrendered for payment; or
- (3) by depositing with the Trustee, in trust, lawful money or direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed by the United States of America (provided that such guaranteed obligations are eligible for AAA defeasance under then-existing criteria of S&P) which, in the opinion of Independent Counsel, are permitted under regulations issued pursuant to Section 149(b) of the Code and will not impair the tax exemption of interest with respect to the Certificates, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge all such Certificates Outstanding (including all principal, premium (if any) and interest) at or before their respective maturity dates, notwithstanding that any Certificates shall not have been surrendered for payment;

then, provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice, all obligations of the Trustee and the County under this Trust Agreement with respect to all such outstanding Certificates shall cease and terminate, except only the obligation of the Trustee under Sections 2.05, 2.06 and 2.08 hereof and the obligation to pay or cause to be paid from the amounts deposited with it to the Owners of the Certificates all sums due thereon and the obligation of the County to pay to the

Trustee the amounts owing to the Trustee under Section 5.01 hereof and the obligation of the County to disburse monies in the Excess Earnings Fund to the federal government pursuant to the Nonarbitrage Certificate. In the event such Certificates are not by their terms subject to prepayment within the next succeeding 60 days of such discharge, the County shall have given the Trustee in form satisfactory to it instructions to mail, as soon as practicable after such discharge, a notice to the Owners of such Certificates that the deposit required by subsections (2) or (3) above has been made with the Trustee and that said Certificates are deemed to have been paid in accordance with this Section 10.01 and stating such maturity or prepayment date upon which monies are expected, to be available for the payment of the principal or prepayment price, if applicable, on said Certificates (other than Certificates which have been purchased by the Trustee at the direction of the County or purchased or otherwise acquired by the County and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of prepayment referred to in the previous sentence).

Notwithstanding anything herein to the contrary, a defeasance pursuant to subsection (3) of this Section 10.01 shall not be effective until the County shall obtain (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date (the "**Verification Report**"), (ii) an escrow deposit agreement, which, among other things, shall require a new Verification Report and a new Defeasance Opinion (as defined below) at any time the securities referred to in subsection (3) of this Section 10.01 are substituted for new securities, and (iii) an opinion of Independent Counsel to the effect that the Certificates are no longer Outstanding under this Trust Agreement (the "**Defeasance Opinion**"). Each Verification Report and Defeasance Opinion shall be addressed to the County and the Trustee.

Any funds held by the Trustee relating solely to such defeased Certificates at the time of one of the events described above or following any payments to Owners described above, which are not required for payment to Owners, or for payment to be made to the Trustee by the County, shall be paid over to the County.

Section 10.02. Indemnification of the Corporation. The County agrees to indemnify, defend and hold the Corporation free and harmless from and against any and all claims, loss, liability, cost or expense (including reasonable attorneys' fees) arising from or in connection with any rights or obligations assigned by the Corporation to the Trustee pursuant to the Assignment Agreement, effective from and after the date of the execution and delivery of the Assignment Agreement, from which the Corporation has been released, as provided in the Assignment Agreement.

Section 10.03. Records. Prior to the full payment of principal and interest due with respect to the Certificates, the Trustee shall keep complete and accurate records of all monies received and disbursed under this Trust Agreement, which records shall be available for inspection by the County and by any Owner, or the agent of any of them, at any time during regular business hours.

Section 10.04. Notices. All notices, requests, demands and other communications under this Trust Agreement by any person shall be in writing (unless otherwise specified herein) and shall be sufficiently given on the date of service if served personally upon

the person to whom notice is to be given or on receipt if sent by telex or other telecommunication facility or courier or if mailed by registered or certified mail, postage prepaid, and properly addressed as follows:

(a) if to the County, to County of Riverside, County Administration Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501-3651, Attention: County Executive Officer, Telephone: (951) 955-1127, Telecopier: (951) 955-1105.

(b) if to the Trustee, to U.S. Bank National Association, Corporate Trust Services, 60 Livingston Avenue, 1st Fl – Bond Drop Window, St. Paul, Minnesota 55107, Telephone: (800) 934-6802.

(c) if to the Corporation, to the County of Riverside Asset Leasing Corporation, County Administration Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501-3651, Attention: Assistant Secretary, Telephone: (951) 955-1127, Telecopier: (951) 955-1105.

(d) if to any Certificate Owner, to the address indicated for such Certificate Owner in the Certificate Register.

Section 10.05. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 10.06. Partial Invalidity. Any provision of this Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Trust Agreement.

Section 10.07. Binding Effect; Successors. This Trust Agreement shall be binding upon and shall inure to the benefit of the parties hereto and the Owners and their respective successors and assigns. Whenever in this Trust Agreement any party is named or referred to, such reference shall be deemed to include such party's successors or assigns, and all covenants and agreements contained in this Trust Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

Section 10.08. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 10.09. Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the County of any Certificates, the Trustee may, upon the written request of the County Representative, in lieu of such cancellation and delivery, destroy such Certificates and deliver a certificate evidencing such destruction to the County.

Section 10.10. Headings. The headings or titles of the several Articles and Sections hereof, and the table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement.

Unless the context requires otherwise, all references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement effective the date first above written.

COUNTY OF RIVERSIDE

By: _____
Paul McDonnell
County Finance Director

ATTEST:

By: _____
Clerk of the Board

**COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION**

By: _____
Harold Trubo
President

ATTEST:

By: _____
Name: Dean Deines
Title: Assistant Secretary

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

By: _____
Name:
Title:

CERTIFICATE OF COUNTY CLERK-RECORDER
AND *EX OFFICIO* CLERK OF THE
BOARD OF SUPERVISORS

County of Riverside
Certificate of Clerk of the Board

On this _____ day of _____, 2009, pursuant to Section 25103 of the Government Code, the undersigned Clerk of the Board certifies that on this date, a copy of this document was delivered to the Chairman of the Board of Supervisors of the County of Riverside.

Nancy Romero
Clerk of the Board

By: _____
Deputy

EXHIBIT A

[FORM OF CERTIFICATE OF PARTICIPATION]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE TRUST AGREEMENT) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

**CERTIFICATE OF PARTICIPATION,
(2009 Larson Justice Center Refunding)**

Evidencing a Proportionate Interest of the
Owner Hereof in a Sublease, Including the Right to
Receive Base Rental Payments to be Made Thereunder by the

COUNTY OF RIVERSIDE

\$ _____

No. _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Certificate Date</u>	<u>CUSIP</u>
_____ %	December 1, 20__	Date of Delivery	

REGISTERED OWNER: *****CEDE & CO.*****

PRINCIPAL AMOUNT: _____ DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above or registered assigns, as the registered owner (the "Owner") of this Certificate of Participation (this "Certificate"), is the owner of a proportionate interest in, including the right to receive Base Rental payable under a Sublease and Option to Purchase (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the "Sublease"), by and between the County of Riverside, a political subdivision of the State of California (the "County"), as lessee, and the County of Riverside Asset Leasing Corporation, a California nonprofit public benefit corporation, as lessor (the "Corporation").

The Owner of this Certificate is entitled, subject to the terms of the Sublease and unless sooner paid in full, to receive on the maturity date identified above, the principal amount identified above, representing a portion of the Base Rental payments designated as principal coming due on or prior to such date, and to receive on each June 1 and December 1 in each year (each an "Interest Payment Date"), commencing June 1, 2010 until the maturity or earlier prepayment date, the Owner's proportionate share of the Base Rental designated as interest coming due on or prior to each of such dates. Such proportionate share of the portion of the Base Rental designated as interest is the result of the multiplication of the aforesaid portion of the Base Rental designated as principal by the interest rate specified above. Such proportionate share of the portion of the Base Rental designated as interest shall be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Interest with respect to this Certificate shall accrue from the Interest Payment Date next preceding the date of execution thereof, unless it is executed after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date or unless it is executed prior to the close of business on the first Record Date, in which event interest with respect thereto shall be payable from the date of delivery thereof; provided, however, that if, at the time of execution of this Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Amounts due hereunder in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender hereof at the principal corporate trust office or agency of U.S. Bank National Association, as trustee (the "Trustee") in St. Paul, Minnesota, (or any successors thereto), or at the office of any paying agent. Amounts representing interest are payable on each Interest Payment Date to the Owner hereof by check mailed to the Owner of this Certificate at such Owner's address as it appears on the Certificate Register as of the fifteenth day of the month preceding a month in which an Interest Payment Date occurs, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the fifteenth day of the month preceding a month in which an Interest Payment Date occurs. Payments of defaulted interest, if any, with respect to this Certificate shall be paid by check to the Owner of this Certificate as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of this Certificate not less than ten days prior thereto.

The County is authorized to enter into the Sublease pursuant to the laws of the State of California. The County has entered into the Sublease for the purpose of leasing certain real property, buildings and improvements (collectively, the "Leased Premises") in connection with the performance of the County's governmental functions. The Corporation has assigned all of its right, title and interest (other than its right to indemnification and payment or reimbursement for any costs or expenses) in and to the Sublease including the right to receive Base Rental thereunder, to the Trustee, pursuant to the Assignment Agreement, dated as of December 1, 2009 (the "Assignment Agreement"), by and between the Corporation and the Trustee.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among the County, the Corporation and the Trustee. Reference is hereby made to the Sublease, the Trust Agreement and the Assignment Agreement (copies of all of which are on file at the aforesaid office of the Trustee) for a description of the terms on which the Certificates are delivered, and the rights thereunder of the Owners of the Certificates and rights, duties and immunities of the Trustee and the rights and obligations of the County under the Sublease, to all of the provisions of which the Owner of this Certificate, by acceptance hereof, assents and agrees. Capitalized terms used herein and not defined herein shall have the meanings set forth in the Trust Agreement.

The County is required under the Sublease to pay Base Rental from any source of legally available funds. The County has covenanted in the Sublease to make the necessary annual appropriations for such purpose. Base Rental is required to be deposited with the Trustee on or before the fifteenth day of the month immediately preceding the month in which such Base Rental is due, for application by the Trustee in accordance with the Trust Agreement.

The obligation of the County to make Base Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental payments constitutes an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The County's obligation to pay Base Rental is abated under certain circumstances described in the Sublease during any period in which there is substantial interference with the use or right of possession by the County of the Leased Premises or a portion thereof. Failure of the County to pay Base Rental during any such period shall not constitute a default under the Sublease, the Assignment Agreement, the Trust Agreement or this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended in writing by the parties thereto with the written consent of the Owners of a majority in aggregate principal amount of the Certificates then outstanding. The Trust Agreement may also be modified or amended without such consent under certain circumstances, provided that the interests of the Owners of the Certificates are not adversely affected. No amendment or modification shall impair the right of any Owner to receive such Owner's proportionate share of principal and interest in accordance with the terms of such Owner's Certificate.

Registration of this Certificate is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid corporate trust office of the Trustee, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such registration of transfer, a new Certificate or Certificates, of authorized denomination or denominations, for the same aggregate principal amount, maturity and interest rate will be issued to the transferee in exchange therefor. The County and the Trustee shall treat the Owner hereof as the absolute owner of this Certificate hereof for all purposes, whether or not the principal or

interest for this Certificate shall be overdue, and shall not be affected by any notice to the contrary.

The Certificates are deliverable in denominations of \$5,000 and any integral multiple thereof. The Certificates maturing on or after December 1, 20__ are subject to optional prepayment prior to maturity, on or after December 1, 20__, at the option of the County, as a whole or in part on any date, at a prepayment price equal to the principal amount thereof, without premium, plus accrued but unpaid interest to the prepayment date.

The Certificates are subject to mandatory prepayment prior to maturity in whole or in part on the first practicable date (but in no event more than six months after the date monies are available therefor), at a prepayment price equal to the principal amount plus accrued but unpaid interest without premium, upon the occurrence of damage to, or destruction, or condemnation of, all or a portion of the Leased Premises, from the net proceeds of insurance or condemnation, or upon the completion and acquisition of the improvements as more fully described in the Trust Agreement.

The Certificates with a maturity date of December 1, 20__ are also subject to mandatory prepayment in part, by lot, prior to their maturity date on December 1, 20__ and on each December 1 thereafter, to and including December 1, 20__ from sinking fund installments of the principal amount to be prepaid, without premium, plus accrued interest to the prepayment date, in the respective principal amounts and under the terms set forth in the Trust Agreement.

The Certificates with a maturity date of December 1, 20__ are also subject to mandatory prepayment in part, by lot, prior to their maturity date on December 1, 20__ and on each December 1 thereafter, to and including December 1, 20__ from sinking fund installments of the principal amount to be prepaid, without premium, plus accrued interest to the prepayment date, in the respective amounts and under the terms set forth in the Trust Agreement.

The Certificates with a maturity date of December 1, 20__ are also subject to mandatory prepayment in part, by lot, prior to their maturity date on December 1, 20__ and on each December 1 thereafter, to and including December 1, 20__ from sinking fund installments of the principal amount to be prepaid, without premium, plus accrued interest to the prepayment date, in the respective amounts and under the terms set forth in the Trust Agreement.

Notice of any prepayment shall be given to the respective Owners of Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such notice is given. The Trustee shall give notice by mailing a copy of the prepayment notice at least 30 days but not more than 60 days prior to the prepayment date. Neither failure to receive such notice nor any defect in such notice so given shall affect the validity of the prepayment of such Certificate.

If this Certificate is called for prepayment and the principal amount of this Certificate plus premium (if any) and accrued interest due with respect hereto are duly provided as specified in the Trust Agreement, then interest shall cease to accrue with respect hereto from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Certificate Owners to make payments of principal or interest with respect to the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer, for the benefit of the Certificate Owners, the various funds and accounts established under the Trust Agreement and, to the extent provided in the Trust Agreement, to enforce the rights of the lessor under the Sublease.

This Certificate shall not be entitled to any benefit under the Trust Agreement or become valid for any purpose until it has been duly executed and delivered by the Trustee.

The County has certified, recited and declared that all things, conditions and acts required by the Constitution and laws of the State of California and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Certificate, do exist, have happened and have been performed in due time, form and manner, as required by law.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON CERTIFICATES]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Certificate and 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: _____, ____.

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

Tax I.D. # of Assignee: _____

Signature Guaranteed: _____

Note: Signature(s) must be guaranteed by an eligible guarantor Institution pursuant to Securities and Exchange Commission Rule 17A(d)15.

EXHIBIT B

FORM OF PAYMENT REQUEST

[Letterhead of County of Riverside]

PAYMENT
REQUEST NO.

U.S. Bank National Association
Trustee

Attention: Corporate Trust Services

Re: \$_____ County of Riverside Certificates of Participation,
(2009 Larson Justice Center Refunding)

Ladies and Gentlemen:

Pursuant to Section, [3.02] [3.03] of the Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among the County of Riverside (the "County"), the Riverside Asset Leasing Corporation and you, as trustee, you are hereby instructed to disburse the sum of \$_____ from the [2009 Larson Justice Center Account of the Administrative Expense Fund] [Costs of Issuance Fund] established under the Trust Agreement. You are instructed to pay such disbursement to the order of the following payee, and for the following cost(s) and/or expense(s).

Payee: _____

Cost(s) and/or expense(s) for which disbursement is requested:

Dated: _____, _____.

COUNTY OF RIVERSIDE

By: _____
[INSERT NAME]
[INSERT TITLE]

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Riverside (the "County") as of December 1, 2009 in connection with the execution and delivery of the County of Riverside Certificates of Participation 2009 Series A (Larson Justice Center Refunding Project) (the "Certificates of Participation"). [The Certificates of Participation are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2009 (the "Indenture"), by and among the County, the County of Riverside Asset Leasing Corporation (the "Corporation") and [____], as trustee (the "Trustee").] The Certificates of Participation are also being executed and delivered pursuant to a Resolution of the Board of Supervisors of the County adopted on [____], 2009 (the "Resolution"). The County hereby covenants and agrees as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners (as defined below) of the Certificates of Participation and in order to assist the Participating Underwriters (as defined below, in complying with the Rule (as defined below).

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

"Annual Report" means any Annual Report of the County provided by the County pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates of Participation (including persons holding Certificates of Participation through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates of Participation for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"Listed Event" means any of the events listed in Section 5(a) of this Certificate.

"MSRB" means the Municipal Securities Rulemaking Board and any successors or assigns, or any other entities or agencies approved under the Rule.

"Participating Underwriters" means any of the original purchasers of the Certificates of Participation required to comply with the Rule in connection with the offering of the Certificates of Participation.

"Repository" means, until otherwise designated by the Commission, the Electronic Municipal Market Access website of the MSRB located at <http://emma.msrb.org>.

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the report for the County’s Fiscal Year ended June 30, 2009, provide to the Repository, in such format accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, copies of an Annual Report of the County, which is consistent with the requirements of Section 4 of this Certificate. Each 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 Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if it is not available by that date. The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the County. If the County’s Fiscal Year changes, the County shall give notice of such change in the same manner as for a Listed Event under Subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in Subsection (a) above for providing an Annual Report to the Repository, the County shall provide such Annual Report to the Dissemination Agent (if one has been appointed) and to the Trustee (if the Trustee is not the Dissemination Agent). If the County is unable to provide to the Repository such Annual Report by the date specified in Subsection (a) above, the County shall send a notice to the MSRB in substantially the form of Exhibit A to this Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

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

(ii) if the Annual Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided.

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

(a) The audited financial statements of the County for the Fiscal Year most recently ended, 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 and reporting standards as set forth by the State Controller

in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Certificates of Participation, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates of Participation, 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 status of the Certificates of Participation;
- (vii) modifications to the rights of Owners of the Certificates of Participation;
- (viii) bond calls other than mandatory sinking fund redemptions;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Certificates of Participation; and
- (xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the MSRB and the Repository. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Certificates pursuant to the Trust Agreement.

(d) The Trustee, if not the Dissemination Agent, shall, within 10 Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events (with

no obligation to determine the materiality thereof), contact the County, inform such person of the event, and request that the County promptly notify the Dissemination Agent, or if there is no Dissemination Agent, the Trustee, in writing whether or not to report the event pursuant to paragraph (b). For the purpose of this Certificate "actual knowledge" means actual knowledge at the principal corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Trust Agreement.

Section 6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates of Participation or upon delivery to the County and to the Dissemination Agent (if any) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Certificates of Participation, the County shall give notice of such termination in the same manner as for a Listed Event under Subsection 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 60 days' written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

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

(a) If the amendment or waiver relates to the provisions of Subsection 3(a), Section 4, or Subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Certificates of Participation, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates of Participation, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Certificates of Participation in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners of the Certificates of Participation, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Certificates of Participation.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this 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 Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Certificate, the County shall have an obligation under this Certificate 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 County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Certificates of Participation may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Trust Agreement with respect to the Certificates of Participation, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate and the County agrees, to the extent permitted by law, 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 obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates of Participation.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial

Owners from time to time of the Certificates of Participation, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 14. Filing With Central Post Office. Any filing under this Certificate may alternatively be made by transmitting such filing to the Texas Municipal Advisory Council as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council dated September 7, 2004, or to the Municipal Securities Rulemaking Board's Electronic Municipal Markets Access system, once such system becomes operational.

Section 15. Notices. Any notice required to be delivered to a party under this Certificate shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, as set forth below, or such other addresses as may have been filed in writing with the Dissemination Agent.

to the Trustee:

[_____]
[_____]
[_____]

Attention: [_____]

to the County:

County of Riverside
County Administration Center
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3651
Attention: County Executive Officer

Section 16. Counterparts. This Certificate may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the County and the Dissemination Agent (if any) shall preserve undestroyed, shall together constitute but one and the same instrument.

COUNTY OF RIVERSIDE

By _____
Authorized Officer

[Signature Page for Continuing Disclosure Certificate]

EXHIBIT A

**FORM OF NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: County of Riverside, California

Name of Bond Issue: \$[] County of Riverside Certificates of Participation,
2009 Series A (Larson Justice Center Refunding Project)

Issuance Date: [December __, 2009]

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Annual Report with respect to the above-named Certificates of Participation as required by Section 3 of the Continuing Disclosure Certificate, dated as of December 1, 2009, executed and delivered by the County. [The County anticipates that the Annual Report will be filed by _____].

Dated: _____

COUNTY OF RIVERSIDE

By _____
Authorized Officer

§ _____
COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
2009 Series^Δ (Larson Justice Center Refunding)

PURCHASE CONTRACT

November __, 2009

Board of Supervisors
County of Riverside
County Administrative Center
4080 Lemon Street, 4th Floor
Riverside, California 92501

Ladies and Gentlemen:

Wedbush Securities Inc. (the "Underwriter"), acting on behalf of itself and not as an agent or representative of you, offers to enter into this Purchase Contract with you, the County of Riverside, California (the "County"), for the purchase by the Underwriter of \$_____ aggregate principal amount of the County of Riverside Certificates of Participation, 2009 Series ^Δ(Larson Justice Center Refunding) (the "Certificates"). Proceeds from the sale of the Certificates will be used to (i) currently refund and redeem all of the outstanding County of Riverside Certificates of Participation (1998 Larson Justice Center Refunding Project) (the "Refunded Certificates"), (ii) fund a reserve fund for the Certificates and (iii) pay certain costs of issuance incurred in connection with the Certificates.

This offer is made subject to written acceptance by the County at or prior to 2:00 p.m., Pacific Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the County at any time prior to the acceptance hereof by the County. Upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the County and the Underwriter.

1. Purchase and Sale. Upon the terms and conditions and in reliance on the representations, warranties and agreements herein set forth and in the Letter of Representations of the Corporation attached hereto as Exhibit A (the "Corporation Letter of Representations"), the Underwriter hereby agrees to purchase, and the County hereby agrees to direct the Trustee (as defined below) to execute and deliver to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the Certificates at the purchase price (the "Purchase Price") of \$_____ (representing the principal amount of the Certificates, [plus a net original issue premium] [less a net original issue discount] of \$_____, and less an Underwriter's discount of \$_____).

The Certificates shall be dated their date of delivery and shall mature on the dates and represent interest at the rates and have the prices or yields, all as set forth on Exhibit B attached hereto. Interest represented by the Certificates is payable on ^ΔJune 1 and ^ΔDecember 1 of each year, commencing on ^ΔJune 1, 2010. The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The

Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only.

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among the County, the County of Riverside Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). To effect the refunding of the Refunded Certificates, the County will lease certain real property, buildings and improvements, as more particularly described therein (the "Leased Premises"), to the Corporation pursuant to a Site and Facilities Lease, dated as of December 1, 2009 (the "Site Lease"), by and between the County and the Corporation. The County will sublease the Leased Premises from the Corporation pursuant to a Sublease and Option to Purchase, dated as of December 1, 2009 (the "Sublease"), by and between the County and the Corporation. The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive base rental payments (the "Base Rental") to be made by the County under the Sublease. Pursuant to an Assignment Agreement, dated as of December 1, 2009 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, all of its rights under the Sublease, including its right to receive Base Rental due under the Sublease.

The Trust Agreement, the Sublease, the Site Lease, the Assignment Agreement, the Continuing Disclosure Certificate dated as of December 1, 2009 (the "Continuing Disclosure Certificate")^Δ of the County^Δ, this Purchase Contract and the Corporation Letter of Representations are referred to collectively herein as the "Legal Documents." Capitalized terms not otherwise defined herein shall have the meanings as defined in the Trust Agreement and the Sublease.

2. Delivery of the Official Statement and Other Documents.

(a) Within seven (7) Business Days hereof (but not later than three (3) Business Days prior to the delivery of the Certificates), the County, on behalf of itself and as agent for the Corporation, hereby agrees to deliver to the Underwriter, at such addresses as the Underwriter shall have specified, as many copies of the Official Statement dated November __, 2009, relating to the Certificates (as supplemented and amended from time to time, the "Official Statement"), as the Underwriter shall reasonably request as necessary to comply all applicable rules of the Municipal Securities Rulemaking Board.

(b) The County has previously authorized the approval of the Official Statement by execution thereof by a duly authorized officer of the County.

(c) Pursuant to the authorization of the County, the Underwriter has distributed copies of the Preliminary Official Statement dated November __, 2009, relating to the Certificates, which, together with the cover page and appendices thereto, is herein called the "Preliminary Official Statement." The Preliminary Official Statement was deemed final by the County as of its date, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12 of the Securities and Exchange Commissions ("Rule 15c2-12). By its acceptance of this proposal, the County hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement.

(d) The County undertakes that for a period up to the earlier of (x) 25 days following the "end of the underwriting period" (as defined below), or (y) 90 days after the date of

delivery of the Certificates it will (i) apprise the Underwriter of all material developments, if any, occurring with respect to the County after delivery of the Certificates to the Underwriter and (ii), if requested by the Underwriter, prepare a supplement to the Official Statement in respect of any material event so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The County will presume that, unless notified otherwise in writing by the Underwriter, the end of the underwriting period will occur on the date of delivery of the Certificates.

3. The Closing. At 8:00 a.m., Pacific Time, on December 1, 2009, or at such other time or on such earlier or later date as the County and the Underwriter mutually agree upon, the County and the Trustee will deliver or cause to be delivered to the Underwriter the Certificates in book-entry form through the facilities of DTC duly executed and the other documents hereinafter mentioned shall be delivered at the offices of Nixon Peabody LLP in Los Angeles, California or at such other location as shall have been mutually agreed upon by the County and the Underwriter. Subject to the terms and conditions hereof, the Underwriter will accept delivery of the Certificates and pay the purchase price thereof by federal funds to the order of the Trustee in an amount equal to the Purchase Price as set forth in Section 1 hereof (such delivery of and payment for the Certificates is herein called the "Closing").

4. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Certificates at the public offering prices (or yields) set forth in the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Certificates, provided that the Underwriter shall not change the interest rates set forth in Exhibit B hereto. The Certificates may be offered and sold to certain dealers at prices lower (or at yields higher) than such initial public offering prices (or yields). The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Certificates at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time. The County hereby authorizes the Underwriter to use the forms or copies of the Legal Documents and the Official Statement and the information contained therein in connection with the public offering and sale of the Certificates.

5. County Representations, Warranties and Agreements. The County represents, warrants and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) Due Organization and Corporation; Legal, Valid and Binding Obligations. The County is a political subdivision of the State of California duly organized and operating pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt the resolution of the County relating to the Certificates (the "County Resolution") and enter into and perform its duties under the Legal Documents to which the County is a party, the County Resolution has been adopted and has not been rescinded, and the Legal Documents to which the County is a party, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the County enforceable against the County in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(b) No Conflict. The adoption of the County Resolution and the execution and delivery of the Legal Documents to which the County is a party, and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the County's duties under the Legal Documents to which the County is a party, the County Resolution or any law, administrative regulation, court decree, resolution, by-laws or other agreement to which the County is subject or by which it or any of its property is bound.

(c) No Consents Required. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approvals heretofore received which are in full force and effect, or which will be obtained in due course, or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the County, other than the approval and authorization of the Board of Supervisors of the County (the "Board of Supervisors"), required for the adoption of the County Resolution and execution and delivery of the Legal Documents to which the County is a party or the consummation by the County of the other transactions contemplated by the Official Statement, the County Resolution or the Legal Documents to which the County is a party, including this Purchase Contract.

(d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or to the knowledge of the County, threatened against the County to restrain or enjoin the delivery of the Certificates or the payments to be made pursuant to the Sublease, or in any way contesting or affecting the validity of the Legal Documents to which the County is a party, the County Resolution or the Certificates, or contesting the powers of the County to enter into or perform its obligations under any of the foregoing.

(e) Official Statement Correct and Complete. The information (excluding the statements and information in Appendix D – "Book-Entry Only System") contained in the Official Statement is as of the date hereof and will be as of the date of the Closing true and correct in all material respects and such information does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Blue Sky Cooperation. The County agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the County shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(g) Due Approval of Official Statement Distribution. By official action of the County prior to or concurrently with the execution hereof, the County has duly approved the distribution of the Official Statement, has duly adopted the County Resolution and has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the Legal Documents to which the County is a party and the consummation by it of all other transactions contemplated by the Official Statement, the County Resolution and the Legal Documents to which the County is a party, including this Purchase Contract.

(h) No Breach or Default. Except as described in the Official Statement, the County is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject which breach or default would have a material and adverse impact on the County's ability to perform its obligations under the Legal Documents to which the County is a party, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) Agreement to Notify Underwriter Regarding Official Statement. The County will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Underwriter. The County will advise the Underwriter promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(j) Agreement to Amend Official Statement. If at any time from the date hereof to and including twenty-five (25) days after the end of the underwriting period in the reasonable opinion of the Underwriter, the Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County will prepare an amendment or supplement to the Official Statement; provided that all expenses thereby incurred (including printing expenses) will be paid for by the County.

(k) Amendments to Official Statement Correct and Complete. If the information 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 date twenty-five (25) days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will be true and correct in all material respects and such information will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading. If at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 2(c) hereof that the Official Statement is no longer required to be delivered; and (ii) twenty-five (25) days after the end of the underwriting period, any event occurs with respect to the County as a result of which the Official Statement as then amended or supplemented might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriter in writing of such event. Any information supplied by the County for inclusion in any amendment or supplement to the Official Statement will not contain any untrue or misleading statement of a material fact relating to the County or omit to state any material fact relating to the County necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning statements and information in Appendix D – "Book-Entry Only System".

(l) No Default. The County covenants that it is not, and has not been at any time, in default as to principal or interest with respect to any obligation issued, incurred or guaranteed by it.

(m) Agreement to Preserve Tax Exemption. The County covenants that it will not take any action which would cause interest with respect to the Certificates to be subject to federal income taxation or California personal income taxes (other than to the extent the Certificates will be subject to federal income taxation as described under the caption "Tax Matters" in the Official Statement).

(n) County Financial Statements. The financial statements of, and other financial information regarding the County in the Official Statement fairly present the financial position and results of the operations of the County as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied.

(o) Continuing Disclosure. The County is currently in compliance in all material respects with all continuing disclosure undertakings that it has entered into pursuant to Rule 15c2-12. The County will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth as Appendix A to the Official Statement.

6. Letter of Representations. The Underwriter's obligations under this Purchase Contract are and shall be subject to the receipt of the Corporation Letter of Representations executed by the Corporation in substantially the form attached as Exhibit A.

7. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the County contained herein and of the Corporation contained in its Letter of Representations, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, the performance by the County of its obligations hereunder, the performance by the Corporation of its obligations contained in its Letter of Representations, and the opinions of Nixon Peabody LLP in Los Angeles, California (such firm herein referred to as "Special Counsel"), counsel to the Trustee, counsel to the County, counsel to the Corporation and counsel to the Underwriter, and the negative assurance letter from disclosure counsel for the County^Δ described hereafter. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Certificates shall be conditioned upon and subject to (i) the performance by the County and the Trustee of their obligations to be performed hereunder and under such documents and instruments as shall reasonably be requested by the Underwriter or counsel to the Underwriter at or prior to the Closing, (ii) the execution and delivery on the date hereof by the Corporation of the Corporation Letter of Representations and the performance by the Corporation of its obligations thereunder at and prior to the Closing, (iii) the accuracy in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the County herein and of the Corporation in the Corporation Letter of Representations as of the date hereof and as of the time of the Closing, and (iv) shall also be subject to the following additional conditions:

(a) Bring-down of Representations. The representations, warranties and agreements of the County contained herein and the Corporation contained in the Corporation Letter

of Representations shall be true, complete and correct on the date hereof and on and as of the date of the Closing.

(b) Authorization, Execution and Delivery of Documents. At the time of the Closing, the Legal Documents, the Certificates and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto and the County Resolution and the resolution of the Corporation (the "Corporation Resolution"), shall have been duly adopted, in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and each shall be in full force and effect.

(c) No Amendment of Official Statement. At the time of the Closing, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter.

(d) No Material Adverse Change. At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the operations of the County, from that set forth in the Official Statement that makes it, in the reasonable judgment of the Underwriter, impracticable to market the Certificates on the terms and in the manner contemplated by the Official Statement.

(e) Marketability Adversely Affected. In the judgment of the Underwriter, between the date hereof and the Closing, the marketability of the Certificates at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected by reason of any of the following:

(1) Legislation, Judicial Decisions or Rulings. An amendment to the Constitution of the United States or the constitution of the State of California shall have been passed or legislation enacted, introduced in the Congress or in the legislature of the State of California or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) Regarding Federal Tax Exemption – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon payments of the general character of the Base Rental as would be received by the Trustee or upon such interest as would be received by the Owners of the Certificates; or

(ii) Regarding State Tax Exemption – by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon payments of the general character of the Base Rental as would be received by the Trustee or upon such interest as would be received by the Owners of the Certificates; or

(iii) Regarding Federal or State Tax Rates – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State of California income tax rates, respectively; or

(iv) Regarding Securities Registration Exemption – by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter, to the effect that obligations of the general character of the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”);

(2) War. There shall have occurred after the date of this Purchase Contract any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable sole judgment of the Underwriter, impracticable or inadvisable to proceed with the offering or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(3) Banking Moratorium. The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) Securities Exchange Restrictions. Trading generally shall have been suspended by the U.S. Securities and Exchange Commission or suspended or materially limited on or by the New York Stock Exchange or other national securities exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) Regarding Federal Securities Laws. An order, decree or injunction of any court of competent jurisdiction, or filing, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of any federal securities law as amended and then in effect;

(6) Official Statement Untrue or Incomplete. Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits 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;

(7) Certain Amendments to the Official Statement. An event described in Paragraph 5(j) hereof occurs prior to the Closing which, in the reasonable judgment of the Underwriter, requires or has required a supplement or amendment to the Official Statement;

(8) Suspension of Trading of Securities of the County. The trading of any publicly-issued general fund securities of the County shall have been suspended on any exchange or in any over-the-counter market; or

(9) Action by Rating Agencies. Any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal, of any rating by Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") or Fitch Ratings ("Fitch") of any obligations of the County (excluding obligations for which the County acts merely as a conduit issuer), including the Certificates.

(10) Litigation. The commencement of any action, suit or proceeding involving the County, the Corporation or the Trustee which, in the sole judgment of the Underwriter, materially adversely affects the market price of the Certificates; or

(11) Other Material Adverse Events. There occurs any other event which, in the sole judgment of the Underwriter, materially adversely affects the marketability of the Certificates.

(f) On or prior to the date of Closing, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter and counsel to the Underwriter:

(1) Opinion of Special Counsel. The approving opinion of Special Counsel in substantially the form included as Appendix ^ΔE to the Official Statement, dated the date of Closing, addressed to the County and the Underwriter (or a reliance letter to the Underwriter);

(2) Supplementary Opinion of Special Counsel. A supplementary opinion of Special Counsel in form and substance satisfactory to the Underwriter dated the date of Closing, addressed to the County and the Underwriter to the effect that:

(i) Specified Sections of the Official Statement Correct and Complete – the statements contained in the Official Statement under the captions ["The ^ΔCertificates" "Security and Sources of Payment for the ^ΔCertificates" (except for any information relating to DTC and its book-entry system)^Δ, Appendix E – Form of Opinion of Special Counsel, "Tax Matters"] and in [Appendix C – "Summary of the Principal Legal Documents"] insofar as such statements expressly summarize certain provisions of the Trust Agreement, the Sublease, the Site Lease, the Assignment Agreement and the opinion of such counsel concerning certain

federal tax matters relating to the Certificates, are accurate in all material respects;

(ii) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – this Purchase Contract has been duly executed and delivered by the County and (assuming due authorization, execution and delivery by and validity against the other parties thereto) is a legal, valid and binding obligation of the County enforceable against the County in accordance with its respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and that the enforceability of this Purchase Contract is subject to the effect of general principles of equity including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; and

(iii) Securities Registration Exemption – the Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act;

(3) Defeasance Opinion of Special Counsel. A defeasance opinion of Special Counsel with respect to the Refunded Certificates in form and substance satisfactory to the Underwriter, dated the date of Closing, addressed to the County, the Underwriter and the Trustee.

(4) Opinion of County Counsel. An opinion of Counsel to the County, dated the date of Closing, in form and substance satisfactory to the Underwriter, addressed to the County, the Trustee and the Underwriter, to the effect that:

(i) Due Organization and Existence – the County is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) Due Adoption – the County Resolution approving and authorizing the execution and delivery of the Legal Documents to which the County is a party and approving the Official Statement was duly adopted at a meeting of the Board of Supervisors which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) No Litigation – except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the County, which would materially and adversely impact the County's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under the Sublease or in any way contesting or affecting the validity of the Legal

Documents to which the County is a party, the County Resolution or the Certificates or the transactions relating to the Leased Premises as described and defined in the Official Statement;

(iv) No Conflict – the execution and delivery of the Legal Documents to which the County is a party, the adoption of the County Resolution and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Legal Documents to which the County is a party have been duly authorized, executed and delivered by the County, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California;

(vi) No Consents Required – Official Statement, Legal Documents – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the Board of Supervisors, is required for the valid authorization, execution and delivery of the Legal Documents to which the County is a party and the approval of the Official Statement; and

(vii) Official Statement – based upon examinations which he has made and his discussions in conferences with certain officials of the County and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to his attention which would lead him to believe that the Official Statement (other than financial and statistical data therein and incorporated therein by reference and DTC and its book-entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) Opinion of Counsel to the Corporation. An opinion of counsel to the Corporation (which may be counsel to the County), dated the date of Closing, in form and

substance satisfactory to the Underwriter, addressed to the County, the Trustee and the Underwriter, to the effect that:

(i) Due Organization and Existence – the Corporation is a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California;

(ii) Full Power and Authority of the Corporation – the Corporation has full legal power and adequate authority to adopt the Corporation Resolution, to enter into the Legal Documents to which the Corporation is a party, and to own or lease its properties and to carry on its business as now conducted and as contemplated by the Legal Documents, and the Official Statement;

(iii) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Corporation Resolution has been duly adopted by the Corporation and the Legal Documents to which the Corporation is a party have been duly authorized by all necessary official action on the part of the Corporation, have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(iv) Description of the Corporation in the Official Statement Correct and Complete – the description of the Corporation in the Official Statement is correct and does not omit any statement which should be included or referred to therein in order to make such description not misleading in any material respect;

(v) No Litigation – there are no legal or governmental proceedings pending or threatened against the Corporation which are required to be disclosed in the Official Statement, other than those disclosed therein; and

(vi) No Conflict – the execution and delivery of the Legal Documents to which the Corporation is a party, and the adoption of the Corporation Resolution, by the Corporation and performance by the Corporation of its obligations thereunder will not conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Corporation is a party or constitute a default thereunder and all consents, approvals, authorizations and orders of a governmental or regulatory authority, if any, which are required to be obtained by the Corporation for the consummation of the transactions contemplated by the Official Statement or as conditions precedent to the execution and delivery of the Certificates have been obtained (provided no

opinion need be expressed as to any action required under state securities or blue sky laws in connection with the purchase or distribution of the Certificates by the Underwriter);

(6) Opinions of Trustee's Counsel. The opinion of counsel to the Trustee, dated the date of Closing, addressed to the County, the Corporation and the Underwriter, to the effect that:

(i) Due Organization and Existence – the Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America with full corporate power and authority to enter into and perform its duties under the Trust Agreement and to execute and deliver the Certificates to the Underwriter pursuant to the terms of the Trust Agreement;

(ii) Corporate Action – the Trustee has duly authorized, executed and delivered the Certificates and the Legal Documents to which the Trustee is a party, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trust Agreement and the Assignment Agreement, and to authorize in its capacity as Trustee the execution and delivery of the Certificates; and

(iii) Due Authorization, Execution and Delivery – assuming due authorization, execution and delivery by the other parties to the Legal Documents, the Legal Documents to which the Trustee is a party are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their 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);

(7) ΔNegative Assurance of County Disclosure Counsel. The Δnegative assurance letter, dated the date of Closing, in form and substance satisfactory to the Underwriter, addressed to the Underwriter, the County and the Corporation, of Kutak Rock LLP, disclosure counsel for the County ("Disclosure Counsel") to the effect that without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and making no representation that they have independently verified the accuracy, completeness or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Official Statement as Disclosure Counsel, nothing has come to their attention which would lead them to believe that the Official Statement as of its date and as of the Closing Date (excluding therefrom any information in the Official Statement relating to DTC or the operation of the book-entry system, or any other financial or statistical data included in the Official Statement, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits 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 in any material respect.

(8) Opinion of Underwriter's Counsel. The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, counsel for the Underwriter, dated the date of Closing and addressed to the Underwriter, satisfactory in form and substance to the Underwriter;

(9) County No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the County satisfactory in form and substance to the Underwriter, to the effect that, no action, suit or proceeding is pending or to the best of his or her knowledge, threatened against the County (a) to restrain or enjoin the execution or delivery of any of the Certificates or the Legal Documents to which the County is a party, the County's obligations under the County Resolution or the payment of Base Rental and Additional Rental under the Sublease, (b) in any way contesting or affecting the validity of the Certificates, the Legal Documents to which the County is a party, the County Resolution or the authority of the County to enter into the Legal Documents to which the County is a party, or (c) in any way contesting or affecting the powers of the County in connection with any action contemplated by the Official Statement, the County Resolution or this Purchase Contract;

(10) Corporation No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the Corporation satisfactory in form and substance to the Underwriter, to the effect that, no action, suit or proceeding is pending or to the best of his or her knowledge threatened against the Corporation (a) to restrain or enjoin the execution or delivery of any of the Certificates or the Legal Documents to which the Corporation is a party, the Corporation obligations under the Corporation Resolution or the payment of Base Rental and Additional Rental under the Sublease, (b) in any way contesting or affecting the validity of the Certificates, the Legal Documents to which the Corporation is a party, the Corporation Resolution or the authority of the Corporation to enter into the Legal Documents to which the Corporation is a party, (c) in any way contesting or affecting the powers of the Corporation in connection with any action contemplated by the Official Statement, the Corporation Resolution or this Purchase Contract, or (d) in any way materially affecting the ability of the Corporation to lease the Leased Premises to the County pursuant to the Sublease;

(11) Legal Documents. Two copies of certified transcripts of the record of proceedings relating to the Certificates;

(12) Official Statement. Two (2) copies of the Official Statement;

(13) Trustee's Resolutions. Two (2) certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Certificates and the Trust Agreement;

(14) Trustee's Representations, Warranties and Agreements. At the time of and as a condition to Closing, the Trustee, subject to the limitations provided herein, will represent, warrant to and agree with the County and the Underwriter pursuant to a certificate, dated the date of Closing, that as of the date of Closing:

(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 of America with the full power and authority to enter into and perform its duties under the Legal Documents to which the Trustee is a party and to execute and deliver the Certificates to the Underwriter pursuant to the terms of the Trust Agreement;

(ii) Due Authorization; Valid and Binding Obligations – the Trustee is duly authorized to enter into the Legal Documents to which it is a party;

(iii) No Conflict – the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party, 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, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the legal Documents to which the Trustee is a party or (except with respect to the lien of the Trust Agreement) 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;

(iv) Consents – exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filing, to the best of the Trustee's knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party or the execution and delivery of the Certificates; and

(v) No Litigation – to the best of the Trustee's knowledge, there is no litigation pending 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 Certificates, the Trust Agreement, and the Assignment Agreement;

(15) County Resolution(s). Copies of resolution(s) adopted by the County and certified by the Clerk of the Board of Supervisors authorizing the execution and delivery of the Legal Documents to which the County is a party;

(16) Corporation Resolution(s). Copies of resolution(s) adopted by the Board of Directors of the Corporation and certified by the Secretary, Treasurer or Assistant

Secretary of the Corporation, authorizing the execution and delivery of the Legal Documents to which the Corporation is a party;

(17) Articles and Bylaws of the Corporation. Certified copies of each of the Articles of Incorporation and Bylaws of the Corporation;

(18) Good Standing Certificate of the Corporation. Good standing certificates of the Corporation issued by the Secretary of State of the State of California and the Franchise Tax Board of the State of California;

(19) County Bring-Down Certificate. A certificate of an authorized officer of the County, dated the date of Closing, confirming as of such date the representations and warranties of the County contained in this Purchase Contract;

(20) Corporation Bring-Down Certificate. A certificate of an authorized officer of the Corporation, dated the date of Closing, confirming as of such date the representations and warranties of the Corporation contained in its Letter of Representations;

(21) Tax and Nonarbitrage Certificate. Tax and nonarbitrage certification by the County in form and substance acceptable to Special Counsel;

(22) Ratings. (i) Evidence from Moody's, S&P and Fitch that the Certificates have been rated "A2," "AA-" and "AA-," respectively, for the Certificates;

(23) Title Insurance. Evidence of the existence and validity of a policy or policies of Title Insurance with respect to the Leased Premises;

(24) Risk Management. Certificate by the County's official responsible for risk management that the requisite level of "all risk," boiler and machinery coverage, and rental interruption insurance has been secured and maintained pursuant to the Sublease and as set forth in the Official Statement under the caption ["Security and Sources of Payment of the Certificates – Insurance";]

(25) CDIAC Notices. Evidence of required filings with the California Debt and Investment Advisory Commission; and

(26) Miscellaneous. Such additional legal opinions, certificates, proceedings, instruments and other documents as Special Counsel and counsel for the Underwriter may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein, in the Official Statement and in the Corporation Letter of Representations and the due performance or satisfaction by the Trustee, the Corporation and the County at or prior to such time of all agreements then to be performed and all conditions then to be satisfied;

(g) All matters relating to this Purchase Contract, the Certificates and the sale thereof, the Official Statement, the Legal Documents and the consummation of the transactions contemplated by this Purchase Contract shall have been approved by the Underwriter and counsel for the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Contract are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the County shall have any further obligations hereunder except that the respective obligations of the County and the Underwriter set forth in Paragraph 8 hereof (relating to expenses) and Paragraph 8 hereof shall continue in full force and effect.

8. Expenses. The County shall pay or cause to be paid from the proceeds of the Certificates or other funds available to it the expenses incident to the performance of its obligations hereunder, including but not limited to: (a) the cost of printing and distribution of the Official Statement in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby, including distribution costs and all mailing, including overnight and express delivery, costs; (b) the fees and disbursements of the Trustee in connection with the execution and delivery of the Certificates; (c) the fees and disbursements of Special Counsel, Disclosure Counsel, financial advisor and any other experts or consultants retained by the County or the Corporation in connection with the transactions contemplated hereby; (d) the costs related to obtaining ratings; (e) the cost of mailing or delivering the definitive Certificates; (f) the Underwriter's disbursements for telephone conference calls and out-of-state travel and lodging undertaken at the request of the County; and (g) any expenses incurred on behalf of the County's employees which are incidental to implementing this Purchase Contract, including, but not limited to meals, transportation, lodging and entertainment of those employees.

The Underwriter shall pay: (a) all advertising expenses in connection with the public offering of the Certificates; (b) the fees and expenses of counsel to the Underwriter, including their fees in connection with the qualification of the Certificates for sale under the Blue Sky or other securities laws and regulations of various jurisdictions; (c) California Debt and Investment Advisory Commission fees; and (d) all other expenses incurred by it in connection with its public offering and distribution of the Certificates.

9. Notices.

(a) Trustee. Any notice or other communication to be given to the Trustee under this Purchase Contract may be given by delivering the same in writing to U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Department.

(b) Underwriter. Any such notice or other communication to be given to the Underwriter may be given by delivering the same to Wedbush Securities Inc., One Bush Street, Suite 1700, San Francisco, California 94101, Attention: Robert Larkins.

(c) County. Any notice or communication to be given the County under this Purchase Contract may be given by delivering the same to the County of Riverside, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501, Attention: Finance Director.

All notices or communications hereunder by any party shall be given and served upon each other party.

10. Parties in Interest; Force and Effect. This Purchase Contract is made solely for the benefit of the County and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

All representations, warranties and agreements of the County, the Corporation or the Trustee pursuant to this Purchase Contract or the Corporation Letter of Representations as the case may be, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter; (ii) delivery of and payment for the Certificates pursuant to this Purchase Contract; or (iii) termination of this Purchase Contract but only to the extent provided by the last paragraph of Paragraph 7 hereof, regarding preconditions of Closing.

11. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

12. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

13. Entire Agreement. This Purchase Contract when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the County and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

14. Headings. The headings of the paragraphs of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

15. Unenforceable Provisions. If any provision of this Purchase Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Contract invalid, inoperative or unenforceable to any extent whatsoever.

16. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authorized Officer (as defined in the County Resolution) or his or her designee and shall be valid and enforceable at the time of such acceptance and acknowledgment.

WEDBUSH SECURITIES INC.,

By: _____
Managing Director

Accepted:

COUNTY OF RIVERSIDE

By: _____
Authorized Officer

EXHIBIT A

LETTER OF REPRESENTATIONS OF THE COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

November __, 2009

Wedbush Securities Inc.
One Bush Street, Suite 1700
San Francisco, California 94104

Ladies and Gentlemen:

The County of Riverside (the "County") proposes to cause the execution and delivery of \$_____ aggregate principal amount of the County of Riverside Certificates of Participation, 2009 Series^Δ (Larson Justice Center Refunding) (the "Certificates").

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among the County, the County of Riverside Asset Leasing Corporation (the "Corporation") and ΔU.S. Bank National Association, as trustee (the "Trustee"). In connection with the execution and delivery of the Certificates, the County will lease certain real property, buildings and improvements, as more particularly described therein (the "Leased Premises"), to the Corporation pursuant to a Site and Facilities Lease, dated as of December 1, 2009 (the "Site Lease"), by and between the County and the Corporation. The County will sublease the Leased Premises from the Corporation pursuant to a Sublease and Option to Purchase, dated as of December 1, 2009 (the "Sublease"), by and between the County and the Corporation. The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive base rental payments (the "Base Rental") to be made by the County under the Sublease. Pursuant to an Assignment Agreement, dated as of December 1, 2009 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, all of its rights under the Sublease, including its right to receive Base Rental due under the Sublease.

The execution and delivery of the Trust Agreement, the Sublease, the Site Lease, the Assignment Agreement, the Continuing Disclosure Certificate, dated as of December 1, 2009, by and between the County and the Trustee, and the Certificates have been authorized by a resolution of the County (the "County Resolution") and a resolution of the Corporation (the "Corporation Resolution"), as applicable, and the Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement. The Certificates shall be payable and shall be subject to prepayment as provided in the Trust Agreement. The Trust Agreement, the Sublease, the Assignment Agreement, the Purchase Contract (defined below) and this Letter of Representations of the Corporation (the "Corporation Letter of Representations") are referred to collectively herein as the "Legal Documents." Capitalized terms not otherwise defined herein shall have the meanings as defined in the Trust Agreement, the Sublease and the Purchase Contract.

The Certificates are to be sold by the County pursuant to the Purchase Contract, dated November __, 2009 (the "Purchase Contract"), by and between the County and Wedbush Securities Inc. (the "Underwriter").

This Letter of Representations may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

To facilitate your entering into the Purchase Contract and to induce you to purchase the Certificates as contemplated therein, the Corporation hereby represents, warrants and agrees with you as follows:

- (a) Due Organization and Corporation; Legal, Valid and Binding Obligations. The Corporation is a nonprofit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California and has all necessary power and authority to adopt the Corporation Resolution and enter into and perform its duties under the Legal Documents to which the Corporation is a party, the Corporation Resolution has been adopted and has not been rescinded, and the Legal Documents to which the Corporation is a party, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the Corporation enforceable in accordance with their respective terms except as enforcement against the Corporation may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.
- (b) No Conflict. The adoption of the Corporation Resolution and the execution and delivery of the Legal Documents to which the Corporation is a party and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the Corporation's duties under the Legal Documents to which the Corporation is a party, the Corporation Resolution or any law, administrative regulation, court decree, resolution, charter, by-laws or other agreement to which the Corporation is subject or by which it or any of its property is bound.
- (c) No Consents Required. Except as may be required under blue sky or other securities laws of any state, or except with respect to any permits or approvals heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the Corporation, required for the adoption of the Corporation Resolution and the execution, delivery and sale of the Certificates or the consummation by the Corporation of the other transactions contemplated by the Official Statement, the Corporation Resolution or the Legal Documents to which the Corporation is a party.
- (d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or to the knowledge of the Corporation, threatened against the Corporation to restrain or enjoin the delivery of the Certificates, or the assignment of the payments to be made pursuant to the Sublease or in any way contesting or affecting the validity of the Legal Documents to which the Corporation is a party, the Corporation Resolution or the Certificates or contesting the powers of the Corporation to enter into or perform its obligations under any of the foregoing.

- (e) Official Statement Correct and Complete. The information relating to the Corporation, its functions, duties and responsibilities contained in the Official Statement is, as of the date hereof, and will be, as of the date of Closing, true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (f) Blue Sky Cooperation. The Corporation agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Corporation shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.
- (g) Due Approval of the Official Statement Distribution. By official action of the Corporation prior to or concurrently with the execution hereof, the Corporation has duly approved the distribution of the Official Statement, has duly adopted the Corporation Resolution and has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in the Legal Documents to which the Corporation is a party and the consummation by it of all other transactions contemplated by the Official Statement, the Corporation Resolution and the Legal Documents to which the Corporation is a party.
- (h) No Breach or Default. The Corporation is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject which breach or default would have a material and adverse impact on the Corporation's ability to perform its obligations under the Legal Documents to which the Corporation is a party, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.
- (i) Agreement to Notify Underwriter Regarding Official Statement. The Corporation will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Underwriter. The Corporation will advise the Underwriter promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.
- (j) Agreement to Amend Official Statement. If at any time from the date hereof to and including twenty-five (25) days after the end of the underwriting period described below when, in the opinion of the Underwriter, an amendment or supplement to the Official Statement should be delivered in connection with the offer or sale of the Certificates, any event occurs, of which the Corporation has knowledge, as a result of

which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Corporation will prepare an amendment or supplement to the Official Statement; provided that all expenses thereby incurred (including printing expenses) will be paid for by the County.

- (k) Amendments to Official Statement Correct and Complete. If the information relating to the Corporation, its function, duties and responsibilities contained in the section captioned "The Corporation" 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 date twenty-five days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended will be true and correct in all material respects and such information will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading.
- (l) Agreement to Preserve Tax Exemption. The Corporation covenants that it will not take any action which would cause interest with respect to the Certificates to be subject to federal income taxation or California personal income taxes (other than to the extent the Certificates will be subject to federal income taxation as described under the caption "Tax Matters" in the Official Statement).

Very truly yours,

COUNTY OF RIVERSIDE ASSET LEASING
CORPORATION

By: _____
Authorized Official

Accepted and confirmed as of the date above written
WEDBUSH SECURITIES INC.

By: _____
Managing Director

EXHIBIT B

MATURITY SCHEDULE

\$ _____
County of Riverside
Certificates of Participation
2009 Series Δ (Larson Justice Center Refunding)

Payment Date (ΔDecember 1)	Principal Amount	Interest Rate	Yield	Payment Date (ΔDecember 1)	Principal Amount	Interest Rate	Yield

\$ _____ . ____ % Term Certificates due Δ December 1, ____ Priced to Yield - ____ . ____ %

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
(See “Ratings” herein)

In the opinion of Nixon Peabody LLP, Special Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the County described herein, interest with respect to the Certificates is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Special Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest with respect to the Certificates is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Special Counsel is further of the opinion that interest with respect to the Certificates is exempt from California personal income taxes. See “TAX MATTERS” herein regarding certain other tax considerations.

\$25,480,000*

**COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
(2009 Larson Justice Center Refunding)**

CUSIP: _____

Dated: Date of Delivery**Due: December 1, as shown on the inside front cover**

The County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) (the “Certificates”) will be executed and delivered pursuant to a Trust Agreement (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the “Trust Agreement”), by and among the County of Riverside, California (the “County”), the County of Riverside Asset Leasing Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”). Proceeds from the sale of the Certificates will be used to (i) prepay the Certificates of Participation (1998 Larson Justice Center Project) authorized by the County, currently outstanding in the aggregate principal amount of \$23,705,000 (the “Prior Certificates”) on December 1, 2009, (ii) fund the Reserve Fund, and (iii) pay certain costs of issuance incurred in connection with the Certificates. See “The Leased Premises” and “Estimated Sources and Uses of Funds” herein.

The Certificates evidence proportionate interests of the Owners thereof in a Sublease and Option to Purchase (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the “Sublease”), by and between the County and the Corporation, including the right to receive the base rental payments (the “Base Rental”) to be made by the County under the Sublease. See “Security and Sources of Payment for the Certificates” herein.

Interest evidenced and represented by the Certificates is payable on June 1 and December 1 of each year, commencing June 1, 2010. The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interest in the Certificates purchased. Principal and interest payments represented by the Certificates are payable directly to DTC by the Trustee from the Base Rental. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its participants who are responsible for distributing such payments to the beneficial owners of the Certificates. See Appendix D – “Book-Entry Only System” attached hereto.

The Base Rental to be paid by the County to the Corporation pursuant to the Sublease will be in amounts calculated to be sufficient to pay principal and interest represented by the Certificates when due. The County has agreed in the Sublease to pay all Base Rental, subject to abatement of such Base Rental, in whole or in part, in the event of material damage to or destruction of the Leased Premises (as defined herein) or a taking of the Leased Premises or a portion thereof. The County has covenanted in the Sublease to take such action as may be necessary to include Base Rental and Additional Rental (as defined herein) in its annual budget and to make the annual appropriations therefor.

The Certificates are subject to extraordinary prepayment prior to their respective maturity dates as described herein. See “The Certificates – Prepayment Provisions” herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX C – “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” ATTACHED HERETO.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Certificates will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval as to their legality by Nixon Peabody LLP, Los Angeles, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the County by Pamela J. Walls, County Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, Newport Beach, California. It is anticipated that the Certificates in definitive form will be available for delivery through the facilities of DTC, on or about December 1, 2009.

WEDBUSH

* Preliminary, subject to change.

Dated: _____, 2009

MATURITY SCHEDULE

\$25,480,000²

**COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
(2009 Larson Justice Center Refunding)**

Payment Date (December 1)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	Payment Date (December 1)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>
2012				2017			
2013				2018			
2014				2019			
2015				2020			
2016				2021			

² Preliminary, subject to change.

COUNTY OF RIVERSIDE

County Executive Office
4th Floor
4080 Lemon Street
Riverside, California 92501

Board of Supervisors

Jeff Stone, Third District, Chairman
Marion Ashley, Fifth District, Vice Chairman
Bob Buster, First District
John Tavaglione, Second District
Vacant, Fourth District

County Officials

William Luna, County Executive Officer
Don Kent, Treasurer-Tax Collector
Robert Byrd, CGFM, Auditor-Controller
Larry Ward – Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Harold Trubo, President
Bernard Simon, Secretary and Vice President
Stu Baily, Vice President
Fernando Kish, Vice President

SPECIAL SERVICES

Special Counsel

Nixon Peabody LLP
Los Angeles, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the County, the Corporation or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the Corporation or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

The information set forth herein has been obtained from official and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

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 responsibility 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 the completeness of such information.

IN CONNECTION WITH THIS INITIAL OFFERING THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER.

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\$25,480,000*
COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
(2009 Larson Justice Center Refunding)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Certificates being offered, and a brief description of this Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Trust Agreement and the Sublease. See APPENDIX C – "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" attached hereto.

General

This Official Statement, including the cover and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) (the "Certificates") in an aggregate principal amount of \$25,480,000*. The Certificates will be executed and delivered pursuant to a Trust Agreement (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the "Trust Agreement"), by and among the County of Riverside, California (the "County"), the County of Riverside Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). Proceeds from the sale of the Certificates will be used to (i) prepay the Certificates of Participation (1998 Larson Justice Center Project) authorized by the County, currently outstanding in the aggregate principal amount of \$23,705,000 (the "Prior Certificates") on December 1, 2009, (ii) fund the Reserve Fund, and (iii) pay certain costs of issuance incurred in connection with the Certificates. See "The Leased Premises" and "Estimated Sources and Uses of Funds" herein.

The County will lease certain real property, buildings and improvements, as more particularly described herein (the "Leased Premises") to the Corporation pursuant to a Site and Facilities Lease (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the "Site Lease"), by and between the County and the Corporation. The County will sublease the Leased Premises from the Corporation pursuant to a Sublease and Option to Purchase (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the "Sublease"), by and between the County and the Corporation. The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive base rental payments (the "Base Rental") to be made by the County under the Sublease. See "Security and Sources of Payment for the Certificates" herein.

The Certificates

The Certificates will be prepared in the form of fully registered certificates in amounts of \$5,000 and any integral multiple thereof. The Certificates will be dated their date of delivery and mature on December 1 in the years set forth on the inside cover page hereof. Interest represented by the Certificates

* Preliminary, subject to change.

is payable on June 1 and December 1 of each year, commencing on June 1, 2010 (each an "Interest Payment Date").

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interest in the Certificates purchased. Principal and interest payments represented by the Certificates are payable directly to DTC by the Trustee from Base Rental. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its participants who are responsible for distributing such payments to the beneficial owners of the Certificates. See "The Certificates - General" herein and APPENDIX D - "BOOK-ENTRY ONLY SYSTEM" attached hereto.

Security and Sources of Payment for the Certificates

Under the Sublease, as consideration for the use and occupancy of the Leased Premises, the County will make certain payments designated as Base Rental and certain other payments designated as Additional Rental (the "Additional Rental") in the amounts, at the times and in the manner set forth in the Sublease. Pursuant to the Trust Agreement, the Trustee is to distribute the Base Rental received from the County, which constitutes the principal and interest evidenced and represented by the Certificates, to the Owners of the Certificates. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated. However, the County is not obligated to levy or pledge any form of taxation for the payment of Base Rental or Additional Rental for the Leased Premises, nor has the County done so.

Pursuant to an Assignment Agreement (2009 Larson Justice Center Refunding), dated as of December 1, 2009 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, all of its rights under the Sublease, including its right to receive Base Rental due under the Sublease and excluding only the Corporation's rights to indemnification thereunder. See "Security and Sources of Payment for the Certificates" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX C - "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" ATTACHED HERETO.

The County's obligation to pay Base Rental under the Sublease with respect to the Leased Premises or any portion thereof will be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to the Leased Premises or any portion thereof, there is substantial interference with the use or right of possession by the County of the Leased Premises or any portion thereof. However, Base Rental will not be abated to the extent of (i) amounts held by the Trustee

in the Certificate Fund or the Reserve Fund, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates. See "Risk Factors - Abatement" herein.

Pursuant to the Trust Agreement, a Reserve Fund for the Certificates will be established in the amount of the Reserve Requirement with a portion of the proceeds of the Certificates. See "Security and Sources for Payment for the Certificates - Reserve Fund" herein and APPENDIX C - "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" attached hereto.

Prepayment

The Certificates are subject to extraordinary prepayment prior to their respective maturity dates. See "The Certificates - Prepayment" herein.

Tax Matters

In the opinion of Special Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the County described herein, interest with respect to the Certificates is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Special Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest with respect to the Certificates is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Special Counsel is further of the opinion that interest with respect to the Certificates is exempt from California personal income taxes. See "Tax Matters" herein regarding certain other tax considerations.

Continuing Disclosure

The County has agreed to provide, or cause to be provided, in accordance with Rule 15c2-12(b)(5) promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See "Continuing Disclosure" herein.

Forward-Looking Statements

Certain statements included or incorporated by reference in this 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 which 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. No assurance is given that actual results will meet the County's forecasts in any way. Except as set forth in the Continuing Disclosure Certificate, the County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

THE LEASED PREMISES

General

The County will sublease the Leased Premises from the Corporation pursuant to the Sublease. The Leased Premises will consist of the Larson Justice Center, as described below. The County may substitute other real property for all or a part of the Leased Premises under the Site Lease and the Sublease upon compliance with all of the conditions set forth in the Sublease and the Trust Agreement. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Sublease – Substitution” attached hereto.

The Larson Justice Center consists of a 145,000 square foot courthouse with twelve criminal courts and associated offices. The Center is located in the City of Indio on thirteen acres of County-owned land at the southeast corner of State Highway 111 and Oasis Street. The Larson Justice Center cost approximately \$25 million. The Center was first occupied on August 28, 1996.

The Larson Justice Center consists of three stories above ground and one story below ground, with the lower level providing secure prisoner holding area and offices for the Riverside County Sherriff. The area is connected to the Indio Jail by a secure tunnel which facilitates the transportation of prisoners from the jail to the courts.

The County has entered into a Transfer Agreement, dated April 19, 2005, with the Judicial Conference of California, Administrative Office of the Courts with respect to the Leased Premises. Pursuant to the Transfer Agreement, the State is responsible for the operation of the Leased Premises and title to the Leased Premises will be transferred to the State upon the payment in full of the Certificates. The Transfer Agreement does not impact the County's and the Corporation's rights and obligations under the Site Lease or the Sublease.

ESTIMATED SOURCES AND USES OF FUNDS*

The estimated sources and uses of the proceeds of the Certificates are as follows:

Sources:

Principal Amount	\$25,480,000.00
Net Original Issue Premium	9,465.00
Total Sources	<u>\$25,489,465.00</u>

Uses:

Refund Prior Certificates	\$22,557,336.36
Reserve Fund ⁽¹⁾	2,548,000.00
Costs of Issuance Account ⁽²⁾	383,840.00
Additional Proceeds	288.64
Total Uses	<u>\$25,489,465.90</u>

⁽¹⁾ Equals the Reserve Requirement with respect to the Certificates as of the date of delivery.

⁽²⁾ Includes underwriter's discount, rating agency fees, legal fees, financial advisor fees, printing costs and other costs of issuance.

* Preliminary, subject to change.

THE CERTIFICATES

General

The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive the Base Rental payments to be made by the County thereunder. The Certificates will be prepared in the form of fully registered certificates in denominations of \$5,000 and any integral multiple thereof. The Certificates will be dated their date of delivery. The Certificates will be payable with respect to interest on June 1 and December 1 of each year, commencing June 1, 2010 to the respective Owners thereof on the fifteenth day of each month immediately preceding a month in which an Interest Payment Date occurs. The interest evidenced and represented by the Certificates will be computed on the basis of a 360 day year composed of 12 months of 30 days each.

The Certificates will be delivered in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. See APPENDIX D – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Prepayment Provisions

Extraordinary Prepayment from Eminent Domain and Insurance Proceeds. The Certificates are subject to mandatory prepayment prior to maturity in whole or in part on the first practicable date, in authorized denominations, from prepayments made, under the circumstances described in the Trust Agreement and the Sublease (see APPENDIX C – “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” attached hereto), from money transferred to the Prepayment Account representing the net proceeds collected from a taking of the Leased Premises or a portion thereof under the power of eminent domain or from insurance covering damage to, destruction of or a title defect relating to the Leased Premises or a portion thereof (unless the County elects to repair or replace the Leased Premises) at a prepayment price equal to the principal amount evidenced and represented by the Certificates to be prepaid, plus accrued but unpaid interest without premium.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of the Certificates and less than all of such Certificates outstanding are to be prepaid, the Trustee will select the Certificates for prepayment among maturities as directed by the County, subject to satisfaction of the conditions set forth in the Trust Agreement, and within a maturity by lot.

Prepayment by lot will be in such manner as the Trustee will determine. The portion of any Certificate to be prepaid will be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Prepayment. Notice of prepayment will be given, not less than thirty (30) nor more than sixty (60) days prior to the prepayment date, by first class mail to the applicable Owners of any Certificates designated for prepayment at their addresses as they appear on the registration books of the Trustee as of the close of business on the day before such notice is given. Such notice will set forth, among other things, the prepayment date, the place of prepayment and the prepayment price and will state that the interest represented by the Certificates designated for prepayment will cease to accrue from and after such prepayment date. Notice of prepayment will also be given to certain securities depositories and information services. The failure of any Owner to receive such prepayment notice or any defect in such notice will not affect the validity of the prepayment of any Certificates.

Effect of Notice of Prepayment. If the notice referred to hereinabove has been given and if the monies necessary for the prepayment of the Certificates identified in such notice (including interest to the

applicable date of prepayment) have been set aside in the Certificate Fund, the Certificates identified in such notice will become due and payable on the applicable date of prepayment and from and after such prepayment date interest with respect to such Certificates will cease to accrue and become payable.

Partial Prepayment of Certificates. Upon the surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the registered Owner thereof, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered. Such partial prepayment will be valid upon payment of the amount required to be paid to such registered Owner, and the County and the Trustee will be released and discharged thereupon from all liability to the extent of such payment.

Certificates No Longer Outstanding. When any Certificates (or portions thereof), which have been duly called for prepayment prior to maturity under the provisions of the Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to maturity at the earliest prepayment date have been given to the Trustee, and sufficient monies are held by the Trustee irrevocably in trust for the payment of the prepayment price of such Certificates or portions thereof, and accrued interest with respect thereto to the date fixed for prepayment, all as provided in the Trust Agreement, then such Certificates (or portions thereof) will no longer be deemed Outstanding under the provisions of the Trust Agreement. All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement will be canceled upon surrender thereof and delivered to or upon the order of the County.

CERTIFICATES PAYMENT SCHEDULE

The following is the Base Rental payment schedule for the Certificates (assuming no prepayment of Base Rental).

Period Ending December 1	Principal Component	Interest Component	Annual Base Rental⁽¹⁾
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
TOTALS:			

⁽¹⁾ Preliminary, subject to change. Assumes an interest rate of [_____] % per annum.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Base Rental

The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive the Base Rental payments to be made by the County thereunder. The Base Rental to be paid by the County to the Corporation pursuant to the Sublease will be in amounts calculated to be sufficient to pay principal and interest represented by the Certificates when due. The County has agreed in the Sublease to pay all Base Rental, subject to abatement of such Base Rental, in whole or in part, in the event of material damage to or destruction of the Leased Premises or a taking of the Leased Premises or a portion thereof. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget and to make the annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated. Base Rental is scheduled to be paid as set forth herein. See "Certificate Payment Schedule" herein.

Interest evidenced and represented by the Certificates is payable on June 1 and December 1 of each year, commencing June 1, 2010. The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interest in the Certificates purchased. Principal and interest payments represented by the Certificates are payable directly to DTC by the Trustee from the Base Rental. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its participants who are responsible

for distributing such payments to the beneficial owners of the Certificates. See APPENDIX D – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

The Trustee, pursuant to the Trust Agreement, will receive the Base Rental for the benefit of the Owners. The Trustee will have no obligation or liability to the Owners of the Certificates with respect to the payment of the Base Rental by the County when due, or with respect to the performance by the County of any other covenant made by it in the Sublease. Additional Rental payable by the County under the Sublease includes amounts sufficient to pay certain taxes and assessments, if any, insurance premiums, and certain administrative costs.

The Sublease provides that the obligation of the County to make Base Rental and Additional Rental will be absolute and unconditional and such Base Rental and Additional Rental will not be subject to set-off or counterclaim, subject to the provisions of the Sublease relating to abatement more particularly described below under “Risk Factors – Abatement.” The Sublease also provides that the covenants of the County thereunder are deemed to be duties imposed by law, and it further provides that it will be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in Sublease. The Sublease further provides that the County will pay Base Rental and Additional Rental from legally available funds.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX C – “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” HEREIN.

Reserve Fund

The Trust Agreement provides that the Trustee will deposit into the Reserve Fund an amount equal to the Reserve Requirement for the Certificates. The term “Reserve Requirement” means, as of any date of calculation for the Certificates, the least of (i) 10% of the principal amount of the Certificates Outstanding, (ii) the maximum Base Rental payable by the County in any Lease Year between such date and the expiration of the Sublease, and (iii) 125% of the average annual Base Rental on the Certificates Outstanding. Amounts available from the proceeds of the Certificates will be deposited in the Reserve Fund established under the Trust Agreement. The Reserve Requirement is \$2,548,000.00* as of the date of delivery of the Certificates.

If on any Interest Payment Date the amounts in the Certificate Fund are less than the principal and interest payments due with respect to the Certificates Outstanding on such date, then the Trustee will transfer from the Reserve Fund for credit to the Interest Account and the Principal Account of the Certificate Fund amounts sufficient to make up such deficiencies. See APPENDIX C “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement – Reserve Fund” attached hereto.

* Preliminary, subject to change.

Insurance

The Sublease provides that the County will secure and maintain or cause to be secured and maintained throughout the term of the Sublease for the Leased Premises, insurance or self-insurance against the risks and in the amounts set forth in the Sublease. Such insurance is required to be maintained with respect to the Leased Premises at any time in an amount not less than the aggregate principal amount of Certificates at such time Outstanding with respect to such Leased Premises. Such insurance includes "all risk" insurance against loss or damage to the Leased Premises. This insurance may include deductible clauses not to exceed (i) \$50,000 in the case of all risk insurance, (ii) in the case of flood insurance, \$250,000 per unit or 2% of the total value per unit per occurrence, subject to a \$250,000 minimum per unit per occurrence situated within a 100-year flood plain (as defined by Federal Emergency Management Agency), and (iii) 5% of the loss per unit and per occurrence subject to a \$500,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Leased Premises or any portion thereof in accordance with the Sublease, provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost. The County will also obtain rental interruption insurance in an amount sufficient at all times to pay the total rent due under the Sublease with respect to the Leased Premises or any portion thereof for a period adequate to cover the period of repair or reconstruction; provided, however, that, the amount payable under such policy will not be less than the amount equal to two years' maximum Base Rental and that the County's obligations with respect to rental interruption insurance shall not be satisfied by self-insurance. The County will obtain a title insurance policy covering the Leased Premises in an aggregate amount not less than the aggregate principal amount of the Certificates Outstanding. See APPENDIX C – "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" attached hereto.

Substitution of Leased Premises

The County may substitute other property for the Leased Premises upon compliance with all of the conditions set forth in the Sublease. See APPENDIX C – "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS – Sublease – Substitution" attached hereto.

Additional Certificates

In addition to the Certificates to be executed and delivered under the Trust Agreement, the County may, from time to time, but only upon satisfaction of the conditions to the execution and delivery of Additional Certificates set forth in the Trust Agreement, enter into a supplement or amendment to the Trust Agreement to execute and deliver one or more series of Additional Certificates secured by Base Rental payments under the Sublease on a parity with the Certificates and any previously executed and delivered Additional Certificates (unless otherwise provided in the related supplement or amendment to the Trust Agreement), the proceeds of which may be used for any lawful purpose by the County, as provided in the supplement or amendment to the Trust Agreement; provided that prior to or concurrently with the execution and delivery of the Additional Certificates, the County and the Corporation will have entered into an amendment to the Sublease providing that the Base Rental payable under the Sublease, as amended, is sufficient to pay all principal of and interest with respect to the Certificates Outstanding. See APPENDIX C – "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS – The Trust Agreement – Additional Certificates" attached hereto.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County is currently experiencing a slowdown as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop on residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Certificates or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Not a Pledge of Taxes

The obligation of the County to make Base Rental or Additional Rental payments under the Sublease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental or Additional Rental payments under the Sublease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Sublease that, for as long as the Leased Premises are available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental and Additional Rental.

Additional Obligations of the County

The Base Rental and other payments due under the Sublease (including payment of costs of repair and maintenance of the Leased Premises, taxes and other governmental charges levied against the Leased Premises) are payable from funds lawfully available to the County. The County is currently liable on other obligations payable from general revenues. The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental may be decreased. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental, based on the perceived needs of the County. See APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE– Financial Information – Long-Term Obligations of County" and "– Lease Obligations" attached hereto for a description of other obligations payable from general revenues of the County.

Limitations on Remedies

The rights of the Owners of the Certificates are subject to limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Certificates may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such law are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the Certificates and/or delays in the enforcement of such rights.

Default

In the event of default, there is no remedy of acceleration of the total Base Rental due over the term of the Sublease. The remedies provided for in the Sublease include, in addition to all other remedies provided at law, terminating the Sublease and reletting the Leased Premises and retaining the Sublease and holding the County liable for each installment of Base Rental as it becomes due. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental was due and against funds needed to serve the public welfare and interest.

Abatement

Except to the extent of (i) amounts held by the Trustee in the Certificate Fund or the Reserve Fund for the Certificates, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments due under the Sublease with respect to the Leased Premises or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Leased Premises or any portion thereof, there is substantial interference with the use or right of possession by the County of the Leased Premises or a portion thereof. Base Rental will be abated proportionately under the Sublease. The amount of abatement will be such that the resulting Base Rental and Additional Rental represents fair rental value for the use and possession the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination will be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises had on the date of delivery of the Certificates.

Wildfires and Flooding

The County is exposed to a variety of wildfire hazard conditions ranging from low levels of risk along the eastern portions of the County, which is primarily desert and sparsely populated to higher hazards in the western portion of the County, which is more urban and densely populated. Currently, fire hazard severity is a function of fuel conditions, historic climate, and topography. Population density or

the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated mainly as having a "Very High Hazard" and "High Hazard." The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is less.

The State, particularly Southern California, is periodically subject to wildfires. When wildfires scorch thousands of acres in Southern California, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (*i.e.* not in a floodplain) as being within a Non-Special Flood Hazard Area (a "NSFHA"). A NSFHA is an area that is in a low- to moderate-risk flood zone (*i.e.* not in a floodplain) and has less than a 1% chance of flooding each year. While the County is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Leased Premises and the abatement of the Base Rental payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Sublease to cause to be maintained certain insurance policies on the Leased Premises; provided, however, the County does not covenant to maintain earthquake insurance under all circumstances as more fully described below. These insurance policies are "all risk" policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims. The Leased Premises could be damaged or destroyed due to earthquake or other casualty for which the Leased Premises are uninsured. Under these circumstances an abatement of the Base Rental could occur and could continue indefinitely. The providers of the County's liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Leased Premises will be sufficient to repay the Certificates.

The County is obligated under the Sublease to secure and maintain, or cause to be secured and maintained, earthquake insurance with respect to the Leased Premises as part of its applicable "all-risk" insurance policy, provided that earthquake insurance is available from reputable insurers at a reasonable cost. The County in the past has purchased an "all-risk" insurance policy with respect to certain properties located within the County. Accordingly, the Leased Premises are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Leased Premises, sustain one or more losses or damages in a Fiscal Year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Leased Premises.

For additional information regarding the County's risk management programs, see APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE– Financial Information –

Insurance” and APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Sublease” attached hereto.

THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 26 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County’s population was estimated at 2,107,653 as of January 1, 2009, reflecting a 1.4% increase over January 1, 2008.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (the “Board”), elected by district, and serve staggered four-year terms. The Chair of the Board is elected by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities at cost by the County.

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains and the desert areas. The western portion of the County, which includes the San Jacinto mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

See APPENDIX A—“INFORMATION REGARDING THE COUNTY OF RIVERSIDE” for a more detailed description of the County.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1983 to assist the County by providing for the acquisition and maintenance of equipment, the acquisition, construction and renovation of facilities and other improvements, and the leasing of such equipment and facilities to the County. The Corporation is governed by a Board of Directors composed of five members appointed by the County Board of Supervisors to serve one-year terms. The Board of Directors elects a President, Secretary, and Treasurer from among its members. The County’s Executive Officer, Clerk of the Board of Supervisors, Treasurer-Tax Collector, Purchasing Agent and County Counsel serve as staff to the Corporation.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits

the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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 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.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to the County continues as part of its allocation in future years.

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

The County's appropriations limit for the Fiscal Year 2008-09 was \$1,977,836,053 and the amount shown in its budget for that year as the appropriations subject to limitation was \$903,395,447. The County's appropriations limit for Fiscal Year 2009-10 is \$[] and the amount subject to the limitation is \$[].

Article XIII C and Article XIII D of the State Constitution

Articles XIII C and XIII D of the California Constitution were added in 1996. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes require a two-thirds vote. In addition, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's general fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

Article XIII D imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D limits "fees" and "charges," defined to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must be for a service actually used by, or immediately available to, the owner of the property in question, or (iv) must not be used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved

by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Right To Vote on Taxes Initiative-Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. Proposition 218 (Article XIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which a County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

Proposition 218 (Article XIID) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and

programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund.

On September 20, 2006, an action was filed against the County challenging the validity of certain annual assessments imposed by the County. The action was entitled *Beutz v. County of Riverside* (RIC 457351) and challenged an annual assessment on certain residential property in the Wildomar area of the County within Wildomar Landscape Maintenance District 2006-1. The annual assessment of approximately \$195,000 was levied to pay, in part, the costs of maintenance of four county parks in the Wildomar area of the County. The plaintiff in the *Beutz* action was challenging the engineer's report supporting the assessment and claiming that the challenged assessment levy was void due to procedural violations of California's Landscape and Lighting Act (California Government Code Sections 22500 et seq.) and Prop 218 (Articles XIII C and XIII D of the California Constitution). On March 11, 2008 the Superior Court granted summary judgment in favor of the County. Judgment was entered against plaintiff *Beutz* on May 6, 2008. On July 25, 2008, plaintiff *Beutz* filed a Notice of Appeal. As of September 28, 2009 the case had been fully briefed. A decision on the appeal is expected in December 2009. The County does not believe that an adverse ruling would have a material impact on County finances. On July 1, 2008 the Wildomar Landscape Maintenance District 2006-1 and the four associated parks became part of the newly incorporated City of Wildomar. Any future assessments will be imposed by the City of Wildomar on behalf of the district.

Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time-to-time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 fiscal year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate

currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the County. See APPENDIX A – “COUNTY OF RIVERSIDE GENERAL AND FINANCIAL INFORMATION–Financial Information–Impacts of State Budget.”

Assessment Appeals and Assessor Reductions

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 the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a “Proposition 8” appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which 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”), a county 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. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In fiscal year 2009-10, the secured property tax roll declined by 10.5% from the prior year. See APPENDIX A – “COUNTY OF RIVERSIDE GENERAL AND FINANCIAL INFORMATION.”

Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

The County Assessor prepare the tax roll in each spring and summer. Owners are notified of changes in valuation by early fall and have the ability to file an appeal. The deadline for appeals in the County is November 30th. Current years appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. For fiscal year 2009-10 over 300,000 properties on the County's tax rolls reflect a

Proposition 8 reduction. Those adjustments are completed prior to the finalization of the tax roll in the summer.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

STATE OF CALIFORNIA BUDGET INFORMATION AND FEDERAL STIMULUS INFORMATION

State Budget Finances

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2008-09, approximately 40% of the County's General Fund budget revenues consists of payments from the State and 19% consists of payments from the Federal government.

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

For a description of certain potential impacts of the State budget on the finances and operations of the County, see APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE – Financial Information – Impacts of State Budget" attached hereto.

State Budget for Fiscal Year 2008-09. The 2008-09 Budget Act (the "2008-09 Budget Act") was released on September 23, 2008. The 2008-09 Budget Act reported that the State General Fund began Fiscal Year 2008-09 with a balance of \$4 billion. The 2008-09 Budget Act projected State General Fund revenues and transfers for Fiscal Year 2008-09 of \$102 billion, a decrease of approximately 1% from the anticipated revenues and transfers for Fiscal Year 2007-08, and State General Fund expenditures of \$103.4 billion, an increase of approximately 0.06% above the anticipated expenditures for Fiscal Year 2007-08. The 2008-09 Budget Act projected ending Fiscal Year 2008-09 with a State General Fund balance of \$2.6 billion, of which \$885 million would be reserved for the liquidation of encumbrances and \$1.7 billion would be deposited in a reserve for economic uncertainties.

The Governor's economic forecasts for Fiscal Year 2008-09 reflected weaker economic performance throughout the country and the State. The 2008-09 Budget Act addressed a projected \$24.3 billion budget shortfall which was identified in the Governor's May Revision to the Proposed

2008-09 Budget with a combination of cuts in expenditures and projections of increased revenues. The 2008-09 Budget Act included vetoes on behalf of the Governor in the amount of \$510 million of spending approved by the State Legislature. The 2008-09 Budget Act included a proposal to increase the Budget Stabilization Account (the "BSA") from 5% of State General Fund expenditures to 12.5%. In addition, the 2008-09 Budget Act proposed an annual transfer to the BSA of 3% of the General Fund and the elimination of the ability to suspend such annual transfers. The State would only be permitted to transfer funds from the BSA if (a) actual revenues during such fiscal year are below a specified level, and (b) funds transferred from the BSA to the State General Fund are appropriated in a stand alone bill.

Legislative Analyst's Office Analysis of the 2008-09 Budget Act; November Special Session Proposals; Projections Through 2013-14. In November 2008, the Legislative Analyst's Office (the "LAO") released a report entitled "California Spending Plan 2008-09; The Budget Act and Related Legislation" (the "LAO Spending Plan Report"), which provides an analysis by the LAO of the 2008-09 State Budget. The LAO Spending Plan Report and other reports of the LAO are available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

The LAO stated that the 2008-09 Budget Act, combined with proposals set forth in the November Special Session, contained approximately \$24 billion in one-time solutions to close the budget gap and projected a General Fund reserve of \$1.7 billion. Key revenue solutions included, among other things, the sale of an additional \$3.3 billion in Economic Recovery Bonds during the spring of 2008, acceleration of tax payments (estimated payments and limited liability company fee payments), changes to the State's accounting practices to accrue \$1.9 billion earlier, enforcement of new penalties on corporations for underpayment of taxes, suspension of net operating loss deductions for two years for larger companies and restrictions on larger companies on the use of specified business related tax credits in 2008 and 2009. The LAO stated that the budget solutions are one time in nature and the State will continue to face multibillion dollar operating shortfalls in the coming years absent corrective action. Further, the LAO stated that the effects of economic slowdown which has occurred throughout the United States threaten the viability of the 2008-09 Budget Act.

On November 11, 2008 the LAO released a report entitled "Overview of the Governor's Special Session Proposals" (the "LAO Special Session Overview"), which provided an analysis of the Governor's proposals made during the November Special Session, which included tax increases, spending reductions and modifications related to cash management, stimulating the economy, unemployment insurance and mortgages. The LAO stated that, absent corrective action, the State will face annual budget shortfalls in the range of \$22 billion through 2013-14. According to the LAO, the revenue assumptions underlying the 2008-09 Budget Act were overly optimistic, and State revenues were projected to decline \$25 billion over the next two years.

The Governor proposed spending reductions to, among other things, Proposition 98 funding, Medi-Cal, social services such as CalWORKs and higher education. According to the LAO, the Governor's November Special Session proposals could decrease the projected budget gap in Fiscal Year 2008-09 and Fiscal Year 2009-10 and leave \$169 million in reserve. However, the LAO projected that the State's budget deficit will grow again after programs such as the Governor's proposed three-year sales tax increase terminate. According to the LAO Special Session Overview, the Governor's proposals, if enacted, could reduce the State's budget deficit through Fiscal Year 2013-14 by roughly 50%.

The LAO recommended the State Legislature take action to generate savings in Fiscal Year 2008-09 that could carry-over into Fiscal Year 2009-10. Such action could allow local governments and public entities more time to plan and mitigate adverse effects of reductions or program changes. Further, the LAO recommended that the Legislature consider carefully the duration of the Governor's proposed tax increases and that any such increase should be in effect for at least a three-year period. The LAO recommends, among other things, increasing vehicle license fees by 1% and making such increase the foundation of a program realignment with local governments. The LAO proposed that the \$1.6 billion

allocated from the State to criminal justice and mental health programs be realigned to counties and supported by the revenues raised by the increased vehicle license fees and most of the vehicle license fees revenue currently retained by the Department of Motor Vehicles.

On November 20, 2008 the LAO released a report entitled "California's Fiscal Outlook: LAO Projections, 2008-09 Through 2013-14" (the "LAO Projections"). The LAO Projections provided a further analysis of the LAO Special Session Overview and projections of the State's General Fund revenue and expenditures through Fiscal Year 2013-14 (the "Forecast Period").

According to the LAO, the continuation of the credit crisis and the decline in stock prices will erode the State's revenue collections. Further, the LAO Projections stated that without corrective action, General Fund revenues and transfers will decline by \$8.7 billion in Fiscal Year 2008-09, \$6.9 billion in Fiscal Year 2009-10, and will increase modestly through Fiscal Year 2013-14. The LAO estimates that General Fund expenditures will increase from \$104.5 billion in Fiscal Year 2008-09 to \$106.3 billion in Fiscal Year 2009-10. The LAO projected that through the Forecast Period annual rates of increase in spending major program areas will be as follows: Proposition 98 spending at 2.2%, Medi-Cal at 6.1%, In-Home Supportive Services ("IHSS") at 7.9%, Department of Corrections and Rehabilitation at 2.6% (taking into consideration court-ordered increases in healthcare costs and salary increases) and debt service expenses for general obligation and lease-revenue bonds at 9.9%.

The LAO recommended that the Legislature take early action, decrease spending and increase revenue, create solutions that have ongoing impacts, restructure State programs to increase efficiency and curb additional state borrowing in order to balance the budget for the current Fiscal Year and Fiscal Year 2009-10.

State Budget for Fiscal Year 2009-10. On February 20, 2009, the Governor signed into law the budget for Fiscal Year 2009-10 (the "2009-10 Budget Act"). The 2009-10 Budget Act aims to address the State's projected \$41 billion deficit and contains mid-year reductions to the 2008-09 Budget Act. The 2009-10 Budget Act includes six measures that appeared on the ballot at a special election held on May 19, 2009. See "—Legislative Analyst's Office Overview of the 2009-10 Budget Act" below. The 2009-10 Budget Act estimated Fiscal Year 2008-09 revenues and transfers of \$89.37 billion, total expenditures of \$94.09 billion and year-end deficit of \$2.34 billion, which included a \$2.37 billion prior-year State General Fund balance, a \$3.42 billion withdrawal from the reserve for economic uncertainties and an allocation of \$1.08 billion to the reserve for the liquidation of encumbrances. The 2009-10 Budget Act estimated Fiscal Year 2009-10 revenues and transfers of \$97.73 billion, total expenditures of \$92.21 billion and year-end surplus of \$3.18 billion (net of the \$2.34 billion deficit from Fiscal Year 2008-09), of which \$1.08 billion would be reserved for the liquidation of encumbrances and \$2.01 billion would be deposited in a reserve for economic uncertainties.

The following are some of the major impacts of the 2009-10 Budget Act on the County:

(a) The 2009-10 Budget Act includes deferrals of payments to counties for social services and transportation. For February, March and April 2009, monthly transfers of fuel excise tax allocations to cities and counties will be deferred. Payments are scheduled to resume and deferred payments will be paid in May 2009. The 2009-10 Budget Act also authorizes two-month deferrals of health and social services payments to counties from July and August to September 2009. Counties are scheduled to receive deferred payments from the State by September 30, 2009. Counties with populations under 40,000 persons are exempt from the deferral of payments for social services.

(b) The 2009-10 Budget Act also includes a number of reductions and revenues tied to the American Recovery and Reinvestment Act of 2009 (the "ARRA"). Certain reductions to CalWORKs grants, Medi-Cal benefits and reimbursements, SSI/SSP grants, IHSS, the judicial branch and higher education are scheduled to be enacted in statute and could be suspended if

expected revenues from the ARRA are certified by the Department of Finance to equal \$10 billion, including revenues anticipated to be received by June 30, 2010. If revenues from the ARRA are not sufficient to meet the \$10 billion target, the reductions would be permanent. If revenues from the ARRA reach \$10 billion, the reductions would not go into effect. Future statutes would be required to enact the reductions should they become necessary. On March 4, 2009, the Department of Finance released a preliminary estimate that the State would receive approximately \$8 billion in federal economic stimulus funds, \$2 billion short of what is required to prevent the cuts. The Department of Finance and the State Treasurer's Office are working with various interested entities to analyze the Department of Finance's preliminary estimates.

(c) The 2009-10 Budget Act increases personal income tax liability by 0.25% in each personal income tax bracket, although the rate will drop to 0.125% if revenues from the ARRA reach \$10 billion.

(d) The 2009-10 Budget Act increases the Vehicle License Fee ("VLF") rate from 0.65% to 1.15%, 0.15% of which will be dedicated to local public safety programs. The remaining 0.35% of the increase will be deposited into the State's General Fund. The 2009-10 Budget Act also imposes a 0.65% rate on commercial vehicles. The higher rates are scheduled to take effect on May 19, 2009 and last until July 1, 2011, with a possible two-year extension under certain circumstances. See "—Vehicle License Fees" herein.

(e) Under the 2009-10 Budget Act, the State's portion of the sales and use taxes would increase by 1%, beginning April 1, 2009 and lasting until July 1, 2011, with a possible one-year extension under certain circumstances.

(f) Generation of approximately \$6 billion in revenues for Fiscal Year 2009-10 based on voter approval of three propositions on the ballot for the May 19, 2009 special election, including a proposed \$5 billion borrowing from future lottery revenues (Proposition 1C).

Legislative Analyst's Office Overview of the 2009-10 Budget Act. On February 25, 2009, the LAO released its Overview of the State Budget (the "LAO 2009-10 Budget Overview"). The LAO 2009-10 Budget Overview notes that the 2009-10 Budget Act proposes to balance the 2008-09 Budget Act and the 2009-10 Budget Act by raising approximately \$98 billion in revenues and spending approximately \$92 billion of these revenues. The \$6 billion difference is proposed to be used to cover a year end deficit in Fiscal Year 2008-09 and build up a reserve account. The LAO 2009-10 Budget Overview also notes that the 2009-10 Budget Act includes more than \$40 billion in solutions, including the following:

(a) *Spending Reductions.* The 2009-10 Budget Act included about \$15 billion in spending-related reductions. The largest reductions related to kindergarten through twelfth grade schools, which experienced both reductions to core program funding and the deferral of payments to future years. Reductions also included furloughing state workers, eliminating inflationary adjustments for many programs and making other reductions in services.

(b) *Tax Increases.* The 2009-10 Budget Act included about \$12.5 billion in tax increases. Most of these higher taxes are the result of increased rates for the sales and use tax, vehicle license fee and personal income tax.

(c) *Federal Funds.* The 2009-10 Budget Act also assumed receipt of more than \$8 billion in federal funds from the recent economic stimulus law to help balance the budget.

(d) *Borrowing.* The 2009-10 Budget Act counted on \$5 billion from the borrowing of future lottery profits.

Pursuant to the 2009-10 Budget Act, five propositions were presented before state voters on May 19, 2009 projected to result in billions of dollars in budget solutions. The voters rejected all of these ballot propositions. As a result, the LAO forecasts that the 2009-10 Budget Act would not be in balance under current revenue forecasts, and that the Legislature and the Governor will need to agree to billions of dollars of additional spending cuts, tax increases and/or other budgetary solutions to bring the budget back into balance.

The LAO expects the State to face multibillion dollar budget shortfalls in the coming years due to a number of reasons. The State's economic recovery from the recession is expected to be relatively slow. In addition, many of the solutions adopted as part of the 2009-10 Budget Act are short term in nature, meaning that they will not help balance the budget in future years. Consequently, based on current projections, the LAO projects that the State will need to adopt billions of dollars in additional spending reductions, tax increases, or other solutions in the coming years.

In addition, in a LAO report concerning the State's cash flow crisis dated May 7, 2009, the LAO cites a Department of Finance report estimating a June 30, 2009 General Fund balance of approximately \$6.9 billion, as compared to a balance of over \$12.0 billion, over \$15.0 billion and over \$20.0 billion on June 30, 2008, 2007 and 2006, respectively. The LAO, citing forecasts from the Department of Finance, identifies that the forecasted cash flow deficit of \$7.9 billion in July 2009 could require the Controller to delay state payments as was done in February 2009, or require the State to borrow between \$17 and \$23 billion to fund the State's cash flow needs during Fiscal Year 2009-10. The LAO projects that borrowing well over \$13.0 billion may be difficult or impossible.

Revised State Budget for 2009-10. On July 28, 2009, the Governor signed certain amendments to the 2009-10 Budget Act (as amended, the "Revised 2009-10 Budget Act") to address a projected \$24.16 billion shortfall in revenues. The Revised 2009-10 Budget Act estimates Fiscal Year 2008-09 revenues and transfers of \$84.1 billion, total expenditures of \$91.5 billion and year-end deficit of \$3.38 billion, which included a \$4.07 billion prior-year State General Fund balance, a \$4.46 billion withdrawal from the reserve for economic uncertainties and an allocation of \$1.08 billion to the reserve for the liquidation of encumbrances. The Revised 2009-10 Budget Act estimates Fiscal Year 2009-10 revenues and transfers of \$89.54 billion, total expenditures of \$84.58 billion and year-end surplus of \$1.58 billion (net of the \$3.38 billion deficit from Fiscal Year 2008-09), of which \$1.08 billion would be reserved for the liquidation of encumbrances and \$500 million would be deposited in a reserve for economic uncertainties.

Features of the Revised 2009-10 Budget Act affecting the counties in general include the following:

(a) The Revised 2009-10 Budget Act reduces program expenditures by approximately \$18 billion in Fiscal Year 2008-09 and Fiscal Year 2009-10, primarily through reductions in education funding and health and social services programs, including in-home support services, CalWORKs, immigrant assistance programs, child welfare services and SSI/SSP.

(b) The Revised 2009-10 Budget Act borrows approximately 8.0% of property tax revenues from counties, cities and special districts for Fiscal Year 2009-10, totaling approximately \$1.9 billion, which amount will be repaid within three years, all in accordance with Proposition 1A (2004). The manner in which the borrowing will be allocated (i.e., the amount to be borrowed from particular local agencies), and whether the property taxes paid to Local Agencies by the State in lieu of VLF and in-lieu Sales Tax, remains subject to

determination. The Revised 2009-10 Budget Act also creates a state-financed loan repayment securitization program, which will allow local agencies to issue bonds in order to offset local fiscal effects of the Proposition 1A borrowing. An estimate of the impact of the proposed Proposition 1A borrowing for the County is described in Appendix A.

(c) The Revised 2009-10 Budget Act assumes \$1 billion in reductions to the federal Medi-Cal program, subject to receipt of additional federal funds.

(d) The Revised 2009-10 Budget Act requires redevelopment agencies to shift \$1.7 billion in Fiscal Year 2009-10 and \$350 million in Fiscal Year 2010-11 into a new fund which would be used to offset State General Fund spending for education and other programs, and allows redevelopment agencies to extend the life of their projects by one year.

(e) The Revised 2009-10 Budget Act suspended \$34.7 million of reimbursement to local agencies for Williamson Act subventions.

(f) The Revised 2009-10 Budget Act uses \$562 million of "spillover" from sales taxes on gasoline to reimburse the General Fund for transportation debt service costs.

Update on State Cash Flow Finances. On June 24, 2009, the State Controller announced that the State may issue registered warrants ("IOUs") beginning July 2, 2009 to local governments for social services, private contractors, state vendors, taxpayers entitled to income and corporate tax refunds and for payments for other state operations if immediate budget and cash solutions are not quickly adopted by the governor and the State Legislature. IOUs were been issued to private businesses, local governments (including the County), taxpayers receiving income tax refunds and owners of unclaimed property. The IOUs bear interest at the rate of 3.75% per year. The State has announced that the IOU's are redeemable as of September 4, 2009. The County has received IOUs from the State in the total of over \$100 million. The County has remitted all of these IOU's to the State and expects a payment in the full amount in mid-October. See "APPENDIX A—INFORMATION REGARDING THE COUNTY OF RIVERSIDE." The County does not expect a negative impact from the issuance of IOUs on its financial condition at this time.

Future State Budgets. No prediction can be made by the County as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of future state budget negotiations, the impact that such budgets will have on its finances and operations, the outcome or impact of future ballot measures and legislation, or what actions will be taken in the future by the State Legislature and governor to deal with changing state revenues and expenditures. Current and future state budgets will be affected by national and state economic conditions and other factors, including the current economic downturn, over which the County has no control.

Impact of the American Recovery and Reinvestment Act on the County

On February 17, 2009, the President of the United States signed the ARRA into law. The ARRA intends to stimulate the economy by reducing taxes and creating jobs directly and indirectly through the funding of various infrastructure projects and other programs by up to \$828 billion. One of the stated purposes of the ARRA is to stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and state and local tax increases.

The County believes that it stands to benefit both directly and indirectly from the ARRA, but the County cannot predict the impact of ARRA, if any, on the County. The ARRA includes a variety of

funding mechanisms including block grants, competitive grants and loans. The ARRA also includes increases to some existing formula based grants and payments.

The ARRA provides funds for the Energy Efficiency and Conservation Block Grant program, which would help state and local governments implement innovative practices to improve energy efficiency, lower energy usage and reduce greenhouse gas emissions. Additional energy efficiency programs funded by the ARRA that may benefit the County include grants to encourage electric transportation, federal aid to help state and local governments purchase efficient alternative fuel vehicles, and various grants and loans to state and local governments for diesel emissions reduction projects.

LITIGATION

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Certificates, the Sublease, the Site Lease or the Trust Agreement, or contesting the County's ability to appropriate or make the Base Rental, and an opinion of the Office of County Counsel to that effect will be furnished to the Underwriter at the time of the execution and delivery of the Certificates. See "APPENDIX A—INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information—Litigation" for a discussion of the County's pending general litigation.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of ["A3,"] ["AA-"] and ["AA-,"] respectively, to the Certificates. Such ratings reflect only the views of such rating organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

TAX MATTERS

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the execution and delivery of the Certificates for interest with respect thereto to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest with respect to the Certificates to be included in gross income for Federal income tax purposes retroactive to the date of execution and delivery of the Certificates. Pursuant to the Trust Agreement and the Tax Certificate, the County has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest with respect to the Certificates from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the County has made certain

representations and certifications in the Trust Agreement and the Tax Certificate. Nixon Peabody LLP, Special Counsel, will not independently verify the accuracy of those representations and certifications.

In the opinion of Special Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the County described above, interest with respect to the Certificates is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Special Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest with respect to the Certificates is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Special Counsel is of the opinion that interest with respect to the Certificates is exempt from California personal income taxation.

Certain Federal Tax Information

General. The following is a discussion of certain additional Federal income tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Certificates, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The Certificates are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest with respect to the Certificates will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest with respect to the Certificates, and thus on the economic value of the Certificates. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest with respect to the Certificates from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Certificates may be proposed or enacted.

Special Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Certificates may affect the tax status of interest with respect to the Certificates. Special Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Certificates, or the interest thereon, if any action is taken with respect to the Certificates or the proceeds thereof upon the advice or approval of other counsel.

The form of opinion of Special Counsel is attached hereto as Appendix E.

FINANCIAL ADVISOR

Fieldman Rolapp & Associates, Irvine, California, has served as the Financial Advisor to the County in connection with the execution and delivery of the Certificates. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

The Certificates are being purchased by Wedbush Securities Inc., as underwriter (the "Underwriter"), pursuant to a Purchase Contract with the County (the "Purchase Contract"). The Underwriter has agreed, subject to certain conditions, to purchase the Certificates at a purchase price equal to \$[] (representing the par amount of the Certificates, plus an original issue premium of \$[], and less an Underwriter's discount of \$[]). The Purchase Contract relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Vavrinek, Trine, Day & Co., LLP, has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP, with respect to any event subsequent to its report dated December 8, 2008. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2008” attached hereto.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners and beneficial owners of the Certificates to provide certain annual financial information and operating data relating to the County by not later than February 15 of each year (the “Annual Report”), commencing with the report for the County’s June 30, 2009 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and any notice of material events will be filed by the County with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth under the caption APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule. The County has not failed to comply with any prior such undertaking under the Rule.

CERTAIN LEGAL MATTERS

The validity of the Certificates and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Los Angeles, California, Special Counsel. The opinion of Special Counsel will be delivered with the Certificates in substantially the form set forth in Appendix E hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, Newport Beach, California, and for the County by County Counsel.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Sublease, the Site Lease, the Assignment Agreement and the Trust Agreement are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Finance Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Certificates.

The execution and delivery of this Official Statement has been duly authorized by the County.

COUNTY OF RIVERSIDE

By: /s/
County Executive Officer

APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE

APPENDIX B

**COMBINED FINANCIAL STATEMENTS OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

APPENDIX C

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning DTC and its book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 security certificate will be executed and delivered for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 the Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates 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.

Prepayment notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Certificates called for prepayment or of any other action premised on such notice. Prepayment of portions of the Certificates by the County will reduce the outstanding principal amount of Certificates held by DTC. In such event, DTC will implement, through its book-entry system, a prepayment by lot of interests in the Certificates held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a prepayment of the Certificates for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Certificates 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 County 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 (nor its nominee), the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County 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.

NONE OF THE COUNTY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF CERTIFICATES FOR PREPAYMENT.

None of the County, the Trustee or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Trustee or the Underwriter are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

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

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and none of the County or the Trustee take any responsibility for the accuracy thereof.

None of the County, the Corporation, the Trustee or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Trustee or the Underwriter are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

APPENDIX E

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Error! No property name supplied.

APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE
GENERAL INFORMATION

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,107,653 as of January 1, 2009, representing a 36.4% increase since the 2000 Census or a simple annual average increase of 4%.

Numerically, the County's population grew by over one-half million, ranking it as one of the major growth areas in the nation. During this period, nine cities and the incorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 56,000 to its population. This is followed by Riverside (45,264), Moreno Valley (43,922), Indio (33,114), Corona (23,631), Lake Elsinore (21,337), Beaumont (21,019) and La Quinta (20,084). The city of Beaumont experienced the most rapid growth rate with a population increase of 185%. Several areas in the unincorporated County also grew rapidly. These include Eastvale, Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. Currently, the growth in the County has tempered due to the economy. Between January 1, 2008 and January 1, 2009, the County population increased by 1.4%. Although this rate is far below the average for this decade, it is above the statewide average.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

COUNTY OF RIVERSIDE
POPULATION OF CITIES WITHIN THE COUNTY
(As of January 1)

<u>CITY</u>	<u>1990</u>	<u>2000</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Banning	20,570	23,562	28,293	28,148	28,457
Beaumont	9,685	11,384	28,271	31,317	32,403
Blythe	8,428	20,465	22,636	21,627	21,329
Calimesa	-	7,139	7,420	7,423	7,498
Canyon Lake	-	9,952	10,979	10,994	11,128
Cathedral City	30,085	42,647	52,151	51,972	52,447
Coachella	16,896	22,724	38,515	40,317	41,000
Corona	76,095	124,966	146,147	146,698	148,597
Desert Hot Springs	11,668	16,582	24,907	25,939	26,552
Hemet	36,094	58,812	73,299	73,205	74,361
Indian Wells	2,647	3,816	4,945	5,000	5,093
Indio	36,793	49,116	77,208	80,962	82,230
Lake Elsinore	18,285	28,928	47,669	49,556	50,267
La Quinta	11,215	23,694	41,125	42,743	43,778
Menifee	-	-	-	-	67,705
Moreno Valley	118,779	142,381	180,603	182,945	186,301
Murrieta	-	44,282	97,329	99,576	100,714
Norco	23,302	24,157	27,375	27,143	27,160
Palm Desert	23,252	41,155	49,789	50,686	51,509
Palm Springs	40,181	42,807	46,893	47,019	47,601
Perris	21,460	36,189	50,701	53,340	54,323
Rancho Mirage	9,778	13,249	16,957	16,975	17,180
Riverside	226,505	255,166	291,611	296,191	300,430
San Jacinto	16,210	23,779	34,371	35,491	36,477
Temecula	27,099	57,716	98,009	99,873	102,604
Wildomar	-	-	-	-	31,321
TOTALS					
Incorporated	785,027	1,116,358	1,497,203	1,533,751	1,648,465
Unincorporated	<u>385,386</u>	<u>429,029</u>	<u>537,637</u>	<u>553,461</u>	<u>459,188</u>
County-Wide	<u>1,170,413</u>	<u>1,545,387</u>	<u>2,034,840</u>	<u>2,078,601</u>	<u>2,107,653</u>
California	29,473,000	33,871,648	37,559,440	37,883,992	38,292,687

Source: U.S. Census Bureau, except that 2007, 2008 and 2009 data is from the State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark).

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2003 through 2008.

**RIVERSIDE COUNTY AND CALIFORNIA
TOTAL EFFECTIVE BUYING INCOME,
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND
PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000⁽¹⁾**

	Total Effective Buying Income⁽²⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
2003			
Riverside County	\$ 25,180,040	\$38,691	34.8%
California	\$647,879,427	\$42,484	40.5%
2004			
Riverside County	\$ 27,623,743	\$39,321	36.0%
California	\$674,721,020	\$42,924	41.2%
2005			
Riverside County	\$ 29,468,208	\$40,275	37.1%
California	\$705,108,410	\$43,915	42.5%
2006			
Riverside County	\$ 32,004,418	\$41,326	38.9%
California	\$720,799,048	\$44,681	43.7%
2007			
Riverside County	\$ 35,656,620	\$43,490	41.8%
California	\$765,120,982	\$46,275	45.6%
2008			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: “Survey of Buying Power,” Sales & Marketing Management Magazine, 2003 and 2004 and 2005, and Demographics USA, Trade Dimensions for 2006, 2007 and 2008.

INDUSTRY AND EMPLOYMENT

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA ANNUAL AVERAGE EMPLOYMENT⁽¹⁾ (IN THOUSANDS)

<u>INDUSTRY</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Agriculture	18.7	18.3	17.2	16.8	16.2
Construction	111.8	123.3	129.5	112.8	90.5
Finance Activities	45.7	49.0	51.8	50.1	46.3
Government	212.5	220.4	224.2	225.7	230.0
Manufacturing:	120.1	121.0	124.0	118.9	107.0
Nondurables	34.6	35.0	36.4	36.4	34.4
Durables	85.5	86.1	87.6	82.5	72.6
Natural Resources and Mining	1.2	1.4	1.4	1.4	1.2
Retail Trade	153.8	165.7	171.5	175.4	168.0
Professional, Educational and other Services	399.9	416.5	436.2	446.3	439.4
Transportation, Warehousing and Utilities	55.5	60.2	63.8	66.7	70.2
Wholesale Trade	45.6	49.9	53.8	56.4	55.1
Information, Publishing and Telecommunications	<u>14.0</u>	<u>14.5</u>	<u>15.2</u>	<u>15.2</u>	<u>14.8</u>
Total, All Industries	1,178.7	1,240.3	1,288.4	1,285.5	1,238.7

⁽¹⁾ The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.

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

The following table sets forth the major employers located in the County as of 2009:

**[COUNTY OF RIVERSIDE]
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2009)**

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees⁽²⁾</u>
The County of Riverside	County Government	19,595
March Air Reserve Base	Government/Military	8,400
University of California, Riverside	College/University	6,657
Stater Brothers Markets	Grocery Retailer	6,425
Pachanga Resort & Casino	Casino/Resort	4,800
Abbott Vascular	Medical Device Manufacturer	4,500
Riverside Unified School District	Education	4,041
Riverside Community College District	Higher Education	3,753
Kaiser Permanente Riverside Med. Center	Health Care	3,200
Temecula Valley Unified School District	Education	2,952

- (1) Certain major employers in the County may have been excluded because of the data collection methodology used by The Business Press.
- (2) Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Source: The Business Press 2009 Book of Lists

Unemployment statistics for the County, the State and the United States are set forth in the following table.

**COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>August 2009</u>
County ⁽¹⁾	6.3%	5.7%	5.1%	5.0%	6.2%	8.6%	15.0% ⁽²⁾
California ⁽¹⁾	6.8	6.2	5.4	4.9	5.4	7.2	12.1 ⁽²⁾
United States	6.0	5.5	5.1	4.6	4.6	5.8	9.7 ⁽³⁾

- (1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
- (2) Preliminary.
- (3) Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2003 through 2007, and the first two quarters of the 2008 calendar year:

**COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008*</u>
Apparel Stores	\$ 746,015	\$ 867,276	\$ 990,129	\$ 1,080,385	\$ 1,171,013	\$ 273,863
General						
Merchandise Stores	2,427,411	2,756,019	3,021,908	3,250,377	3,272,665	754,191
Drug Stores	244,560	270,316	282,566	303,177	320,469	84,533
Food Stores	1,028,392	1,079,972	1,197,438	1,309,782	1,352,609	344,394
Packaged Liquor						
Stores	61,514	66,728	74,828	78,895	84,397	23,803
Eating and						
Drinking Places	1,713,632	1,940,610	2,157,801	2,316,422	2,388,039	595,870
Home Furnishing						
and Appliances	691,051	862,551	964,629	948,217	843,945	177,349
Building Materials						
& Farm						
Implements	1,868,995	2,476,092	2,756,280	2,738,153	1,961,911	417,050
Auto Dealers &						
Supplies	3,662,151	4,179,940	4,474,566	4,326,040	4,301,385	870,813
Service Stations	1,536,240	1,855,263	2,277,082	2,630,716	2,835,690	874,827
Other Retail Stores	<u>2,050,991</u>	<u>2,427,910</u>	<u>2,641,985</u>	<u>2,860,181</u>	<u>2,710,393</u>	<u>609,944</u>
Retail Stores Total	\$16,030,952	\$18,715,949	\$20,839,212	\$21,842,345	\$21,242,516	\$5,026,637
All Other Outlets	<u>5,678,183</u>	<u>6,521,199</u>	<u>7,417,279</u>	<u>7,973,892</u>	<u>7,781,093</u>	<u>1,860,059</u>
Total All Outlets	<u>\$21,709,135</u>	<u>\$25,237,148</u>	<u>\$28,256,491</u>	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$6,886,696</u>

*Note: Reflects Taxable Sales Transactions for the period of January 1, 2008 through June 30, 2008.

Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2004.

COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS⁽¹⁾ (IN THOUSANDS)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽¹⁾</u>
RESIDENTIAL						
New Single-Family	\$5,997,514.0	\$6,243,790.0	\$4,409,675.8	\$2,209,586.7	\$1,214,752	\$618,057
New Multi-Family	404,616.0	407,429.0	431,864.8	237,887.0	243,741	54,837
Alterations and Adjustments	<u>135,178.0</u>	<u>164,312.0</u>	<u>157,167.9</u>	<u>141,952.4</u>	<u>118,490</u>	<u>58,286</u>
Total Residential	\$6,537,308.0	\$6,815,531.0	\$4,998,708.5	\$2,589,426.1	\$1,576,983	\$731,177
NON-RESIDENTIAL						
New Commercial	\$ 580,058.0	\$ 552,665.0	\$ 647,460.4	\$ 682,416.6	\$ 539,944	\$ 47,309
New Industry	203,311.0	120,366.0	288,352.6	151,994.4	70,411	12,278
New Other ⁽²⁾	334,002.0	344,702.0	288,768.2	239,835.3	138,766	72,536
Alterations & Adjustments	<u>222,496.0</u>	<u>274,339.0</u>	<u>305,262.6</u>	<u>400,604.5</u>	<u>292,694</u>	<u>105,523</u>
Total Nonresidential	\$1,339,867.0	\$1,292,072.0	\$1,529,843.8	\$1,474,850.8	\$1,041,815	\$237,646
TOTAL ALL BUILDING	<u>\$7,877,175.0</u>	<u>\$8,107,603.0</u>	<u>\$6,528,552.3</u>	<u>\$4,064,276.9</u>	<u>\$2,618,798</u>	<u>\$968,821</u>

(1) Through August 31, 2009

(2) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and no-residential alterations and additions.

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Single Family	29,478	29,994	20,692	9,763	3,815
Multi-Family	<u>4,748</u>	<u>4,140</u>	<u>4,519</u>	<u>2,690</u>	<u>2,104</u>
TOTAL	<u>34,226</u>	<u>34,134</u>	<u>25,211</u>	<u>12,453</u>	<u>5,919</u>

Source: Construction Industry Research Board

The following table sets forth a comparison of median housing prices for Los Angeles County, Riverside County and Southern California as of August 2008 and August 2009.

**COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES**

	<u>August 2008</u>	<u>August 2009</u>	<u>Percent change</u>
County of Riverside	\$247,450	\$190,000	(23.2)%
Los Angeles County	380,000	329,000	(13.3)%
Southern California ⁽¹⁾	330,000	275,000	(16.7)%

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years and quarters indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
2004	901	348	697	2,221
2005	585	304	402	1,702
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,423	23,557	125,056
2009 ⁽²⁾	13,836	12,237	9,632	47,770

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

⁽²⁾ First two quarters of 2009.

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains a leading source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2004 through 2008 is presented in the following table.

COUNTY OF RIVERSIDE

Value of Agricultural Production

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Citrus Fruits	\$ 123,574,100	\$ 138,244,700	\$ 107,897,000	\$ 121,387,100	\$ 135,759,800
Trees and Vines	211,936,500	188,553,200	191,321,200	189,286,500	173,678,000
Vegetables, Melons, Miscellaneous	174,866,300	261,019,500	213,643,300	234,854,700	266,414,900
Field and Seed					
Crops	75,219,000	77,687,300	68,611,700	94,492,000	123,545,400
Nursery	211,271,200	229,210,200	270,992,800	272,326,200	230,416,200
Apiculture	2,951,300	2,736,800	3,554,300	3,948,900	5,637,000
Aquaculture					
Products	<u>15,579,100</u>	<u>13,367,300</u>	<u>11,514,700</u>	<u>9,829,200</u>	<u>12,077,700</u>
Total Crop					
Valuation	\$ 815,397,500	\$ 910,819,000	\$ 867,535,000	\$ 926,124,600	\$ 947,529,000
Livestock and					
Poultry Valuation	<u>316,207,700</u>	<u>257,852,100</u>	<u>234,903,400</u>	<u>338,938,600</u>	<u>321,060,900</u>
Grand Total	<u>\$1,131,605,200</u>	<u>\$1,168,671,100</u>	<u>\$1,102,438,400</u>	<u>\$1,265,063,200</u>	<u>\$1,268,589,900</u>

Source: Riverside County Agricultural Commissioner

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (State Route 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The Sun Line Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Authority provided service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base are presently being formulated by the March AFB Joint Powers Authority, comprised of the County and the Cities of Riverside, Moreno Valley and Perris.

Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronimo Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District also provide supplemental water to cities and agencies within the County.

The uncertainty associated with the long-term availability of imported water from the Colorado River or the State Water Project is a concern of local and regional water agencies in southern California. Long-term water supply will be addressed in the next few years with the CalFed process and approval of the Quantification Settlement Agreement, and water districts' efforts toward the following: expanded water conservation and recycling; conjunctive use of local basins to store imported water; management plans to protect local groundwater; desalination of brackish groundwater; and improved coordination and joint planning with Metropolitan Water District available imported water supplies.

Flood Control. Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method of sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under State law, the County must adopt a proposed budget by June 30 and a final budget by October 2, which must be balanced. Subsequent to the adoption of the final budget, the County makes adjustments during the course of the fiscal year to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, many counties have adopted final budgets in advance of the State budget and made adjustments, if required, upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in the end of the first, second and third quarters.

Fiscal Year 2008-09 Adopted Budget

The County adopted its fiscal year 2008-09 budget on July 1, 2008. This budget approved total general fund appropriations of \$2.6 billion. Such appropriations were for primary County services including public protection, health and sanitation, and public assistance. These three areas comprised approximately 88 % of the County's total anticipated general fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For fiscal year 2008-09, approximately 38% of the County's general fund revenue consisted of payments from the State and 20% consisted of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 33% of the County's general fund revenue consisted of wholly discretionary revenue. The County uses the discretionary portion of general fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were 120.5 million in fiscal year 2008-09. Sales tax receipts for the County were \$34.4 million in fiscal year 2008-09.

As of June 30, 2009, fund balance for the general fund was estimated at \$348 million or 14% of the total general fund expenditures. This amount includes \$93 million of reserved fund balance, \$195 million of designated fund balance, and \$60 million of unreserved fund balance.

Preliminary final figures for the 2008-09 fiscal year reflect a 6.5% reduction in discretionary revenue compared to the prior fiscal year, mainly due to decreased property tax revenue. The County's general fund expenses for fiscal year 2008-09 decreased 1.6% from the prior fiscal year, supported in part by reserves and designations. The County planned and used reserves to compensate for lower-than-budgeted Proposition 172 revenue in fiscal year 2008-09 and to balance the County's budget in fiscal year 2009-10.

Mid-Year Developments and Adjustments.

The County's financial condition changed since June 30, 2008 due to the economic downturn. The County's discretionary revenues eroded, and the County made downward adjustment to its property, sales and public safety sales tax estimates. In addition to potential loss of revenues due to Proposition 1A (2004), the County estimated approximately \$633,000 in additional reductions in cash receipts from the state from other proposals. See—"Impacts of State Budget" below."

The Board of Supervisors of the County issued quarterly reports monitoring the 2008-09 budget, and adjusted the budget as necessary. On April 23, 2009, the County Executive Officer released the fiscal year 2008-09 Third Quarter Budget Report (the "Budget Report"). As with the first two quarters of fiscal year 2008-09, the County continued to experience revenue declines in the third quarter, and various departments continued to implement cost-cutting efforts to meet current-year spending targets. Discretionary revenue for the third quarter was down \$3.7 million, for a cumulative decline of \$16.4 million for fiscal year 2008-09. The County projected discretionary revenue for fiscal year 2009-10 to be \$627 million, reflecting a \$100 million decline from the original 2008-09 adopted budget.

To offset losses in revenue, the County has drawn down reserves. During fiscal year 2008-09, the County drew down on its reserves an aggregate amount of \$133 million. The County also expects to draw down reserves in fiscal year 2009-10 by an additional \$88 million, including \$45 million to adjust to the State's decision to suspend Proposition 1A (2004). Funds remaining in the contingency budget at each year-end are utilized to reestablish contingency in the following year's budget. The County expects to have approximately \$12 million of contingencies unspent and unobligated, plus approximately \$13 million of unreserved fund balance, at the end of fiscal year 2008-09. The County's contingency reserve were funded at \$30 million in the fiscal year 2009-10 budget.

Fiscal Year 2009-10 Final Budget

The County adopted its fiscal year 2009-10 Budget on June 30, 2009. This budget approved total general fund appropriations of \$2.55 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy to slow in fiscal year 2009-10 and does not expect additional revenue to be available to expand services. Further, the County believes additional revenue losses are possible. For fiscal year 2009-10, approximately 40% of the County's general fund revenue consists of payments from the State and 21% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 25% of the County's general fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of general fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Sales tax receipts for the County from the 1/2 cent levy pursuant to Proposition 172 are estimated to reach \$125.8 million in fiscal year 2009-10, which represents a 20.7% decrease from the prior fiscal year. Sales tax receipts for the County are estimated at \$34.8 million in fiscal year 2009-10.

The County anticipates a structural deficit of approximately \$50.6 million in fiscal year 2009-10. The 2009-10 budget solution incorporates budget cuts, assumed labor savings through labor concessions, and the use of reserves. The 2009-10 budget is based on assumptions that, if unrealized, will require additional cuts or layoffs. These assumptions include the department heads' ability to meet budget targets, no County backfill for reductions in State program funding, some layoffs, labor concessions (reducing labor cost by 10 percent), and additional cuts and labor concessions for fiscal year 2010-11. The County has reduced its labor costs for unrepresented employees and reached agreements for cost cuts with its largest bargaining units.

Impacts of State Budget

The State is currently facing an expanding deficit. Developments to the State budget may also significantly impact the County's finances. Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. The new State budget included this shift for fiscal year 2009-10 as allowed by Proposition 1A. The County will experience a reduction in its revenues of approximately \$45 million in fiscal year 2009-10, as discussed below.

The County was asked to estimate the potential effect of certain proposals contained in the Governor's May revision to the 2009-10 State budget, particularly the Proposition 1A (2004) borrowing proposal. See "RISK FACTORS—State Budget Finances" in the Official Statement. The County has indicated that the County would offset any reduction in revenues from such proposals through reducing budget expenditures, drawing on reserves, internal borrowing and/or participating in a securitization in connection with the State's repayment of the Proposition 1A (2004) borrowing.

COUNTY OF RIVERSIDE FISCAL YEAR 2009-10 REVENUES THAT MAY BE SUBJECT TO STATE SUSPENSION OF PROPOSITION 1A (2004)

Component	Amount
8% Property Tax	\$26,200,000
Sales Tax Triple Flip	800,000
Property Tax in Lieu of VLF	<u>17,800,000</u>
Total	\$44,800,000

Disruptions in payments to the County from the State, whether temporary or permanent, will require adjustments to the 2009-10 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary

programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

Beginning July 2, 2009, the State Controller began issuing registered warrants ("IOUs") to local governments for social services, private contractors, State vendors, taxpayers entitled to income and corporate tax refunds, and for payment for other State operations. The County had received approximately \$113 million in IOU's from the State. The County remitted the entire IOU holding to the State and expects a cash payment for the full amount before mid-October. The State may issue additional IOUs to the county in the future; however, the County cannot determine the amounts of these additional IOUs at this time.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2009-10 Final Budget from time to time.

Final Budget Comparison. The following table compares the final general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, the budget is amended to reflect actual receipts and expenditures.

COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2004-05, 2005-06, 2006-07, 2007-08 AND 2008-09
(IN MILLIONS)

	2005-06	2006-07	2007-08	2008-09	2009-10
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
<u>REQUIREMENTS</u>					
General Government	\$ 175.5	\$ 217.58	\$ 279.30	\$ 238.6	\$ 239.2
Public Protection	815.5	947.66	1,032.48	1,132.0	1,055.2
Public Ways and Facilities	4.5	6.62	6.79	2.1	2.2
Health and Sanitation	394.3	381.17	410.68	392.3	295.2
Public Assistance	640.7	663.05	721.38	791.1	815.5
Education	.3	0.39	0.49	0.6	0.4
Recreation and Cultural	.2	0.31	0.29	0.3	0.3
Debt Retirement-Capital Leases	34.9	10.87	14.82	22.3	6.8
Contingencies	20.0	32.08	32.15	34.8	30.0
Increase (Decrease) Reserves	23.8	6.15	8.92	5.0	(12.8)
Total Requirements ⁽⁴⁾	<u>\$ 2,109.7</u>	<u>\$ 2,265.88</u>	<u>\$ 2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>
<u>AVAILABLE FUNDS</u>					
Beginning Unrestricted Fund Balance	\$ 62.1 ⁽³⁾	\$ 22.66	\$ 33.43	\$ 107.1 ⁽³⁾	\$ 112.8
Estimated Revenues:					
Property Taxes ⁽²⁾	165.6	214.16	262.61	287.2	244.9
Other Taxes ⁽²⁾	58.6	77.54	71.06	49.1	46.1
Licenses, Permits and Franchises	23.1	29.71	31.63	24.9	20.7
Fines, Forfeitures and Penalties	46.1	48.26	51.99	60.6	55.7
Use of Money and Properties	24.3	53.51	53.16	29.7	13.5
Aid from Other Governmental Agencies:					
State	755.1	842.83	938.46	991.8	962.0
Federal	418.9	415.25	444.70	465.4	511.1
Charges for Current Services	361.0	424.61	462.26	385.1	452.7
Other Revenues	194.9	137.33	158.01	217.9	112.5
Total Available Funds ⁽⁴⁾	<u>\$2,109.7</u>	<u>\$2,265.86</u>	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>

(1) Excludes mid-year amendments or adjustments.

(2) Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2005-06 Budget, the 2008-09 Budget and the 2009-10 Budget, and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.

(3) Includes reserves used.

(4) Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Pooled Investment Fund

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the County or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of July 31, 2009, the portfolio assets comprising the PIF had a market value of \$5,339,200,376.75.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On [June 30, 2008], the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory

deposits constituted approximately 84% of the funds on deposit in the County Treasury, while approximately 16% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2009 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of July 31, 2009, were as follows:

	<u>Market Value</u>	<u>% of Pool</u>
Federal Agency Securities	\$ 4,357,976,250	81.62%
Cash Equivalents & Money Market Funds	414,838,000	7.77
Commercial Paper	0	0.00
Negotiable Certificates of Deposit	0	0.00
Medium Term Notes	326,772,162	6.12
Municipal Bonds	122,314,265	2.29
Certificates of Deposit ⁽¹⁾	0	0.00
U.S. Treasury Bonds	29,990,700	0.56
Local Agency Obligations ⁽²⁾	87,309,000	1.64
Total	\$5,339,200,377	100.00%
Weighted Average Yield:	1.29%	
Weighted Average Maturity:	1.00 years	

(1) Not rated; all other investments are government securities or rated investments.

(2) Represents County obligations issued by the Riverside District Court Financing Corporation and the Authority, and the County's Teeter Obligation Tax-Exempt Commercial Paper Notes.

Source: County Treasurer-Tax Collector

As of July 31, 2009, the market value of the PIF was 100.36% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa/MR1" from Moody's Investors Service and "AAA/V1+" rating from Fitch Ratings. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

General. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer – Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (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 recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

In addition, State legislation enacted in 1984 established the "supplemental roll," which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 1998-99 through fiscal year 2008-09.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 1998-99 THROUGH 2008-09**

SECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 ⁽²⁾	Total Collections ⁽³⁾	Percentage of Total Collections to Current Levy
1998-99	964,844,205	39,123,776	4.05%	1,015,412,511	105.24%
1999-00	1,020,377,070	34,509,599	3.38%	1,076,947,278	105.54%
2000-01	1,106,323,882	40,719,497	3.68%	1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50%	1,235,188,224	102.10%
2002-03	1,348,190,139	44,478,022	3.30%	1,388,639,880	103.00%
2003-04	1,506,949,011	42,164,689	2.80%	1,571,572,091	104.29%
2004-05	1,747,034,222	55,557,116	3.18%	1,797,065,686	102.86%
2005-06	2,094,068,686	88,930,195	4.25%	2,116,369,838	101.06%
2006-07	2,559,448,076	180,175,146	7.04%	2,532,293,674	98.94%
2007-08	2,964,341,768	255,672,935	8.62%	2,928,205,634	98.78%
2008-09	3,029,936,136	222,218,035 ⁽⁴⁾	7.33% ⁽⁴⁾	3,128,587,624 ⁽⁴⁾	103.26% ⁽⁴⁾
2009-10	2,791,941,475	N/A	N/A	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

⁽³⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

⁽⁴⁾ Estimate only.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Unsecured Property Tax Levy	Total Collections ⁽²⁾	Percentage of Total Collections to Original Levy
1998-99	34,146,467	34,811,411	101.95
1999-00	37,937,325	38,540,297	101.59
2000-01	44,069,979	42,217,300	95.80
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

The following table describes the supplemental tax roll of the County for fiscal year 1998-99 through fiscal year 2008-09.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1998-99 THROUGH 2008-09**

<u>Fiscal Year</u>	<u>Tax Levy for Increased Assessments^{(1),(2)}</u>	<u>Refunds for Decreased Assessments⁽¹⁾⁽³⁾</u>	<u>Net Tax Levy</u>	<u>Collections^{(1),(2)}</u>
1998-99	31,007,626	6,446,611	24,561,015	28,675,990
1999-00	48,702,588	4,387,767	44,314,821	49,125,986
2000-01	54,057,911	3,282,783	50,775,128	40,942,746
2001-02	68,229,225	2,080,315	66,148,910	58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09	60,817,712	46,478,150	14,339,562	74,316,444

⁽¹⁾ These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.

⁽²⁾ Includes current and prior years' taxes, redemption penalties and interest collected.

⁽³⁾ Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of RONES less than \$10.

Source: County Auditor-Controller/County Treasurer and Tax Collector

The following table sets forth the assessed valuation by category and property type for fiscal year 2004-2005 through fiscal year 2009-10.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2004-05 THROUGH 2009-10
(IN MILLIONS)

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
SECURED PROPERTY:						
Land.....	\$ 44,284	\$ 52,819	\$ 66,302	\$ 77,403	\$ 82,908	\$ 70,165
Structures.....	89,242	107,234	130,830	155,847	152,908	140,608
Personal Property	810	783	803	1,476	1,510	1,349
Utilities	2,080	2,286	2,614	2,807	3,154	2,907
Total Secured	\$136,416	\$163,122	\$200,549	\$237,173	\$240,480	\$215,029
UNSECURED PROPERTY:						
Land.....	\$ 5	\$ 4	\$ 3	\$ 3	\$ 3	\$ 2
Improvements.....	2,465	2,709	2,839	3,195	3,682	3,761
Personal Property	3,050	3,308	3,571	3,976	4,338	4,245
Total Unsecured ⁽²⁾	\$ 5,520	\$ 6,021	\$ 6,413	\$ 7,174	\$ 8,023	\$ 8,008
Grand Total	\$141,936	\$169,143	\$206,962	\$244,347	\$248,503	\$223,037

(1) Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

(2) Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and are expected to continue to decline in 2009. See "DEMOGRAPHIC AND ECONOMIC INFORMATION-Building and Real Estate Activities" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in marked values call for such reductions.

In response to the decline in the local housing market, for FY 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporate these Prop 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For FY 09-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%.

After giving affect to the foregoing adjustments, as well as to projected collections under the Teeter Plan (described below) and to the stabilizing effects of Proposition 13, the County experienced slight growth in assessed value for fiscal year 2008-09, and an assessed valuation reduction of [5%] for fiscal year 2009-2010.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2008-09 totaling approximately \$[] billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$[] million of assessed value, representing \$[] million in general purpose taxes, was reduced from the County tax roll for fiscal year 2006-07 and fiscal year 2007-08. The majority of appeals applicable to fiscal year 2006-07 have been completed. The remainder of the fiscal year 2007-08 and the fiscal year 2008-09 assessment appeals are expected to be completed by June 1, 2010.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2008-09 budget will be determined primarily by three components: (i) the remainder of the fiscal year 2007-08 and fiscal year 2008-09 assessment appeals still to be completed; (ii) approximately 36% of the fiscal year 2008-09 appeals being completed during fiscal year 2008-09; and (iii) additional assessment revenue which the County Assessor projects will billed during a fiscal year and reduce the impact of the appeals related to such fiscal year.

Teeter Plan

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal year 2007-08, approximately 74% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at 22.4 million as of June 30, 2009. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

[Funding for the County's on-going obligations under the Teeter Plan is anticipated to be accomplished through the sale, prior to or contemporaneously with the sale of the Series 2008A Bonds, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of \$186.0 million and County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series C (the "C Notes") in the amount of \$81.0 million. The total amount of \$267 million is comprised of approximately \$197.0 million representing fiscal year 2007-2008 delinquent property taxes and \$70 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make the annual repayment. The letter of credit will expire on November 5, 2012. The C Notes are expected to be privately placed with the County Treasurer in the County Pooled Investment Fund.] **[UPDATE FOR 2009 OBLIGATIONS]**

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2008-09.

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2008-09
SECURED AND UNSECURED ASSESSMENTS**

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
SOUTHERN CALIF EDISON COMPANY	\$15,492,349.84	0.51%
VERIZON CALIFORNIA INC.	10,974,918.16	0.36
CENTEX HOMES	8,465,716.44	0.28
DEUTSCHE BANK NATIONAL TRUST COMPANY	8,061,428.88	0.26
SOUTHERN CALIF GAS COMPANY	5,526,572.94	0.18
KB HOME COASTAL INC	5,214,174.05	0.17
INLAND EMPIRE ENERGY CTR LLC	4,706,033.72	0.15
U.S. BANK NATIONAL ASSOCIATION	4,154,213.64	0.14
KSL DESERT RESORT	4,105,347.32	0.13
STANDARD PACIFIC CORP	4,061,369.02	0.13
BANK OF NEW YORK	3,846,657.54	0.13
ABBOT VASCULAR INC.	3,581,536.01	0.12
PARDEE HOMES	3,235,102.24	0.11
DS HOTEL	3,056,693.26	0.10
ASHBY USA	3,047,446.30	0.10
PULTE HOME CORP	3,039,769.30	0.10
WELLS FARGO BANK	2,792,718.45	0.09
WESTERN PACIFIC HOUSING INC	2,610,165.50	0.09
TYLER MALL LTD PARTNERSHIP	2,596,733.84	0.08
PALM DESERT FUNDING CO	2,572,311.58	0.08
BLYTHE ENERGY LLC	2,438,132.74	0.08
WALGREEN CO	2,435,977.38	0.08
LOWES HIW INC	2,417,926.52	0.08
COSTCO WHOLESALE CORP	2,378,783.90	0.08
BRE PROP INC	2,266,172.24	0.07
<u>TOTAL</u>	\$113,078,250.90	3.70%

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2008-09 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2009-10
BY ASSESSED VALUE**

<u>ASSESSEE</u>	<u>ASSESSED VALUE</u>
Deutsche Bank National Trust Company	\$ 510,232,418
U.S. Bank National Association	344,754,334
Abbot Vascular Inc.	313,028,231
Kaiser Foundation Hospitals	295,948,194
Eisenhower Memorial Hospital	270,041,179
Bank of New York	244,773,809
Walgreens Company	239,476,608
Centex Homes	222,147,281
Lowes HIW Inc.	221,207,547
Target Corp.	212,441,568
Subtotal	\$ 2,874,051,169
All Others	214,565,519,149
Total	\$217,439,570,318 [†]

[†] Excludes State assessed property.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2007-08, the County retained approximately 12.2% of the total amount collected (and is budgeted to retain 11.9% in fiscal year 2008-09). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies.

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 1998-99 THROUGH 2009-10**

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
1998-99	\$ 9,198,183,768	\$15,066,118,043	\$152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171
2000-01	10,966,072,778	20,127,612,843	203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605 ⁽⁴⁾	62,304,215,777	629,000,000 ⁽³⁾

⁽¹⁾ Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.

⁽²⁾ Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.

⁽³⁾ Includes general purpose and debt. Estimate.

⁽⁴⁾ County 100 report value for FY 2009-10.

Source: County Auditor-Controller

The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency. In the early years of redevelopment the amount "passed through" by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County has formed a redevelopment agency with project areas in 39 unincorporated communities. As of June 30, 2009, the County Redevelopment Agency had a total land area of 76,386 acres and a base year assessed value, including State-owned land, of \$2,916,116,730. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2009-10 is estimated at approximately \$10,956,471 (based on average county share of 13% of the 1% general property tax).

Financial Statements and Related Issues

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and

revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2007-08 were audited by Vavrinek, Trine, Day and Co., LLP. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the new reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The new reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County now reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2008, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2003-04 THROUGH 2007-08

(In Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
BEGINNING FUND BALANCE	\$ 220,209 ⁽¹⁾	\$ 249,053	\$ 339,321 ⁽¹⁾	\$ 446,918	\$ 570,964 ⁽²⁾
REVENUES					
Taxes	193,329	219,420	273,493	301,573	309,295
Licenses, permits and franchises	19,964	22,157	21,569	25,803	24,525
Fines, forfeitures and penalties	42,905	70,023	62,305	81,148	90,788
Use of money and property – Interest	8,724	21,126	42,826	62,848	61,623
Use of money and property –					
Rents and concessions	1,359	4,253	4,131	2,805	2,578
Government Aid – State	673,403	660,761	785,390	893,390	905,998
Government Aid – Federal	373,146	395,655	395,105	430,606	473,731
Governmental Aid-Other	46,750	55,661	69,042	81,703	95,808
Charges for current services	263,107	293,581	326,066	319,198	358,767
Other revenues	<u>55,260</u>	<u>82,334</u>	<u>13,936</u>	<u>38,856</u>	<u>29,308</u>
TOTAL REVENUES	\$1,677,947	\$1,824,971	\$1,993,863	\$2,237,932	\$2,352,421
EXPENDITURES					
General government	\$ 101,429	\$ 105,992	\$ 123,716	\$ 119,365	\$ 145,290
Public protection	674,389	742,550	798,035	916,524	1,032,582
Public ways and facilities	--	3,430	3,930	4,405	4,717
Health and sanitation	362,010	279,472	337,139	341,467	368,753
Public assistance	536,275	569,412	588,928	644,912	704,404
Education	337	332	349	394	464
Recreation and cultural	181	175	203	203	206
Capital Outlay	1,008	6,616	7,929	8,811	8,670
Debt service	<u>14,454</u>	<u>36,119</u>	<u>33,576</u>	<u>29,751</u>	<u>26,132</u>
TOTAL EXPENDITURES	\$1,690,083	\$1,744,098	\$1,893,805	\$2,065,932	\$2,291,218
Excess (deficit) of revenues over (under) expenditures	(12,136)	80,873	100,058	172,000	61,203
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 60,999	\$ 69,014	\$ 103,586	\$ 89,449	\$ 104,892
Transfer to other funds	(21,027)	(53,102)	(104,172)	(146,214)	(269,961)
Capital Leases	<u>1,008</u>	<u>6,616</u>	<u>8,125</u>	<u>8,811</u>	<u>8,670</u>
Total other Financing Sources (Uses)	40,980	22,528	7,539	(47,954)	(153,399)
NET CHANGE IN FUND BALANCES	28,844	103,401	107,597	124,046	(92,196)
FUND BALANCE, END OF YEAR	249,053	352,454	446,918	570,964	478,768
Less:					
Reserved Fund Balance	100,940	121,249	100,436	88,233	84,466
Designated Fund Balance	<u>70,361</u>	<u>185,014</u>	<u>277,833</u>	<u>339,773</u>	<u>335,630</u>
UNDESIGNATED UNRESERVED FUND BALANCE	<u>\$ 77,752</u>	<u>\$ 46,191</u>	<u>\$ 68,649</u>	<u>\$ 142,958</u>	<u>\$ 58,672</u>

⁽¹⁾ Beginning unreserved fund balance does not equal prior year ending unreserved fund balance due to an equity restatement.

⁽²⁾ Restated.

Source: County Auditor-Controller.

[COUNTY OF RIVERSIDE]
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2004 THROUGH JUNE 30, 2008

(In Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
ASSETS:					
Cash & Marketable Securities	\$ 65,681	\$184,723	\$257,077	\$283,080	
Taxes Receivable	4,367	20,679	19,939	40,766	
Accounts Receivable	21,472	37,177	43,255	60,621	
Interest Receivable	4,078	9,214	9,124	14,673	
Advances to Other Funds	5,646	40	20	37	
Due from Other Funds	8,892	8,435	5,895	5,417	
Due from Other Governments	214,319	195,064	206,270	252,411	
Inventories	2,979	1,801	1,806	1,540	
Restricted Assets	<u>230,390</u>	<u>436,555</u>	<u>228,897</u>	<u>263,390</u>	
Total Assets	<u>\$557,824</u>	<u>\$893,688</u>	<u>\$772,283</u>	<u>\$921,935</u>	<u>\$866,259</u>
LIABILITIES:					
Accounts Payable	\$ 70,790	\$ 86,713	\$85,857	\$82,441	
Salaries & Benefits Payable	46,367	52,805	63,119	70,585	
Due To Other Funds	945	4,928	1,189	288	
Due to Other Governments	19,663	45,057	35,017	41,432	
Due to Third Parties	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾	
Deferred Revenue	170,981	133,742	140,101	156,155	
Deposits Payable	25	67	82	70	
Bonds & Notes Payable	-- ⁽¹⁾	<u>217,922</u>	-- ⁽¹⁾	-- ⁽¹⁾	
Total Liabilities	<u>\$308,771</u>	<u>\$541,234</u>	<u>\$325,365</u>	<u>\$350,971</u>	<u>\$387,491</u>
FUND BALANCE:					
Reserved	\$100,940	\$121,249	\$100,436	\$ 88,233	
Unreserved	<u>148,113</u>	<u>231,205</u>	<u>346,482</u>	<u>482,731</u>	
Fund Balance	<u>\$249,053</u>	<u>\$352,454</u>	<u>\$446,918</u>	<u>\$570,964</u>	<u>\$478,768</u>
Total Liabilities and Fund Balance	<u>\$557,824</u>	<u>\$893,688</u>	<u>\$772,283</u>	<u>\$921,935</u>	<u>\$866,259</u>

⁽¹⁾ No activity to report.

Source: County Auditor-Controller.

Long-Term Obligations of County

During its 116 years of existence, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of October 1, 2009, the County had [\$] in direct general obligation bonded indebtedness and [\$] in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of October 1, 2009.

[COUNTY OF RIVERSIDE]
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF OCTOBER 1, 2009)

RIVERSIDE COUNTY

[UPDATED TABLE ORDERED – WILL BE AVAILABLE WEEK OF 10/12]

2008-09 Assessed Valuation: \$239,495,914,020 (includes unitary utility valuation)
 2007-08 Adjusted Assessed Valuation: \$176,550,233,143 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 10/1/08
Metropolitan Water District	7.223%	\$ 23,634,739
Community College Districts	1.422-99.999	486,033,075
Unified School Districts	2.879-100.	1,553,308,661
Perris Union High School District	100.	57,412,260
Union School Districts	100.	41,513,493
City of Corona	100.	1,150,000
City of Riverside	100.	17,940,000
Eastern Municipal Water District Improvement Districts	100.	17,635,000
Elsinore Valley Municipal Water District Improvement District No. U2	100.	815,000
Coachella County Water District Improvement Districts	100.	9,105,000
Rancho California Water District, Rancho and Santa Rosa Divisions	100.	4,250,000
Riverside County Flood Control, Zones 4-2 B and 3-B Benefit Assessment Districts	100.	3,225,000
San Geronio Memorial Hospital District	100.	50,000,000
Other Special Districts	100.	2,500
Community Facilities Districts	94.268-100.	2,961,713,510
Riverside County 1915 Act Bonds	100.	34,505,317
City and Special District 1915 Act Bonds (Estimated)	100.	<u>278,481,831</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,540,725,386

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Riverside County General Fund Obligations	100.	%	\$ 701,119,356	(2)
Riverside County Pension Obligations	100.		387,995,000	
Riverside County Board of Education Obligations	100.		9,275,000	
School Districts General Fund and Lease Tax Obligations	2.879-100.		615,583,190	
City of Corona General Fund Obligations	100.		74,250,000	
City of Moreno Valley General Fund Obligations	100.		83,070,000	
City of Murrieta General Fund Obligations	100.		17,255,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.		130,713,588	
City of Riverside Certificates of Participation	100.		197,665,000	
City of Riverside Pension Obligations	100.		142,170,000	
Other City General Fund and Special Tax Obligations	100.		118,624,800	
Other Water District Certificates of Participation	0.312-100.		8,393,704	
Other Special District Certificates of Participation	100.		<u>3,975,000</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,490,089,638	
Less: Riverside District Court Financing Corporation (100% self-supporting from U.S. General Services Administration)			17,504,083	
Perris Union High School District and Hemet Unified School District self-supporting obligations			5,551,500	
Other Special District self-supporting bonds (self-supporting from enterprise revenues)			<u>7,020</u>	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,467,027,035	
 GROSS COMBINED TOTAL DEBT			 \$8,030,815,024	 (3)
NET COMBINED TOTAL DEBT			\$8,007,752,421	

(1) Excludes issue to be sold.

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

Ratios to 2007-08 Assessed Valuation:

Overlapping Tax and Assessment Debt 2.31%

Ratios to Adjusted Assessed Valuation:

Combined Gross Direct Debt (\$1,089,557,556)..... 0.62%
Combined Net Direct Debt (\$1,071,610,273)..... 0.61%
Gross Combined Total Debt..... 4.55%
Net Combined Total Debt 4.54%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$0

Source: California Municipal Statistics, Inc.

Lease Obligations

The County has used nonprofit corporations and joint powers authorities to finance certain public facilities through the issuance of lease obligations. Pursuant to these arrangements, a nonprofit corporation or joint powers authority constructs or acquires facilities with the proceeds of lease revenue obligations which are then leased to the County. Upon expiration of the lease, title to the facilities vests in the County.

As of June 30, 2009, the County's current outstanding lease obligations total \$743,919,171. The County's annual lease obligation is approximately \$69,813,743 and the maximum annual lease payment is \$88,497,632.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of June 30, 2009.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of June 30, 2009)

	Final Maturity Year	Original Lease Amount	Obligations Outstanding	Annual Base Rental ⁽¹⁾
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$148,500,000	\$75,900,000	\$11,205,000 ⁽²⁾
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	2,064,413	997,270
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	53,650,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	68,895,000	19,599,869 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	6,200,000	844,500 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	19,780,000	1,473,900
2008 Series A	2022	72,445,000	72,445,000	5,853,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	12,400,000	874,505
2005 Series B ⁽⁵⁾	2027	22,610,000	21,010,000	1,467,177
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	11,885,000	1,447,363
County of Riverside Certificates of Participation ⁽⁶⁾ (1998 Larson Justice Center Refunding)	2021	36,100,000	23,705,000	2,484,910
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	15,674,685	
Series 2002	2020	925,000	660,000	1,812,91 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	10,070,000	2,314,469
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	33,935,000	2,532,656
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽⁹⁾	2018	8,685,000	4,550,000	1,023,215
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) ⁽¹⁰⁾	2036	51,655,000	49,160,000	3,405,913
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	34,090,000	2,165,544
County of Riverside Certificates of Participation ⁽¹¹⁾ (2007 A/B Public Safety Communication and Refunding Projects)	2022	111,125,000	107,780,000	6,244,405
TOTAL		<u>\$981,195,073</u>	<u>\$743,919,171</u>	<u>\$69,813,743</u>

Source: County Executive Office.

- (1) Annual base rental for Fiscal Year 2009-2010 unless otherwise noted.
- (2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending June 30, 2009 was approximately 1.13%.
- (3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.
- (4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending June 30, 2009 was approximately 2.79%.
- (5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
- (6) The 1998 Larson Justice Center Refunding Project refunded the 1994 Desert Justice Center Project, and is being refunded with the 2009 Larson Justice Center Refunding Project.
- (7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
- (8) The 2008 Series A refunded the 2000 Series B SWJC Project.
- (9) The 2003 Series B refunded the 1993 Master Refunding Project.
- (10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
- (11) The 2007 Series B refunded the 1997 Lease Refunding Projects

Additional Obligations

The County has current plans to enter into a lease agreement with the Authority pursuant to which the County will be obligated to pay up to an aggregate principal amount of \$[] million, in connection with certificates of participation to be issued to current refund the County's Certificates of Participation 2007 Series B (Public Safety Communication and Refunding Projects). In addition, the County currently plans to issue up to \$[] aggregate principal amount of its 2009 Teeter Obligation Notes, Series C to refund the outstanding 2008 County of Riverside Teeter Obligation Notes, Series C. The County currently expects to enter into such obligations prior to December 31, 2009.

Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement is with Citibank, N.A. (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated A1 by Moody's and A+ by Standard & Poor's as of May 13, 2009. Downgrade provisions specify that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (in the case of S&P) or A3 (in the case of Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

The amendment provides that if an "Insurer Downgrade Event" occurs, the Counterparty may deem the transaction to be uninsured. "Insurer Downgrade Event" is deemed to occur if the insurer fails at any time to have two out of three of the following ratings: (i) a claims-paying ability rating of "A+" or higher from S&P, (ii) a financial strength rating of "A1" or higher from Moody's, and (iii) a financial strength rating of "A+" or higher from Fitch. Should an Insurer Downgrade Event occur, the County is required, within one business day of the Counterparty's determination that the transaction is no longer insured, to either (i) provide an alternate credit support document acceptable to the Counterparty from a credit support provider rated at least "AAA" by S&P and "Aaa" by Moody's, or (ii) deliver collateral to the Counterparty. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. Assured Guaranty Corp. has a rating of "AAA" by S&P and "Aa2" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

A summary of County employment levels follows. Some employees are hired under various federally funded programs.

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 1998 THROUGH 2009

Year	Regular Employees ⁽¹⁾
1998	11,687
1999	12,808
2000	13,332
2001	15,951
2002	14,729 ⁽²⁾
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009 ⁽³⁾	18,221

(1) As of December 31st of each year. Excludes temporary and per diem employees, which totaled approximately 2,593 employees in 2005, 2,522 employees in 2006, 2,671 employees in 2007, 1,895 employees in 2008 and 1,571 in 2009.

(2) Reduction in regular employees due to court employees becoming State employees.

(3) As of October 7, 2009.

Source: County Human Resources Department

County employees comprise 11 bargaining units, plus another 7 unrepresented employee groups. Eleven of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 70% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

The County's law enforcement employees (non-management), Deputy Probation Officers and Group Counselors are represented by the Riverside Sheriffs' Association ("RSA"). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Unit ("LEMU"). The prosecuting attorneys of the District Attorney's Office are represented by the Deputy District Attorney's Association ("DDAA").

The County's agreement with SEIU and LIUNA will extend through June 30, 2010. The agreement with LEMU will extend through June 30, 2012. The agreement with RSA for the Law Enforcement Unit will extend through January 31, 2011. The County's agreement with RSA for the Public Safety Unit expired on January 31, 2009, and its agreement with DDAA expired on March 31, 2009. The County is currently negotiating with RSA for the Public Safety Unit and with the DDAA to reach new agreements. In the meantime the County has imposed Terms and Conditions of Employment on the DDAA. During the last twenty years, there has been no major County employee work stoppage.

Retirement Program

General. The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through its California Public Employees' Retirement System ("PERS") Contract (as amended to date, and as may further be amended from time to time, the "PERS Contract"), a multiple-employer public sector employee

defined benefit pension plan. The retirement plan, as amended, provides simultaneous coverage of eligible employees in the Miscellaneous Plan (herein defined) with PERS and social security, and coverage in lieu of Social Security for safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation; the benefit factor ranges from 2% at age 50 to 3% at ages 60 and beyond. For safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of 2% per year after retirement.

Included among the employees covered under the PERS Contract are trial court employees. The State is obligated to reimburse the County for the share of PERS costs associated with the trial court employees with the County, but the County remains primarily liable for such costs under the PERS Contract.

The County established in 2003 a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions about retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on April 7, 2009 (the "PARC Report"). See "-- Retirement Program -- Funding Status" and "-- Retirement Program -- Projected County Contributions and UAAL" herein for a description of the PARC Report.

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2009 covered PERS' fiscal year 2007-08). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2008, which [was] prepared in October 2009, will be effective during the County's fiscal year 2010-11). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower.

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years, instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90-110% of market value to 80-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses

had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique. Prior to April 2005, one-third of the gain or loss realized was recognized in a given fiscal year. Under the rate stabilization policy effective as of April 2005, one-fifteenth of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year (which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return). However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In May 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 8.25% to 7.75%; (ii) the long term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved significant demographic assumption changes. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In response to the significant asset value declines of fiscal year 2008-09, in June 2009 the PERS Board approved an enhancement to its smoothing methodology. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand to 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30 year amortization schedule.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to the collective bargaining arrangements with the County's employee unions to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions"). The County pays the employee share of safety retirement to the Safety Plan for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement to the Miscellaneous Plan for all miscellaneous members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying the entire employee share under certain conditions.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share for all years. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Safety Plan as of June 30, 2008, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of [_____] % be implemented as the required rate for fiscal year 2010-11, which the County anticipates will result in a contribution to PERS of approximately \$[_____] million for that fiscal year. In addition, the County will pay to PERS approximately \$[_____] million in County Offsets of Employee Contributions for fiscal year 2010-11, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2010-11 of approximately \$[_____] million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2008, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of [_____] % be implemented as the required rate for fiscal year 2010-11, which the County anticipates will result in a contribution to PERS of approximately \$[_____] million.

million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$[_____] million in County Offsets of Employee Contributions for fiscal year 2010-11, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2010-11 of approximately \$[_____] million.

The amount of the County's contribution rates under the PERS Plans increased substantially in fiscal years 2003-04 and 2004-05 due in part to the significant investment losses during fiscal years 2000-01 through 2002-03 and the benefit improvements for both Safety and Miscellaneous plans. While the investment gains experienced in fiscal year 2003-04 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to the County's actuary, Bartel & Associates ("Bartel"), due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bond has resulted in a net loss to the County of \$72.7 million. The County believes that it is reasonable to expect that over the remaining 26 years of the bond's life the transaction will produce savings. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS of an estimated \$5.1 million from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. This prepayment generated \$2 million in cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007 and again on June 23, 2008, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the second and third transfer to PERS of \$6.5 million for each transfer from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. In 2009, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the use of \$6 million from the liability management fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. As of June 30, 2009, the County has purchased \$[_____] worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$[_____].

In 2009, the County issued \$200.8 million in Tax and Revenue Anticipation Notes through the California Statewide Communities Development Authority, plus an additional \$92.2 of tax-exempt Tax and Revenue Anticipation Notes (the "2009 Tax-Exempt TRANS"), the proceeds of which were used to prepay a portion of the County's PERS contributions for fiscal year 2009-10.

The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2004 through June 30, 2008 and the total employer contributions made by the County for fiscal year 2005-06 through fiscal year 2010-11. The two tables are based on PERS Actuarial Reports for those years:

[HISTORICAL FUNDING STATUS]
(Safety Plan)

Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2004	\$133,684,051	86.9%	2006-07	\$36,722,257	\$14,719,343
2005	58,201,798	94.8	2007-08	42,712,207	16,217,716
2006	61,861,506	95.0	2008-09	49,203,469	17,718,707
2007	78,113,619	94.3	2009-10	[49,372,599] ⁽³⁾	[18,731,462] ⁽³⁾
2008			2010-11		

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.

(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.

(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

[HISTORICAL FUNDING STATUS]
(Miscellaneous Plan)

Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2004	\$397,462,924	82.2%	2006-07	\$79,679,334	\$35,086,123
2005	106,958,141	95.7	2007-08	88,824,408	37,106,508
2006	142,160,688	94.8	2008-09	97,194,281	39,857,992
2007	135,212,288	95.5	2009-10	[98,328,620] ⁽³⁾	[41,076,905] ⁽³⁾
2008			2010-11		

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.

(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.

(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A five-year schedule of the funding progress of the Safety Plan and the Miscellaneous Plan are presented in the following two tables:

[SCHEDULE OF FUNDING PROGRESS]
(Safety Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2004	\$1,021,085,045	\$887,401,000	\$133,684,051	86.9%	\$161,598,000	82.7%
2005	1,127,240,234	1,069,038,436	58,201,798	94.8	168,806,459	34.5
2006	1,231,954,415	1,170,092,909	61,861,506	95.0	189,606,339	32.6
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008						

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

[SCHEDULE OF FUNDING PROGRESS]
(Miscellaneous Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2004	\$2,231,623,980	\$1,834,161,056	\$397,462,924	82.2%	\$571,677,315	69.5%
2005	2,471,523,205	2,364,565,064	106,958,141	95.7	592,531,095	18.1
2006	2,741,753,157	2,599,592,469	142,160,688	94.8	659,274,265	21.6
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008						

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2006-07 through fiscal year 2010-11 to satisfy its retirement funding obligations.

[SCHEDULE OF EMPLOYER CONTRIBUTION RATES]

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2004	2006-07	18.031%	11.916%
2005	2007-08	18.625	12.051
2006	2008-09	19.033	12.164
2007	2009-10	18.605	11.999
2008	2010-11		

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

Projected County Contributions and UAAL. The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the

assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The PERS actuary, in its June 30, 2008 actuarial valuation, projected that the County's contribution rate under the Safety Plan for the fiscal year 2010-11 will be [_____]%, which would result in an approximately [_____] % decrease in the contribution rate from fiscal year 2009-10. The PERS actuary, in its June 30, 2008 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the fiscal year 2010-11 will be [_____]%, which would result in an approximately [_____] % decrease in the contribution rate from fiscal year 2009-10. No projections beyond fiscal year 2010-11 have been prepared by PERS. The investment losses incurred by in fiscal year 2008-09 will impact the County's contribution rates beginning in fiscal year 2011-12. PERS has projected contribution rate increases for fiscal years 2011-12 through 2014-15 for all participating employers based on their applicable volatility index. Based on the PERS projections for all its participating employers, the County expects the Miscellaneous Plan contributions to increase by 1.0% of payroll rate for fiscal year 2011-12, an additional 1.6% increase in fiscal year 2012-13, and another 1.7% increase in fiscal year 2013-14, for a cumulative increase of 4.3% over three years. Based on the PERS projections for all its participating employers, the County expects the Safety Plan contributions to increase by 1.5% of payroll rate for fiscal year 2011-12, an additional 2.5% increase in fiscal year 2012-13, and another 2.6% increase in fiscal year 2013-14, for a cumulative increase of 6.6% over three years. Because of the 15 year smoothing method, additional losses will continue to be recognized, but not as severely as the first three years. Without significant future investment gains, the Miscellaneous Plan and Safety Plan will continue to see a 0.2% per year increase for the next 15 years

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.75% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed such that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For a discussion of the smoothing policy of PERS, see "– The County's PERS Contract" above.

According to the PARC Report submitted to the Board of Supervisors on April 7, 2009, Bartel forecasted that as of June 30, 2009, the County will have a UAAL of \$600 million for the Miscellaneous Plan and \$300 million for the Safety Plan, which are expected to contribute to the projected funding status, on a net basis (which includes the County's outstanding pension obligation bond liability), of 74.1% for the Miscellaneous Plan and 75.9% for the Safety Plan. Bartel's forecasts reflect certain significant assumptions concerning future events and circumstances, including the projected annual market rate of return for 2009 which is greater than the assumed actuarial rate of return of 7.75%.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2009 the County's current required contribution level is 0.68%. The County has elected to contribute 2% of payroll in order to reach a target 90% funded ratio within one year. The County's contribution to the Plan was \$2,090,002 for fiscal year 2008-09 and is estimated to be \$550,000 for fiscal year 2009-10. The Plan's unfunded liabilities as of June 30, 2008 are approximately \$2,481,640.

Other Post Employment Benefits. The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least 50 years of age at retirement qualify to receive the post-retirement benefits.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). These disclosure requirements are effective for the County beginning fiscal year 2007-08.

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APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE
GENERAL INFORMATION

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,107,653 as of January 1, 2009, representing a 36.4% increase since the 2000 Census or a simple annual average increase of 4%.

Numerically, the County's population grew by over one-half million, ranking it as one of the major growth areas in the nation. During this period, nine cities and the incorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 56,000 to its population. This is followed by Riverside (45,264), Moreno Valley (43,922), Indio (33,114), Corona (23,631), Lake Elsinore (21,337), Beaumont (21,019) and La Quinta (20,084). The city of Beaumont experienced the most rapid growth rate with a population increase of 185%. Several areas in the unincorporated County also grew rapidly. These include Eastvale, Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. Currently, the growth in the County has tempered due to the economy. Between January 1, 2008 and January 1, 2009, the County population increased by 1.4%. Although this rate is far below the average for this decade, it is above the statewide average.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

COUNTY OF RIVERSIDE
POPULATION OF CITIES WITHIN THE COUNTY
(As of January 1)

<u>CITY</u>	<u>1990</u>	<u>2000</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Banning	20,570	23,562	28,293	28,148	28,457
Beaumont	9,685	11,384	28,271	31,317	32,403
Blythe	8,428	20,465	22,636	21,627	21,329
Calimesa	-	7,139	7,420	7,423	7,498
Canyon Lake	-	9,952	10,979	10,994	11,128
Cathedral City	30,085	42,647	52,151	51,972	52,447
Coachella	16,896	22,724	38,515	40,317	41,000
Corona	76,095	124,966	146,147	146,698	148,597
Desert Hot Springs	11,668	16,582	24,907	25,939	26,552
Hemet	36,094	58,812	73,299	73,205	74,361
Indian Wells	2,647	3,816	4,945	5,000	5,093
Indio	36,793	49,116	77,208	80,962	82,230
Lake Elsinore	18,285	28,928	47,669	49,556	50,267
La Quinta	11,215	23,694	41,125	42,743	43,778
Menifee	-	-	-	-	67,705
Moreno Valley	118,779	142,381	180,603	182,945	186,301
Murrieta	-	44,282	97,329	99,576	100,714
Norco	23,302	24,157	27,375	27,143	27,160
Palm Desert	23,252	41,155	49,789	50,686	51,509
Palm Springs	40,181	42,807	46,893	47,019	47,601
Perris	21,460	36,189	50,701	53,340	54,323
Rancho Mirage	9,778	13,249	16,957	16,975	17,180
Riverside	226,505	255,166	291,611	296,191	300,430
San Jacinto	16,210	23,779	34,371	35,491	36,477
Temecula	27,099	57,716	98,009	99,873	102,604
Wildomar	-	-	-	-	31,321
TOTALS					
Incorporated	785,027	1,116,358	1,497,203	1,533,751	1,648,465
Unincorporated	<u>385,386</u>	<u>429,029</u>	<u>537,637</u>	<u>553,461</u>	<u>459,188</u>
County-Wide	<u>1,170,413</u>	<u>1,545,387</u>	<u>2,034,840</u>	<u>2,078,601</u>	<u>2,107,653</u>
California	29,473,000	33,871,648	37,559,440	37,883,992	38,292,687

Source: U.S. Census Bureau, except that 2007, 2008 and 2009 data is from the State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark).

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2003 through 2008.

**RIVERSIDE COUNTY AND CALIFORNIA
TOTAL EFFECTIVE BUYING INCOME,
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND
PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000⁽¹⁾**

	Total Effective Buying Income⁽²⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
2003			
Riverside County	\$ 25,180,040	\$38,691	34.8%
California	\$647,879,427	\$42,484	40.5%
2004			
Riverside County	\$ 27,623,743	\$39,321	36.0%
California	\$674,721,020	\$42,924	41.2%
2005			
Riverside County	\$ 29,468,208	\$40,275	37.1%
California	\$705,108,410	\$43,915	42.5%
2006			
Riverside County	\$ 32,004,418	\$41,326	38.9%
California	\$720,799,048	\$44,681	43.7%
2007			
Riverside County	\$ 35,656,620	\$43,490	41.8%
California	\$765,120,982	\$46,275	45.6%
2008			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: “Survey of Buying Power,” Sales & Marketing Management Magazine, 2003 and 2004 and 2005, and Demographics USA, Trade Dimensions for 2006, 2007 and 2008.

INDUSTRY AND EMPLOYMENT

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA ANNUAL AVERAGE EMPLOYMENT⁽¹⁾ (IN THOUSANDS)

<u>INDUSTRY</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Agriculture	18.7	18.3	17.2	16.8	16.2
Construction	111.8	123.3	129.5	112.8	90.5
Finance Activities	45.7	49.0	51.8	50.1	46.3
Government	212.5	220.4	224.2	225.7	230.0
Manufacturing:	120.1	121.0	124.0	118.9	107.0
Nondurables	34.6	35.0	36.4	36.4	34.4
Durables	85.5	86.1	87.6	82.5	72.6
Natural Resources and Mining	1.2	1.4	1.4	1.4	1.2
Retail Trade	153.8	165.7	171.5	175.4	168.0
Professional, Educational and other Services	399.9	416.5	436.2	446.3	439.4
Transportation, Warehousing and Utilities	55.5	60.2	63.8	66.7	70.2
Wholesale Trade	45.6	49.9	53.8	56.4	55.1
Information, Publishing and Telecommunications	<u>14.0</u>	<u>14.5</u>	<u>15.2</u>	<u>15.2</u>	<u>14.8</u>
Total, All Industries	1,178.7	1,240.3	1,288.4	1,285.5	1,238.7

⁽¹⁾ The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.

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

The following table sets forth the major employers located in the County as of 2009:

**[COUNTY OF RIVERSIDE]
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2009)**

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees⁽²⁾</u>
The County of Riverside	County Government	19,595
March Air Reserve Base	Government/Military	8,400
University of California, Riverside	College/University	6,657
Stater Brothers Markets	Grocery Retailer	6,425
Pachanga Resort & Casino	Casino/Resort	4,800
Abbott Vascular	Medical Device Manufacturer	4,500
Riverside Unified School District	Education	4,041
Riverside Community College District	Higher Education	3,753
Kaiser Permanente Riverside Med. Center	Health Care	3,200
Temecula Valley Unified School District	Education	2,952

- (1) Certain major employers in the County may have been excluded because of the data collection methodology used by The Business Press.
- (2) Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Source: The Business Press 2009 Book of Lists

Unemployment statistics for the County, the State and the United States are set forth in the following table.

**COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>August 2009</u>
County ⁽¹⁾	6.3%	5.7%	5.1%	5.0%	6.2%	8.6%	15.0% ⁽²⁾
California ⁽¹⁾	6.8	6.2	5.4	4.9	5.4	7.2	12.1 ⁽²⁾
United States	6.0	5.5	5.1	4.6	4.6	5.8	9.7 ⁽³⁾

- (1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
- (2) Preliminary.
- (3) Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2003 through 2007, and the first two quarters of the 2008 calendar year:

**COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008*</u>
Apparel Stores	\$ 746,015	\$ 867,276	\$ 990,129	\$ 1,080,385	\$ 1,171,013	\$ 273,863
General						
Merchandise Stores	2,427,411	2,756,019	3,021,908	3,250,377	3,272,665	754,191
Drug Stores	244,560	270,316	282,566	303,177	320,469	84,533
Food Stores	1,028,392	1,079,972	1,197,438	1,309,782	1,352,609	344,394
Packaged Liquor						
Stores	61,514	66,728	74,828	78,895	84,397	23,803
Eating and						
Drinking Places	1,713,632	1,940,610	2,157,801	2,316,422	2,388,039	595,870
Home Furnishing						
and Appliances	691,051	862,551	964,629	948,217	843,945	177,349
Building Materials						
& Farm						
Implements	1,868,995	2,476,092	2,756,280	2,738,153	1,961,911	417,050
Auto Dealers &						
Supplies	3,662,151	4,179,940	4,474,566	4,326,040	4,301,385	870,813
Service Stations	1,536,240	1,855,263	2,277,082	2,630,716	2,835,690	874,827
Other Retail Stores	<u>2,050,991</u>	<u>2,427,910</u>	<u>2,641,985</u>	<u>2,860,181</u>	<u>2,710,393</u>	<u>609,944</u>
Retail Stores Total	\$16,030,952	\$18,715,949	\$20,839,212	\$21,842,345	\$21,242,516	\$5,026,637
All Other Outlets	<u>5,678,183</u>	<u>6,521,199</u>	<u>7,417,279</u>	<u>7,973,892</u>	<u>7,781,093</u>	<u>1,860,059</u>
Total All Outlets	<u>\$21,709,135</u>	<u>\$25,237,148</u>	<u>\$28,256,491</u>	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$6,886,696</u>

*Note: Reflects Taxable Sales Transactions for the period of January 1, 2008 through June 30, 2008.

Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2004.

COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS⁽¹⁾ (IN THOUSANDS)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽¹⁾</u>
RESIDENTIAL						
New Single-Family	\$5,997,514.0	\$6,243,790.0	\$4,409,675.8	\$2,209,586.7	\$1,214,752	\$618,057
New Multi-Family	404,616.0	407,429.0	431,864.8	237,887.0	243,741	54,837
Alterations and Adjustments	<u>135,178.0</u>	<u>164,312.0</u>	<u>157,167.9</u>	<u>141,952.4</u>	<u>118,490</u>	<u>58,286</u>
Total Residential	\$6,537,308.0	\$6,815,531.0	\$4,998,708.5	\$2,589,426.1	\$1,576,983	\$731,177
NON-RESIDENTIAL						
New Commercial	\$ 580,058.0	\$ 552,665.0	\$ 647,460.4	\$ 682,416.6	\$ 539,944	\$ 47,309
New Industry	203,311.0	120,366.0	288,352.6	151,994.4	70,411	12,278
New Other ⁽²⁾	334,002.0	344,702.0	288,768.2	239,835.3	138,766	72,536
Alterations & Adjustments	<u>222,496.0</u>	<u>274,339.0</u>	<u>305,262.6</u>	<u>400,604.5</u>	<u>292,694</u>	<u>105,523</u>
Total Nonresidential	\$1,339,867.0	\$1,292,072.0	\$1,529,843.8	\$1,474,850.8	\$1,041,815	\$237,646
TOTAL ALL BUILDING	<u>\$7,877,175.0</u>	<u>\$8,107,603.0</u>	<u>\$6,528,552.3</u>	<u>\$4,064,276.9</u>	<u>\$2,618,798</u>	<u>\$968,821</u>

(1) Through August 31, 2009

(2) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Single Family	29,478	29,994	20,692	9,763	3,815
Multi-Family	<u>4,748</u>	<u>4,140</u>	<u>4,519</u>	<u>2,690</u>	<u>2,104</u>
TOTAL	<u>34,226</u>	<u>34,134</u>	<u>25,211</u>	<u>12,453</u>	<u>5,919</u>

Source: Construction Industry Research Board

The following table sets forth a comparison of median housing prices for Los Angeles County, Riverside County and Southern California as of August 2008 and August 2009.

**COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES**

	<u>August 2008</u>	<u>August 2009</u>	<u>Percent change</u>
County of Riverside	\$247,450	\$190,000	(23.2)%
Los Angeles County	380,000	329,000	(13.3)%
Southern California ⁽¹⁾	330,000	275,000	(16.7)%

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years and quarters indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
2004	901	348	697	2,221
2005	585	304	402	1,702
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,423	23,557	125,056
2009 ⁽²⁾	13,836	12,237	9,632	47,770

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

⁽²⁾ First two quarters of 2009.

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains a leading source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2004 through 2008 is presented in the following table.

COUNTY OF RIVERSIDE

Value of Agricultural Production

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Citrus Fruits	\$ 123,574,100	\$ 138,244,700	\$ 107,897,000	\$ 121,387,100	\$ 135,759,800
Trees and Vines	211,936,500	188,553,200	191,321,200	189,286,500	173,678,000
Vegetables, Melons, Miscellaneous	174,866,300	261,019,500	213,643,300	234,854,700	266,414,900
Field and Seed					
Crops	75,219,000	77,687,300	68,611,700	94,492,000	123,545,400
Nursery	211,271,200	229,210,200	270,992,800	272,326,200	230,416,200
Apiculture	2,951,300	2,736,800	3,554,300	3,948,900	5,637,000
Aquaculture					
Products	<u>15,579,100</u>	<u>13,367,300</u>	<u>11,514,700</u>	<u>9,829,200</u>	<u>12,077,700</u>
Total Crop					
Valuation	\$ 815,397,500	\$ 910,819,000	\$ 867,535,000	\$ 926,124,600	\$ 947,529,000
Livestock and					
Poultry Valuation	<u>316,207,700</u>	<u>257,852,100</u>	<u>234,903,400</u>	<u>338,938,600</u>	<u>321,060,900</u>
Grand Total	<u>\$1,131,605,200</u>	<u>\$1,168,671,100</u>	<u>\$1,102,438,400</u>	<u>\$1,265,063,200</u>	<u>\$1,268,589,900</u>

Source: Riverside County Agricultural Commissioner

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (State Route 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The Sun Line Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Authority provided service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base are presently being formulated by the March AFB Joint Powers Authority, comprised of the County and the Cities of Riverside, Moreno Valley and Perris.

Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronimo Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District also provide supplemental water to cities and agencies within the County.

The uncertainty associated with the long-term availability of imported water from the Colorado River or the State Water Project is a concern of local and regional water agencies in southern California. Long-term water supply will be addressed in the next few years with the CalFed process and approval of the Quantification Settlement Agreement, and water districts' efforts toward the following: expanded water conservation and recycling; conjunctive use of local basins to store imported water; management plans to protect local groundwater; desalination of brackish groundwater; and improved coordination and joint planning with Metropolitan Water District available imported water supplies.

Flood Control. Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method of sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under State law, the County must adopt a proposed budget by June 30 and a final budget by October 2, which must be balanced. Subsequent to the adoption of the final budget, the County makes adjustments during the course of the fiscal year to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, many counties have adopted final budgets in advance of the State budget and made adjustments, if required, upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in the end of the first, second and third quarters.

Fiscal Year 2008-09 Adopted Budget

The County adopted its fiscal year 2008-09 budget on July 1, 2008. This budget approved total general fund appropriations of \$2.6 billion. Such appropriations were for primary County services including public protection, health and sanitation, and public assistance. These three areas comprised approximately 88 % of the County's total anticipated general fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For fiscal year 2008-09, approximately 38% of the County's general fund revenue consisted of payments from the State and 20% consisted of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 33% of the County's general fund revenue consisted of wholly discretionary revenue. The County uses the discretionary portion of general fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were 120.5 million in fiscal year 2008-09. Sales tax receipts for the County were \$34.4 million in fiscal year 2008-09.

As of June 30, 2009, fund balance for the general fund was estimated at \$348 million or 14% of the total general fund expenditures. This amount includes \$93 million of reserved fund balance, \$195 million of designated fund balance, and \$60 million of unreserved fund balance.

Preliminary final figures for the 2008-09 fiscal year reflect a 6.5% reduction in discretionary revenue compared to the prior fiscal year, mainly due to decreased property tax revenue. The County's general fund expenses for fiscal year 2008-09 decreased 1.6% from the prior fiscal year, supported in part by reserves and designations. The County planned and used reserves to compensate for lower-than-budgeted Proposition 172 revenue in fiscal year 2008-09 and to balance the County's budget in fiscal year 2009-10.

Mid-Year Developments and Adjustments.

The County's financial condition changed since June 30, 2008 due to the economic downturn. The County's discretionary revenues eroded, and the County made downward adjustment to its property, sales and public safety sales tax estimates. In addition to potential loss of revenues due to Proposition 1A (2004), the County estimated approximately \$633,000 in additional reductions in cash receipts from the state from other proposals. See—"Impacts of State Budget" below."

The Board of Supervisors of the County issued quarterly reports monitoring the 2008-09 budget, and adjusted the budget as necessary. On April 23, 2009, the County Executive Officer released the fiscal year 2008-09 Third Quarter Budget Report (the "Budget Report"). As with the first two quarters of fiscal year 2008-09, the County continued to experience revenue declines in the third quarter, and various departments continued to implement cost-cutting efforts to meet current-year spending targets. Discretionary revenue for the third quarter was down \$3.7 million, for a cumulative decline of \$16.4 million for fiscal year 2008-09. The County projected discretionary revenue for fiscal year 2009-10 to be \$627 million, reflecting a \$100 million decline from the original 2008-09 adopted budget.

To offset losses in revenue, the County has drawn down reserves. During fiscal year 2008-09, the County drew down on its reserves an aggregate amount of \$133 million. The County also expects to draw down reserves in fiscal year 2009-10 by an additional \$88 million, including \$45 million to adjust to the State's decision to suspend Proposition 1A (2004). Funds remaining in the contingency budget at each year-end are utilized to reestablish contingency in the following year's budget. The County expects to have approximately \$12 million of contingencies unspent and unobligated, plus approximately \$13 million of unreserved fund balance, at the end of fiscal year 2008-09. The County's contingency reserve were funded at \$30 million in the fiscal year 2009-10 budget.

Fiscal Year 2009-10 Final Budget

The County adopted its fiscal year 2009-10 Budget on June 30, 2009. This budget approved total general fund appropriations of \$2.55 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy to slow in fiscal year 2009-10 and does not expect additional revenue to be available to expand services. Further, the County believes additional revenue losses are possible. For fiscal year 2009-10, approximately 40% of the County's general fund revenue consists of payments from the State and 21% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 25% of the County's general fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of general fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Sales tax receipts for the County from the 1/2 cent levy pursuant to Proposition 172 are estimated to reach \$125.8 million in fiscal year 2009-10, which represents a 20.7% decrease from the prior fiscal year. Sales tax receipts for the County are estimated at \$34.8 million in fiscal year 2009-10.

The County anticipates a structural deficit of approximately \$50.6 million in fiscal year 2009-10. The 2009-10 budget solution incorporates budget cuts, assumed labor savings through labor concessions, and the use of reserves. The 2009-10 budget is based on assumptions that, if unrealized, will require additional cuts or layoffs. These assumptions include the department heads' ability to meet budget targets, no County backfill for reductions in State program funding, some layoffs, labor concessions (reducing labor cost by 10 percent), and additional cuts and labor concessions for fiscal year 2010-11. The County has reduced its labor costs for unrepresented employees and reached agreements for cost cuts with its largest bargaining units.

Impacts of State Budget

The State is currently facing an expanding deficit. Developments to the State budget may also significantly impact the County's finances. Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. The new State budget included this shift for fiscal year 2009-10 as allowed by Proposition 1A. The County will experience a reduction in its revenues of approximately \$45 million in fiscal year 2009-10, as discussed below.

The County was asked to estimate the potential effect of certain proposals contained in the Governor's May revision to the 2009-10 State budget, particularly the Proposition 1A (2004) borrowing proposal. See "RISK FACTORS—State Budget Finances" in the Official Statement. The County has indicated that the County would offset any reduction in revenues from such proposals through reducing budget expenditures, drawing on reserves, internal borrowing and/or participating in a securitization in connection with the State's repayment of the Proposition 1A (2004) borrowing.

COUNTY OF RIVERSIDE FISCAL YEAR 2009-10 REVENUES THAT MAY BE SUBJECT TO STATE SUSPENSION OF PROPOSITION 1A (2004)

Component	Amount
8% Property Tax	\$26,200,000
Sales Tax Triple Flip	800,000
Property Tax in Lieu of VLF	<u>17,800,000</u>
Total	\$44,800,000

Disruptions in payments to the County from the State, whether temporary or permanent, will require adjustments to the 2009-10 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary

programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

Beginning July 2, 2009, the State Controller began issuing registered warrants ("IOUs") to local governments for social services, private contractors, State vendors, taxpayers entitled to income and corporate tax refunds, and for payment for other State operations. The County had received approximately \$113 million in IOU's from the State. The County remitted the entire IOU holding to the State and expects a cash payment for the full amount before mid-October. The State may issue additional IOUs to the county in the future; however, the County cannot determine the amounts of these additional IOUs at this time.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2009-10 Final Budget from time to time.

Final Budget Comparison. The following table compares the final general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, the budget is amended to reflect actual receipts and expenditures.

COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2004-05, 2005-06, 2006-07, 2007-08 AND 2008-09
(IN MILLIONS)

	2005-06	2006-07	2007-08	2008-09	2009-10
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
REQUIREMENTS					
General Government	\$ 175.5	\$ 217.58	\$ 279.30	\$ 238.6	\$ 239.2
Public Protection	815.5	947.66	1,032.48	1,132.0	1,055.2
Public Ways and Facilities	4.5	6.62	6.79	2.1	2.2
Health and Sanitation	394.3	381.17	410.68	392.3	295.2
Public Assistance	640.7	663.05	721.38	791.1	815.5
Education	.3	0.39	0.49	0.6	0.4
Recreation and Cultural	.2	0.31	0.29	0.3	0.3
Debt Retirement-Capital Leases	34.9	10.87	14.82	22.3	6.8
Contingencies	20.0	32.08	32.15	34.8	30.0
Increase (Decrease) Reserves	23.8	6.15	8.92	5.0	(12.8)
Total Requirements ⁽⁴⁾	<u>\$ 2,109.7</u>	<u>\$ 2,265.88</u>	<u>\$ 2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>
AVAILABLE FUNDS					
Beginning Unrestricted Fund Balance	\$ 62.1 ⁽³⁾	\$ 22.66	\$ 33.43	\$ 107.1 ⁽³⁾	\$ 112.8
Estimated Revenues:					
Property Taxes ⁽²⁾	165.6	214.16	262.61	287.2	244.9
Other Taxes ⁽²⁾	58.6	77.54	71.06	49.1	46.1
Licenses, Permits and Franchises	23.1	29.71	31.63	24.9	20.7
Fines, Forfeitures and Penalties	46.1	48.26	51.99	60.6	55.7
Use of Money and Properties	24.3	53.51	53.16	29.7	13.5
Aid from Other Governmental Agencies:					
State	755.1	842.83	938.46	991.8	962.0
Federal	418.9	415.25	444.70	465.4	511.1
Charges for Current Services	361.0	424.61	462.26	385.1	452.7
Other Revenues	194.9	137.33	158.01	217.9	112.5
Total Available Funds ⁽⁴⁾	<u>\$2,109.7</u>	<u>\$2,265.86</u>	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>

(1) Excludes mid-year amendments or adjustments.

(2) Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2005-06 Budget, the 2008-09 Budget and the 2009-10 Budget, and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.

(3) Includes reserves used.

(4) Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Pooled Investment Fund

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the County or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of July 31, 2009, the portfolio assets comprising the PIF had a market value of \$5,339,200,376.75.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On [June 30, 2008], the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory

deposits constituted approximately 84% of the funds on deposit in the County Treasury, while approximately 16% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2009 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of July 31, 2009, were as follows:

	<u>Market Value</u>	<u>% of Pool</u>
Federal Agency Securities	\$ 4,357,976,250	81.62%
Cash Equivalents & Money Market Funds	414,838,000	7.77
Commercial Paper	0	0.00
Negotiable Certificates of Deposit	0	0.00
Medium Term Notes	326,772,162	6.12
Municipal Bonds	122,314,265	2.29
Certificates of Deposit ⁽¹⁾	0	0.00
U.S. Treasury Bonds	29,990,700	0.56
Local Agency Obligations ⁽²⁾	87,309,000	1.64
Total	<u>\$5,339,200,377</u>	<u>100.00%</u>
Weighted Average Yield:	1.29%	
Weighted Average Maturity:	1.00 years	

⁽¹⁾ Not rated; all other investments are government securities or rated investments.

⁽²⁾ Represents County obligations issued by the Riverside District Court Financing Corporation and the Authority, and the County's Teeter Obligation Tax-Exempt Commercial Paper Notes.

Source: County Treasurer-Tax Collector

As of July 31, 2009, the market value of the PIF was 100.36% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa/MR1" from Moody's Investors Service and "AAA/V1+" rating from Fitch Ratings. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

General. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer – Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (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 recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

In addition, State legislation enacted in 1984 established the "supplemental roll," which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 1998-99 through fiscal year 2008-09.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 1998-99 THROUGH 2008-09**

SECURED PROPERTY TAX ROLL ⁽¹⁾

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 ⁽²⁾	Total Collections ⁽³⁾	Percentage of Total Collections to Current Levy
1998-99	964,844,205	39,123,776	4.05%	1,015,412,511	105.24%
1999-00	1,020,377,070	34,509,599	3.38%	1,076,947,278	105.54%
2000-01	1,106,323,882	40,719,497	3.68%	1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50%	1,235,188,224	102.10%
2002-03	1,348,190,139	44,478,022	3.30%	1,388,639,880	103.00%
2003-04	1,506,949,011	42,164,689	2.80%	1,571,572,091	104.29%
2004-05	1,747,034,222	55,557,116	3.18%	1,797,065,686	102.86%
2005-06	2,094,068,686	88,930,195	4.25%	2,116,369,838	101.06%
2006-07	2,559,448,076	180,175,146	7.04%	2,532,293,674	98.94%
2007-08	2,964,341,768	255,672,935	8.62%	2,928,205,634	98.78%
2008-09	3,029,936,136	222,218,035 ⁽⁴⁾	7.33% ⁽⁴⁾	3,128,587,624 ⁽⁴⁾	103.26% ⁽⁴⁾
2009-10	2,791,941,475	N/A	N/A	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

⁽³⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

⁽⁴⁾ Estimate only.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL ⁽¹⁾

Fiscal Year	Unsecured Property Tax Levy	Total Collections ⁽²⁾	Percentage of Total Collections to Original Levy
1998-99	34,146,467	34,811,411	101.95
1999-00	37,937,325	38,540,297	101.59
2000-01	44,069,979	42,217,300	95.80
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

The following table describes the supplemental tax roll of the County for fiscal year 1998-99 through fiscal year 2008-09.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1998-99 THROUGH 2008-09**

Fiscal Year	Tax Levy for Increased Assessments^{(1),(2)}	Refunds for Decreased Assessments^{(1),(3)}	Net Tax Levy	Collections^{(1),(2)}
1998-99	31,007,626	6,446,611	24,561,015	28,675,990
1999-00	48,702,588	4,387,767	44,314,821	49,125,986
2000-01	54,057,911	3,282,783	50,775,128	40,942,746
2001-02	68,229,225	2,080,315	66,148,910	58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09	60,817,712	46,478,150	14,339,562	74,316,444

⁽¹⁾ These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.

⁽²⁾ Includes current and prior years' taxes, redemption penalties and interest collected.

⁽³⁾ Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of RONES less than \$10.

Source: County Auditor-Controller/County Treasurer and Tax Collector

The following table sets forth the assessed valuation by category and property type for fiscal year 2004-2005 through fiscal year 2009-10.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2004-05 THROUGH 2009-10
(IN MILLIONS)

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
SECURED PROPERTY:						
Land.....	\$ 44,284	\$ 52,819	\$ 66,302	\$ 77,403	\$ 82,908	\$ 70,165
Structures.....	89,242	107,234	130,830	155,847	152,908	140,608
Personal Property	810	783	803	1,476	1,510	1,349
Utilities.....	2,080	2,286	2,614	2,807	3,154	2,907
Total Secured	\$136,416	\$163,122	\$200,549	\$237,173	\$240,480	\$215,029
UNSECURED PROPERTY:						
Land.....	\$ 5	\$ 4	\$ 3	\$ 3	\$ 3	\$ 2
Improvements.....	2,465	2,709	2,839	3,195	3,682	3,761
Personal Property	3,050	3,308	3,571	3,976	4,338	4,245
Total Unsecured ⁽²⁾	\$ 5,520	\$ 6,021	\$ 6,413	\$ 7,174	\$ 8,023	\$ 8,008
Grand Total	\$141,936	\$169,143	\$206,962	\$244,347	\$248,503	\$223,037

(1) Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

(2) Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and are expected to continue to decline in 2009. See "DEMOGRAPHIC AND ECONOMIC INFORMATION-Building and Real Estate Activities" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in marked values call for such reductions.

In response to the decline in the local housing market, for FY 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporate these Prop 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For FY 09-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%.

After giving affect to the foregoing adjustments, as well as to projected collections under the Teeter Plan (described below) and to the stabilizing effects of Proposition 13, the County experienced slight growth in assessed value for fiscal year 2008-09, and an assessed valuation reduction of [5%] for fiscal year 2009-2010.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2008-09 totaling approximately \$[] billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$[] million of assessed value, representing \$[] million in general purpose taxes, was reduced from the County tax roll for fiscal year 2006-07 and fiscal year 2007-08. The majority of appeals applicable to fiscal year 2006-07 have been completed. The remainder of the fiscal year 2007-08 and the fiscal year 2008-09 assessment appeals are expected to be completed by June 1, 2010.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2008-09 budget will be determined primarily by three components: (i) the remainder of the fiscal year 2007-08 and fiscal year 2008-09 assessment appeals still to be completed; (ii) approximately 36% of the fiscal year 2008-09 appeals being completed during fiscal year 2008-09; and (iii) additional assessment revenue which the County Assessor projects will billed during a fiscal year and reduce the impact of the appeals related to such fiscal year.

Teeter Plan

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal year 2007-08, approximately 74% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at 22.4 million as of June 30, 2009. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

[Funding for the County's on-going obligations under the Teeter Plan is anticipated to be accomplished through the sale, prior to or contemporaneously with the sale of the Series 2008A Bonds, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of \$186.0 million and County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series C (the "C Notes") in the amount of \$81.0 million. The total amount of \$267 million is comprised of approximately \$197.0 million representing fiscal year 2007-2008 delinquent property taxes and \$70 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make the annual repayment. The letter of credit will expire on November 5, 2012. The C Notes are expected to be privately placed with the County Treasurer in the County Pooled Investment Fund.] **[UPDATE FOR 2009 OBLIGATIONS]**

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2008-09.

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2008-09
SECURED AND UNSECURED ASSESSMENTS**

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
SOUTHERN CALIF EDISON COMPANY	\$15,492,349.84	0.51%
VERIZON CALIFORNIA INC.	10,974,918.16	0.36
CENTEX HOMES	8,465,716.44	0.28
DEUTSCHE BANK NATIONAL TRUST COMPANY	8,061,428.88	0.26
SOUTHERN CALIF GAS COMPANY	5,526,572.94	0.18
KB HOME COASTAL INC	5,214,174.05	0.17
INLAND EMPIRE ENERGY CTR LLC	4,706,033.72	0.15
U.S. BANK NATIONAL ASSOCIATION	4,154,213.64	0.14
KSL DESERT RESORT	4,105,347.32	0.13
STANDARD PACIFIC CORP	4,061,369.02	0.13
BANK OF NEW YORK	3,846,657.54	0.13
ABBOT VASCULAR INC.	3,581,536.01	0.12
PARDEE HOMES	3,235,102.24	0.11
DS HOTEL	3,056,693.26	0.10
ASHBY USA	3,047,446.30	0.10
PULTE HOME CORP	3,039,769.30	0.10
WELLS FARGO BANK	2,792,718.45	0.09
WESTERN PACIFIC HOUSING INC	2,610,165.50	0.09
TYLER MALL LTD PARTNERSHIP	2,596,733.84	0.08
PALM DESERT FUNDING CO	2,572,311.58	0.08
BLYTHE ENERGY LLC	2,438,132.74	0.08
WALGREEN CO	2,435,977.38	0.08
LOWES HIW INC	2,417,926.52	0.08
COSTCO WHOLESALE CORP	2,378,783.90	0.08
BRE PROP INC	2,266,172.24	0.07
<u>TOTAL</u>	\$113,078,250.90	3.70%

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2008-09 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2009-10
BY ASSESSED VALUE**

<u>ASSESSEE</u>	<u>ASSESSED VALUE</u>
Deutsche Bank National Trust Company	\$ 510,232,418
U.S. Bank National Association	344,754,334
Abbot Vascular Inc.	313,028,231
Kaiser Foundation Hospitals	295,948,194
Eisenhower Memorial Hospital	270,041,179
Bank of New York	244,773,809
Walgreens Company	239,476,608
Centex Homes	222,147,281
Lowe's HIW Inc.	221,207,547
Target Corp.	212,441,568
Subtotal	\$ 2,874,051,169
All Others	214,565,519,149
Total	\$217,439,570,318 [†]

[†] Excludes State assessed property.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2007-08, the County retained approximately 12.2% of the total amount collected (and is budgeted to retain 11.9% in fiscal year 2008-09). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies.

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 1998-99 THROUGH 2009-10**

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
1998-99	\$ 9,198,183,768	\$15,066,118,043	\$152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171
2000-01	10,966,072,778	20,127,612,843	203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605 ⁽⁴⁾	62,304,215,777	629,000,000 ⁽³⁾

- (1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
- (2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- (3) Includes general purpose and debt. Estimate.
- (4) County 100 report value for FY 2009-10.

Source: County Auditor-Controller

The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency. In the early years of redevelopment the amount "passed through" by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County has formed a redevelopment agency with project areas in 39 unincorporated communities. As of June 30, 2009, the County Redevelopment Agency had a total land area of 76,386 acres and a base year assessed value, including State-owned land, of \$2,916,116,730. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2009-10 is estimated at approximately \$10,956,471 (based on average county share of 13% of the 1% general property tax).

Financial Statements and Related Issues

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and

revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2007-08 were audited by Vavrinek, Trine, Day and Co., LLP. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the new reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The new reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County now reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2008, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2003-04 THROUGH 2007-08

(In Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
BEGINNING FUND BALANCE	\$ 220,209 ⁽¹⁾	\$ 249,053	\$ 339,321 ⁽¹⁾	\$ 446,918	\$ 570,964 ⁽²⁾
REVENUES					
Taxes	193,329	219,420	273,493	301,573	309,295
Licenses, permits and franchises	19,964	22,157	21,569	25,803	24,525
Fines, forfeitures and penalties	42,905	70,023	62,305	81,148	90,788
Use of money and property – Interest	8,724	21,126	42,826	62,848	61,623
Use of money and property –					
Rents and concessions	1,359	4,253	4,131	2,805	2,578
Government Aid – State	673,403	660,761	785,390	893,390	905,998
Government Aid – Federal	373,146	395,655	395,105	430,606	473,731
Governmental Aid-Other	46,750	55,661	69,042	81,703	95,808
Charges for current services	263,107	293,581	326,066	319,198	358,767
Other revenues	<u>55,260</u>	<u>82,334</u>	<u>13,936</u>	<u>38,856</u>	<u>29,308</u>
TOTAL REVENUES	\$1,677,947	\$1,824,971	\$1,993,863	\$2,237,932	\$2,352,421
EXPENDITURES					
General government	\$ 101,429	\$ 105,992	\$ 123,716	\$ 119,365	\$ 145,290
Public protection	674,389	742,550	798,035	916,524	1,032,582
Public ways and facilities	--	3,430	3,930	4,405	4,717
Health and sanitation	362,010	279,472	337,139	341,467	368,753
Public assistance	536,275	569,412	588,928	644,912	704,404
Education	337	332	349	394	464
Recreation and cultural	181	175	203	203	206
Capital Outlay	1,008	6,616	7,929	8,811	8,670
Debt service	<u>14,454</u>	<u>36,119</u>	<u>33,576</u>	<u>29,751</u>	<u>26,132</u>
TOTAL EXPENDITURES	\$1,690,083	\$1,744,098	\$1,893,805	\$2,065,932	\$2,291,218
Excess (deficit) of revenues over (under) expenditures	(12,136)	80,873	100,058	172,000	61,203
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 60,999	\$ 69,014	\$ 103,586	\$ 89,449	\$ 104,892
Transfer to other funds	(21,027)	(53,102)	(104,172)	(146,214)	(269,961)
Capital Leases	<u>1,008</u>	<u>6,616</u>	<u>8,125</u>	<u>8,811</u>	<u>8,670</u>
Total other Financing Sources (Uses)	40,980	22,528	7,539	(47,954)	(153,399)
NET CHANGE IN FUND BALANCES	28,844	103,401	107,597	124,046	(92,196)
FUND BALANCE, END OF YEAR	249,053	352,454	446,918	570,964	478,768
Less:					
Reserved Fund Balance	100,940	121,249	100,436	88,233	84,466
Designated Fund Balance	<u>70,361</u>	<u>185,014</u>	<u>277,833</u>	<u>339,773</u>	<u>335,630</u>
UNDESIGNATED UNRESERVED FUND BALANCE	<u>\$ 77,752</u>	<u>\$ 46,191</u>	<u>\$ 68,649</u>	<u>\$ 142,958</u>	<u>\$ 58,672</u>

⁽¹⁾ Beginning unreserved fund balance does not equal prior year ending unreserved fund balance due to an equity restatement.

⁽²⁾ Restated.

Source: County Auditor-Controller.

[COUNTY OF RIVERSIDE]
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2004 THROUGH JUNE 30, 2008

(In Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
ASSETS:					
Cash & Marketable Securities	\$ 65,681	\$184,723	\$257,077	\$283,080	
Taxes Receivable	4,367	20,679	19,939	40,766	
Accounts Receivable	21,472	37,177	43,255	60,621	
Interest Receivable	4,078	9,214	9,124	14,673	
Advances to Other Funds	5,646	40	20	37	
Due from Other Funds	8,892	8,435	5,895	5,417	
Due from Other Governments	214,319	195,064	206,270	252,411	
Inventories	2,979	1,801	1,806	1,540	
Restricted Assets	<u>230,390</u>	<u>436,555</u>	<u>228,897</u>	<u>263,390</u>	
Total Assets	<u>\$557,824</u>	<u>\$893,688</u>	<u>\$772,283</u>	<u>\$921,935</u>	<u>\$866,259</u>
LIABILITIES:					
Accounts Payable	\$ 70,790	\$ 86,713	\$85,857	\$82,441	
Salaries & Benefits Payable	46,367	52,805	63,119	70,585	
Due To Other Funds	945	4,928	1,189	288	
Due to Other Governments	19,663	45,057	35,017	41,432	
Due to Third Parties	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾	
Deferred Revenue	170,981	133,742	140,101	156,155	
Deposits Payable	25	67	82	70	
Bonds & Notes Payable	-- ⁽¹⁾	<u>217,922</u>	-- ⁽¹⁾	-- ⁽¹⁾	
Total Liabilities	<u>\$308,771</u>	<u>\$541,234</u>	<u>\$325,365</u>	<u>\$350,971</u>	<u>\$387,491</u>
FUND BALANCE:					
Reserved	\$100,940	\$121,249	\$100,436	\$ 88,233	
Unreserved	<u>148,113</u>	<u>231,205</u>	<u>346,482</u>	<u>482,731</u>	
Fund Balance	<u>\$249,053</u>	<u>\$352,454</u>	<u>\$446,918</u>	<u>\$570,964</u>	<u>\$478,768</u>
Total Liabilities and Fund Balance	<u>\$557,824</u>	<u>\$893,688</u>	<u>\$772,283</u>	<u>\$921,935</u>	<u>\$866,259</u>

⁽¹⁾ No activity to report.

Source: County Auditor-Controller.

Long-Term Obligations of County

During its 116 years of existence, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of October 1, 2009, the County had [\$] in direct general obligation bonded indebtedness and [\$] in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of October 1, 2009.

[COUNTY OF RIVERSIDE]
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF OCTOBER 1, 2009)

RIVERSIDE COUNTY

[UPDATED TABLE ORDERED - WILL BE AVAILABLE WEEK OF 10/12]

2008-09 Assessed Valuation: \$239,495,914,020 (includes unitary utility valuation)
 2007-08 Adjusted Assessed Valuation: \$176,550,233,143 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 10/1/08</u>
Metropolitan Water District	7.223%	\$ 23,634,739
Community College Districts	1.422-99.999	486,033,075
Unified School Districts	2.879-100.	1,553,308,661
Perris Union High School District	100.	57,412,260
Union School Districts	100.	41,513,493
City of Corona	100.	1,150,000
City of Riverside	100.	17,940,000
Eastern Municipal Water District Improvement Districts	100.	17,635,000
Elsinore Valley Municipal Water District Improvement District No. U2	100.	815,000
Coachella County Water District Improvement Districts	100.	9,105,000
Rancho California Water District, Rancho and Santa Rosa Divisions	100.	4,250,000
Riverside County Flood Control, Zones 4-2 B and 3-B Benefit Assessment Districts	100.	3,225,000
San Geronio Memorial Hospital District	100.	50,000,000
Other Special Districts	100.	2,500
Community Facilities Districts	94.268-100.	2,961,713,510
Riverside County 1915 Act Bonds	100.	34,505,317
City and Special District 1915 Act Bonds (Estimated)	100.	278,481,831
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,540,725,386

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Riverside County General Fund Obligations	100.	%	\$ 701,119,356	(2)
Riverside County Pension Obligations	100.		387,995,000	
Riverside County Board of Education Obligations	100.		9,275,000	
School Districts General Fund and Lease Tax Obligations	2.879-100.		615,583,190	
City of Corona General Fund Obligations	100.		74,250,000	
City of Moreno Valley General Fund Obligations	100.		83,070,000	
City of Murrieta General Fund Obligations	100.		17,255,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.		130,713,588	
City of Riverside Certificates of Participation	100.		197,665,000	
City of Riverside Pension Obligations	100.		142,170,000	
Other City General Fund and Special Tax Obligations	100.		118,624,800	
Other Water District Certificates of Participation	0.312-100.		8,393,704	
Other Special District Certificates of Participation	100.		3,975,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,490,089,638	
Less: Riverside District Court Financing Corporation (100% self-supporting from U.S. General Services Administration)			17,504,083	
Perris Union High School District and Hemet Unified School District self-supporting obligations			5,551,500	
Other Special District self-supporting bonds (self-supporting from enterprise revenues)			7,020	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,467,027,035	
GROSS COMBINED TOTAL DEBT			\$8,030,815,024	(3)
NET COMBINED TOTAL DEBT			\$8,007,752,421	

- (1) Excludes issue to be sold.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:

Overlapping Tax and Assessment Debt 2.31%

Ratios to Adjusted Assessed Valuation:

Combined Gross Direct Debt (\$1,089,557,556)..... 0.62%
Combined Net Direct Debt (\$1,071,610,273)..... 0.61%
Gross Combined Total Debt..... 4.55%
Net Combined Total Debt..... 4.54%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$0

Source: California Municipal Statistics, Inc.

Lease Obligations

The County has used nonprofit corporations and joint powers authorities to finance certain public facilities through the issuance of lease obligations. Pursuant to these arrangements, a nonprofit corporation or joint powers authority constructs or acquires facilities with the proceeds of lease revenue obligations which are then leased to the County. Upon expiration of the lease, title to the facilities vests in the County.

As of June 30, 2009, the County's current outstanding lease obligations total \$743,919,171. The County's annual lease obligation is approximately \$69,813,743 and the maximum annual lease payment is \$88,497,632.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of June 30, 2009.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of June 30, 2009)

	Final Maturity Year	Original Lease Amount	Obligations Outstanding	Annual Base Rental ⁽¹⁾
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$148,500,000	\$75,900,000	\$11,205,000 ⁽²⁾
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	2,064,413	997,270
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	53,650,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	68,895,000	19,599,869 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	6,200,000	844,500 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	19,780,000	1,473,900
2008 Series A	2022	72,445,000	72,445,000	5,853,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	12,400,000	874,505
2005 Series B ⁽⁵⁾	2027	22,610,000	21,010,000	1,467,177
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	11,885,000	1,447,363
County of Riverside Certificates of Participation ⁽⁶⁾ (1998 Larson Justice Center Refunding)	2021	36,100,000	23,705,000	2,484,910
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	15,674,685	
Series 2002	2020	925,000	660,000	1,812,91 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	10,070,000	2,314,469
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	33,935,000	2,532,656
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽⁹⁾	2018	8,685,000	4,550,000	1,023,215
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) ⁽¹⁰⁾	2036	51,655,000	49,160,000	3,405,913
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	34,090,000	2,165,544
County of Riverside Certificates of Participation ⁽¹¹⁾ (2007 A/B Public Safety Communication and Refunding Projects)	2022	<u>111,125,000</u>	<u>107,780,000</u>	<u>6,244,405</u>
TOTAL		<u>\$981,195,073</u>	<u>\$743,919,171</u>	<u>\$69,813,743</u>

Source: County Executive Office.

- (1) Annual base rental for Fiscal Year 2009-2010 unless otherwise noted.
- (2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending June 30, 2009 was approximately 1.13%.
- (3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.
- (4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending June 30, 2009 was approximately 2.79%.
- (5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
- (6) The 1998 Larson Justice Center Refunding Project refunded the 1994 Desert Justice Center Project, and is being refunded with the 2009 Larson Justice Center Refunding Project.
- (7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
- (8) The 2008 Series A refunded the 2000 Series B SWJC Project.
- (9) The 2003 Series B refunded the 1993 Master Refunding Project.
- (10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
- (11) The 2007 Series B refunded the 1997 Lease Refunding Projects

Additional Obligations

The County has current plans to enter into a lease agreement with the Authority pursuant to which the County will be obligated to pay up to an aggregate principal amount of \$[] million, in connection with certificates of participation to be issued to current refund the County's Certificates of Participation 2007 Series B (Public Safety Communication and Refunding Projects). In addition, the County currently plans to issue up to \$[] aggregate principal amount of its 2009 Teeter Obligation Notes, Series C to refund the outstanding 2008 County of Riverside Teeter Obligation Notes, Series C. The County currently expects to enter into such obligations prior to December 31, 2009.

Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement is with Citibank, N.A. (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated A1 by Moody's and A+ by Standard & Poor's as of May 13, 2009. Downgrade provisions specify that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (in the case of S&P) or A3 (in the case of Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

The amendment provides that if an "Insurer Downgrade Event" occurs, the Counterparty may deem the transaction to be uninsured. "Insurer Downgrade Event" is deemed to occur if the insurer fails at any time to have two out of three of the following ratings: (i) a claims-paying ability rating of "A+" or higher from S&P, (ii) a financial strength rating of "A1" or higher from Moody's, and (iii) a financial strength rating of "A+" or higher from Fitch. Should an Insurer Downgrade Event occur, the County is required, within one business day of the Counterparty's determination that the transaction is no longer insured, to either (i) provide an alternate credit support document acceptable to the Counterparty from a credit support provider rated at least "AAA" by S&P and "Aaa" by Moody's, or (ii) deliver collateral to the Counterparty. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. Assured Guaranty Corp. has a rating of "AAA" by S&P and "Aa2" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

A summary of County employment levels follows. Some employees are hired under various federally funded programs.

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 1998 THROUGH 2009

Year	Regular Employees ⁽¹⁾
1998	11,687
1999	12,808
2000	13,332
2001	15,951
2002	14,729 ⁽²⁾
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009 ⁽³⁾	18,221

(1) As of December 31st of each year. Excludes temporary and per diem employees, which totaled approximately 2,593 employees in 2005, 2,522 employees in 2006, 2,671 employees in 2007, 1,895 employees in 2008 and 1,571 in 2009.

(2) Reduction in regular employees due to court employees becoming State employees.

(3) As of October 7, 2009.

Source: County Human Resources Department

County employees comprise 11 bargaining units, plus another 7 unrepresented employee groups. Eleven of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 70% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

The County's law enforcement employees (non-management), Deputy Probation Officers and Group Counselors are represented by the Riverside Sheriffs' Association ("RSA"). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Unit ("LEMU"). The prosecuting attorneys of the District Attorney's Office are represented by the Deputy District Attorney's Association ("DDAA").

The County's agreement with SEIU and LIUNA will extend through June 30, 2010. The agreement with LEMU will extend through June 30, 2012. The agreement with RSA for the Law Enforcement Unit will extend through January 31, 2011. The County's agreement with RSA for the Public Safety Unit expired on January 31, 2009, and its agreement with DDAA expired on March 31, 2009. The County is currently negotiating with RSA for the Public Safety Unit and with the DDAA to reach new agreements. In the meantime the County has imposed Terms and Conditions of Employment on the DDAA. During the last twenty years, there has been no major County employee work stoppage.

Retirement Program

General. The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through its California Public Employees' Retirement System ("PERS") Contract (as amended to date, and as may further be amended from time to time, the "PERS Contract"), a multiple-employer public sector employee

defined benefit pension plan. The retirement plan, as amended, provides simultaneous coverage of eligible employees in the Miscellaneous Plan (herein defined) with PERS and social security, and coverage in lieu of Social Security for safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation; the benefit factor ranges from 2% at age 50 to 3% at ages 60 and beyond. For safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of 2% per year after retirement.

Included among the employees covered under the PERS Contract are trial court employees. The State is obligated to reimburse the County for the share of PERS costs associated with the trial court employees with the County, but the County remains primarily liable for such costs under the PERS Contract.

The County established in 2003 a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions about retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on April 7, 2009 (the "PARC Report"). See "- Retirement Program - Funding Status" and "- Retirement Program - Projected County Contributions and UAAL" herein for a description of the PARC Report.

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2009 covered PERS' fiscal year 2007-08). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2008, which [was] prepared in October 2009, will be effective during the County's fiscal year 2010-11). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower.

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years, instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90-110% of market value to 80-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses

had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique. Prior to April 2005, one-third of the gain or loss realized was recognized in a given fiscal year. Under the rate stabilization policy effective as of April 2005, one-fifteenth of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year (which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return). However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In May 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 8.25% to 7.75%; (ii) the long term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved significant demographic assumption changes. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In response to the significant asset value declines of fiscal year 2008-09, in June 2009 the PERS Board approved an enhancement to its smoothing methodology. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand to 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30 year amortization schedule.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to the collective bargaining arrangements with the County's employee unions to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions"). The County pays the employee share of safety retirement to the Safety Plan for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement to the Miscellaneous Plan for all miscellaneous members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying the entire employee share under certain conditions.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share for all years. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Safety Plan as of June 30, 2008, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of [_____] % be implemented as the required rate for fiscal year 2010-11, which the County anticipates will result in a contribution to PERS of approximately \$[_____] million for that fiscal year. In addition, the County will pay to PERS approximately \$[_____] million in County Offsets of Employee Contributions for fiscal year 2010-11, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2010-11 of approximately \$[_____] million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2008, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of [_____] % be implemented as the required rate for fiscal year 2010-11, which the County anticipates will result in a contribution to PERS of approximately \$[_____] million.

million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$[_____] million in County Offsets of Employee Contributions for fiscal year 2010-11, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2010-11 of approximately \$[_____] million.

The amount of the County's contribution rates under the PERS Plans increased substantially in fiscal years 2003-04 and 2004-05 due in part to the significant investment losses during fiscal years 2000-01 through 2002-03 and the benefit improvements for both Safety and Miscellaneous plans. While the investment gains experienced in fiscal year 2003-04 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to the County's actuary, Bartel & Associates ("Bartel"), due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bond has resulted in a net loss to the County of \$72.7 million. The County believes that it is reasonable to expect that over the remaining 26 years of the bond's life the transaction will produce savings. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS of an estimated \$5.1 million from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. This prepayment generated \$2 million in cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007 and again on June 23, 2008, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the second and third transfer to PERS of \$6.5 million for each transfer from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. In 2009, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the use of \$6 million from the liability management fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. As of June 30, 2009, the County has purchased \$[_____] worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$[_____].

In 2009, the County issued \$200.8 million in Tax and Revenue Anticipation Notes through the California Statewide Communities Development Authority, plus an additional \$92.2 of tax-exempt Tax and Revenue Anticipation Notes (the "2009 Tax-Exempt TRANS"), the proceeds of which were used to prepay a portion of the County's PERS contributions for fiscal year 2009-10.

The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status: The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2004 through June 30, 2008 and the total employer contributions made by the County for fiscal year 2005-06 through fiscal year 2010-11. The two tables are based on PERS Actuarial Reports for those years:

[HISTORICAL FUNDING STATUS]
(Safety Plan)

Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2004	\$133,684,051	86.9%	2006-07	\$36,722,257	\$14,719,343
2005	58,201,798	94.8	2007-08	42,712,207	16,217,716
2006	61,861,506	95.0	2008-09	49,203,469	17,718,707
2007	78,113,619	94.3	2009-10	[49,372,599] ⁽³⁾	[18,731,462] ⁽³⁾
2008			2010-11		

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.

(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.

(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

[HISTORICAL FUNDING STATUS]
(Miscellaneous Plan)

Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2004	\$397,462,924	82.2%	2006-07	\$79,679,334	\$35,086,123
2005	106,958,141	95.7	2007-08	88,824,408	37,106,508
2006	142,160,688	94.8	2008-09	97,194,281	39,857,992
2007	135,212,288	95.5	2009-10	[98,328,620] ⁽³⁾	[41,076,905] ⁽³⁾
2008			2010-11		

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.

(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.

(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A five-year schedule of the funding progress of the Safety Plan and the Miscellaneous Plan are presented in the following two tables:

[SCHEDULE OF FUNDING PROGRESS]
(Safety Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2004	\$1,021,085,045	\$887,401,000	\$133,684,051	86.9%	\$161,598,000	82.7%
2005	1,127,240,234	1,069,038,436	58,201,798	94.8	168,806,459	34.5
2006	1,231,954,415	1,170,092,909	61,861,506	95.0	189,606,339	32.6
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008						

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

[SCHEDULE OF FUNDING PROGRESS]
(Miscellaneous Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2004	\$2,231,623,980	\$1,834,161,056	\$397,462,924	82.2%	\$571,677,315	69.5%
2005	2,471,523,205	2,364,565,064	106,958,141	95.7	592,531,095	18.1
2006	2,741,753,157	2,599,592,469	142,160,688	94.8	659,274,265	21.6
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008						

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2006-07 through fiscal year 2010-11 to satisfy its retirement funding obligations.

[SCHEDULE OF EMPLOYER CONTRIBUTION RATES]

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2004	2006-07	18.031%	11.916%
2005	2007-08	18.625	12.051
2006	2008-09	19.033	12.164
2007	2009-10	18.605	11.999
2008	2010-11		

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

Projected County Contributions and UAAL. The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the

assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The PERS actuary, in its June 30, 2008 actuarial valuation, projected that the County's contribution rate under the Safety Plan for the fiscal year 2010-11 will be [_____]%, which would result in an approximately [_____] % decrease in the contribution rate from fiscal year 2009-10. The PERS actuary, in its June 30, 2008 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the fiscal year 2010-11 will be [_____]%, which would result in an approximately [_____] % decrease in the contribution rate from fiscal year 2009-10. No projections beyond fiscal year 2010-11 have been prepared by PERS. The investment losses incurred by in fiscal year 2008-09 will impact the County's contribution rates beginning in fiscal year 2011-12. PERS has projected contribution rate increases for fiscal years 2011-12 through 2014-15 for all participating employers based on their applicable volatility index. Based on the PERS projections for all its participating employers, the County expects the Miscellaneous Plan contributions to increase by 1.0% of payroll rate for fiscal year 2011-12, an additional 1.6% increase in fiscal year 2012-13, and another 1.7% increase in fiscal year 2013-14, for a cumulative increase of 4.3% over three years. Based on the PERS projections for all its participating employers, the County expects the Safety Plan contributions to increase by 1.5% of payroll rate for fiscal year 2011-12, an additional 2.5% increase in fiscal year 2012-13, and another 2.6% increase in fiscal year 2013-14, for a cumulative increase of 6.6% over three years. Because of the 15 year smoothing method, additional losses will continue to be recognized, but not as severely as the first three years. Without significant future investment gains, the Miscellaneous Plan and Safety Plan will continue to see a 0.2% per year increase for the next 15 years

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.75% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed such that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For a discussion of the smoothing policy of PERS, see "The County's PERS Contract" above.

According to the PARC Report submitted to the Board of Supervisors on April 7, 2009, Bartel forecasted that as of June 30, 2009, the County will have a UAAL of \$600 million for the Miscellaneous Plan and \$300 million for the Safety Plan, which are expected to contribute to the projected funding status, on a net basis (which includes the County's outstanding pension obligation bond liability), of 74.1% for the Miscellaneous Plan and 75.9% for the Safety Plan. Bartel's forecasts reflect certain significant assumptions concerning future events and circumstances, including the projected annual market rate of return for 2009 which is greater than the assumed actuarial rate of return of 7.75%.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2009 the County's current required contribution level is 0.68%. The County has elected to contribute 2% of payroll in order to reach a target 90% funded ratio within one year. The County's contribution to the Plan was \$2,090,002 for fiscal year 2008-09 and is estimated to be \$550,000 for fiscal year 2009-10. The Plan's unfunded liabilities as of June 30, 2008 are approximately \$2,481,640.

Other Post Employment Benefits. The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least 50 years of age at retirement qualify to receive the post-retirement benefits.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). These disclosure requirements are effective for the County beginning fiscal year 2007-08.

GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of January 1, 2008 (the "Health Benefits Valuation"), prepared by Aon Consulting. Based on the combination of plans and contribution levels that the County offers, assuming a blended interest rate of 7.24% before 2011 and the fully pre-funded rate of 7.75% thereafter, the present value of benefits was estimated to be \$58.4 million, the accrued actuarial liability was estimated to be \$46.7 million and the annual normal cost was \$21.9 million. If the accrued actuarial liability of \$46.7 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$3.9 million. Approximately 16% of the County's OPEB liability was attributable to the "implicit subsidy" of allowing pre-65 retirees to receive coverage at the active premium rates instead of the normally higher retiree rates.

The Board of Supervisors took action on September 12, 2006 to end the implicit subsidy of pre-65 retirees by separately rating early retiree medical plans as of January 1, 2011. In addition, action was taken on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. On June 26, 2009, the County contributed \$2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust.

According to the Health Benefit Valuation, overall, the actions of the Board reduced the County's OPEB liability from \$237 million in 2006 to \$58.4 million in 2009.

Medical Center

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as an "open door safety net provider" due to declining and inadequate federal and State health care reimbursement and non-payment by the uninsured coupled with rising service needs and costs of an older and sicker population which has placed significant demands on the County's health care system.

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II adult and pediatric facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, the State Medi-Cal program, the County Medically Indigent Service Program and the County Indigent Adult program.

RCRMC is reimbursed for cost reimbursable items at a tentative rate until final settlement is determined after submission of annual cost reports by RCRMC and audit thereof by Medicare.

[At June 30, 2008, RCRMC reflected unrestricted net assets of approximately \$86 million for fiscal year 2007-08. RCRMC had a cash balance of approximately \$79 million as of June 30, 2008. In fiscal year 2007-08, RCRMC had an increase in net assets of \$15 million. RCRMC continued to experience growth in patient collections in fiscal year 2007-08.

Future cash balance may be reduced as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. The exact cash balance at the end of fiscal year 2008-09 will depend upon the State's meeting certain Waiver requirements and timely cash payments thereunder.]

[One significant element of fiscal year 2007-08 was the securitization of tobacco settlement revenue to fund jail construction. The \$16.6 million tobacco settlement revenue that the hospital was to receive for debt service and operations was reduced to \$10 million. The remaining \$6.6 million will be used to fund jail bed construction, through securitization. RCRMC management is aware of this financing plan, which protects revenue needed for debt service while also providing for jail bed construction. The Medical Center's management team is concerned that the continuing downturn in the economic outlook for the federal and state budget and the cap on the Section 1115 waiver which will have a direct impact on the medical center's ability to meet projected targets during the next two years under the current Medi-Cal Waiver program.]

The Board's approved budget includes a General Fund contribution of \$[] million to address potential future shortfalls. This contribution is \$[] million [less] than the prior year's contribution. Due in part to changes to federal and State funding, RCRMC is expected to indefinitely require some degree of general fund contribution. The County and RCRMC management teams continue to improve new procedures designed to improve cash flow and control costs.

Insurance

[The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to \$1 million for each occurrence and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each claim and insured for the balance to \$20 million for each claim on a claims basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance (currently \$200 million per occurrence) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.]

[The property insurance program provides insurance coverage for all risks subject to a \$50,000 deductible; flood coverage is subject to a 2% deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$600 million in limits. Earthquake coverage (covering scheduled locations equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$60 million with an additional \$232.5 million excess rooftop limit available to any one tower. Earthquake is subject to a deductible equal to 5% of replacement cost value subject to a \$100,000 maximum. Boiler and machinery provides up to \$100 million in limits, with various deductibles. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.]

[The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2007 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of [January 31, 2008] was approximately \$169.6 million.]

Litigation

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