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

629

**FROM:** Executive Office

**SUBMITTAL DATE:**
May 5, 2011

**SUBJECT:** Fiscal Year 2011-2012 Tax and Revenue Anticipation Notes

**RECOMMENDED MOTION:** That Resolution 2011-125 authorizing and approving the borrowing of funds for fiscal year 2011-2012 and the issuance and sale of the Fiscal Year 2011-2012 Tax and Revenue Anticipation Notes be approved and adopted.

**BACKGROUND:** The County annually issues Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected cash flow deficits of the County General Fund during the fiscal year. The deficit occurs because the timing of tax collections does not match the County's on-going expenditure requirements.

The County staff recommends again issuing the Fiscal Year 2011-2012 TRANs as a standalone issuer without joining the CSAC pool. Also, as a cost saving measure, the County annually evaluates the option of prepaying its pension obligation. Board Policy B-25 (Pension Management Policy) directs the Pension Advisory Review Committee (PARC) to review and make a recommendation regarding the prepayment of the annual CalPERs contribution.
(Continued)

Christopher Hans, Deputy County Executive Officer

| FINANCIAL DATA | | | | |
|---|---|---|---|---|
| | Current F.Y. Total Cost: | $ 0 | In Current Year Budget: | N/A |
| | Current F.Y. Net County Cost: | $ 0 | Budget Adjustment: | N/A |
| | Annual Net County Cost: | $ 1,858,916 (interest) | For Fiscal Year: | 11/12 |

**SOURCE OF FUNDS:** General Fund

Positions To Be Deleted Per A-30 ☐

Requires 4/5 Vote ☐

**C.E.O. RECOMMENDATION:**

APPROVE

BY: Jay E. Orr

**County Executive Office Signature**

FORM APPROVED COUNTY COUNSEL
BY: MARSHA L. VICTOR 5/9/11 DATE

☒ Policy ☐ Consent Dep't Recomm.:

☑ Policy ☐ Consent Per Exec. Ofc.:

Departmental Concurrence

**Prev. Agn. Ref.:** | **District:** All | **Agenda Number:** 3.1

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

PARC has recommended the prepayment of the CALPERS contribution for the last 5 years and it is anticipated that the prepayment of the fiscal year 2011-2012 payment, approximately $86.9 million, will be recommended as well. The cash flow benefit will continue to be evaluated up to the pricing of the TRANs. If at the time of the pricing, there is insufficient savings, the prepayment will be removed from the TRANs.

The County's issuance cost for the TRANs will not exceed $1.10/$1,000 of issuance. It is anticipated that interest rates for the tax-exempt notes will be between 0.5% – 1.0% for a 12-month note.

Based on last year's TRANs, the recommendation is to again offer a 9 or 10 month note (Series A) in addition to a 12 month note (Series B). The need to combine internal borrowing (borrowing from reserves) with external borrowing (TRANs Note) will continue to be evaluated until the day of issuance of the TRANs, and will be dictated by a detailed cost/benefit analysis.

The FY 2011-12 resolution authorizes the issuance of tax and revenue anticipation notes in an amount not-to-exceed $250,000,000, though the actual amount could be less. The authorization provides the flexibility to issue an additional series of notes in the event the County and State budgets change substantially. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe as bond counsel to the County.

**Board of Supervisors** **County of Riverside**

# RESOLUTION NO. 2011-125

## RESOLUTION AUTHORIZING AND APPROVING THE BORROWING OF FUNDS FOR FISCAL YEAR 2011-2012; THE ISSUANCE AND SALE OF FISCAL YEAR 2011-2012 TAX AND REVENUE ANTICIPATION NOTES; AND THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS

**WHEREAS**, the County of Riverside (the "County") is authorized by Section 53850 to 53858, both inclusive, of the *Government* Code of the State of California (the "Act") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow money by the issuance of temporary notes;

**WHEREAS**, the Board of Supervisors of the County (the "Board") has determined that a sum (the "Principal Amount") not to exceed a maximum principal amount of $250,000,000, is needed for the requirements of the County, to satisfy obligations of the County, and that it is necessary that said Principal Amount be borrowed for such purpose at this time by the issuance of a note or notes therefore in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received or accrued by the County for the general fund of the County, and provided for or attributable to its fiscal year ending June 30, 2012 ("Repayment Fiscal Year");

**WHEREAS,** the County hereby determines to borrow, for the purposes set forth above, the Principal Amount by the issuance of the Note, as hereinafter defined;

**WHEREAS,** it appears, and this Board hereby finds and determines, that the Principal Amount, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys of the County provided for or attributable to the Repayment Fiscal Year, and available for the payment of the principal of the Note and the interest thereon;

**WHEREAS,** no money has heretofore been borrowed by or on behalf of the County through the issuance of tax and revenue anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys for the Repayment Fiscal Year;

**WHEREAS,** *pursuant* to Section 53856 of the Act, certain moneys which will be received or accrued by the County and provided for or attributable to the Repayment Fiscal Year can be pledged for the payment of the principal of the Note and the interest thereon (as hereinafter provided);

**WHEREAS,** The Bank of New York Mellon Trust Company, N.A. has agreed to act as paying agent (the "Paying Agent") with respect to the Note;

**WHEREAS**, the Underwriter appointed in Section 21 hereof, intends to submit an offer to purchase the Note and has submitted a form of Note Purchase Agreement (the "Purchase Agreement") to the Board;

**WHEREAS,** a form of the Preliminary Official Statement describing the Note will be distributed to potential purchasers of the Note by the Underwriter;

FORM APPROVED COUNTY COUNSEL
BY: [signature] 5/9/11
MARSHA L. VICTOR DATE

**WHEREAS,** this Board has been presented with the form of each document hereinafter referred to relating to the Note, and the Board has examined and approved each document and desires to authorize and direct the execution of such documents and the issuance of the Note;

**WHEREAS,** the County has determined that it may be desirable to provide for the issuance of an additional parity note (the "Parity Note") during the Repayment Fiscal Year, the principal and interest on which are secured by Pledged Revenues, hereinafter defined, on a parity with the Note; and

**WHEREAS,** the County, in consultation with its financial advisor and auditors, has reviewed the treatment and presentation of its revenues, expenditures and financial statements, and has decided that, for certain monies received in advance, whereby services have yet to be performed, from the U.S. Government, the State of California, and other agencies, such monies are to be treated as available to be temporarily borrowed for the payment of normal, operating expenses of the County;

**NOW, THEREFORE,** this Board hereby finds, determines, declares and resolves as follows:

**Section 1. Recitals.** All the above recitals are true and correct.

**Section 2. Authorization of Issuance.** This Board hereby determines to borrow solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received or accrued by the County for the general fund of the County and provided for or attributable to the Repayment Fiscal Year, by the issuance of a note or notes, pursuant to the provisions of the Act, designated the County's "2011 Tax and Revenue Anticipation Note," with an appropriate series designation if more than one note is issued (collectively, the "Note"), to be issued in the form of a fully registered note or notes, in denominations of $5,000 or integral multiples thereof, in a combined amount not to exceed the Principal Amount, to be dated the date of delivery to the initial purchaser thereof, to mature on a date or dates, if more than one note is issued, with or without option of prior redemption at the election of the County, not more than 15 months thereafter on a date indicated on the face thereof and determined in the Purchase Agreement (the "Maturity Date"), and to bear interest, payable on its Maturity Date (and if the Maturity Date is more than 12 months from the date of issuance, payable on the interim interest payment date set forth in the Purchase Agreement) and computed upon the basis of a 360-day year consisting of twelve 30-day months, or a 365- or 366-day year, as the case may be, and actual days elapsed, at a rate or rates, if more than one Note is issued, not to exceed 12% per annum as determined in the Purchase Agreement and indicated on the face of the Note (the "Note Rate"). If the Note is not fully paid at maturity, the unpaid portion thereof shall be deemed outstanding and shall continue to bear interest thereafter until paid. In each case set forth in the preceding two sentences, the obligation of the County with respect to such unpaid Note shall not be a debt or liability of the County prohibited by Article XVI, Section 18 of the California Constitution, and the County shall not be liable thereon except to the extent of any available revenues provided for or attributable to the Repayment Fiscal Year, as provided in Section 7 hereof. Both the principal of and interest on the Note shall be payable in lawful money of the United States of America.

**Section 3. Form of Note.** The Note shall be issued in fully registered form without coupons and shall be substantially in the form and substance set forth in Exhibit A, as attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures as determined at closing.

**Section 4. Sale of Note; Purchase Agreement; Continuing Disclosure.** The form of the Purchase Agreement presented to this meeting is hereby approved. The County Executive Officer, or in the absence of such officer, his or her assistant, the County Treasurer-Tax Collector, or in the absence of such officer, his or her assistant, and the Auditor-Controller, or in the absence of such officer, his or her assistant (each a "County Officer") are each hereby individually authorized and directed to execute and deliver such Purchase Agreement in substantially said form, with such changes thereto as such County Officer shall approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; *provided, however*, that the interest rate on the Note shall not exceed 12% per annum, and that the Underwriter's discount on the Note shall not exceed 0.10% of the Principal Amount actually issued. Delivery of an executed copy of the Purchase Agreement by fax or telecopy shall be deemed effective upon execution and delivery for all purposes.

The form of instrument, entitled "Continuing Disclosure Certificate," to be dated as of its date of execution, in substantially the form presented to this meeting, is hereby approved. Any County Officer is authorized and directed to execute and deliver on behalf of the County an instrument in substantially said form, with such changes therein as such officer executing such instrument may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 5. Official Statement.** The proposed form of preliminary official statement (the "Preliminary Official Statement") relating to the Note, in substantially the form presented to this meeting, is hereby approved with such changes, additions, completion and corrections as any County Officer may approve, and the Underwriter is hereby authorized and directed to cause to be distributed to prospective bidders the Preliminary Official Statement in connection with the offering and sale of the Note. Such Preliminary Official Statement, together with any supplements thereto, shall be in form "deemed final" by the County for purposes of Rule 15c2-12, promulgated by the Securities and Exchange Commission (the "Rule"), unless otherwise exempt, but is subject to revision, amendment and completion in a final official statement (the "Official Statement"). The Official Statement in substantially said form is hereby authorized and approved, with such changes therein as any County Officer may approve. The County Officer is hereby authorized and directed, at or after the time of the sale of the Note, for and in the name and on behalf of the County, to execute a final Official Statement in substantially the form of the Preliminary Official Statement presented to this meeting, with such additions thereto or changes therein as the County Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Any one of the County Officers is hereby authorized and directed to provide the Financial Advisor or the Underwriter with such information relating to the County as they shall reasonably request for inclusion in the Preliminary Official Statement and Official Statement of the County. Upon inclusion of the information relating to the County therein, the Preliminary Official Statement is, except for certain omissions permitted by the Rule, hereby deemed final within the meaning of the Rule. If, at any time prior to the end of the underwriting period, as defined in the Rule, any event occurs as a result of which the information contained in the Preliminary Official Statement might include an 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 shall promptly notify the Underwriter and the Financial Advisor.

**Section 6. Disposition of Proceeds of Note; Investment.** The moneys received from the sale of the Note shall be deposited in the County's "2011 Note Proceeds Account" (herein called the "Proceeds Account") which Proceeds Account is hereby established and maintained with the County Treasurer-Tax Collector. The moneys received from the sale of the Note deposited in the County's Proceeds Account may be used and expended by the County for any purpose for which it is authorized to expend funds.

All moneys in the Proceeds Account shall be invested in Permitted Investments (as hereinafter defined), and the proceeds of such investments shall be retained in the Proceeds Account.

"Permitted Investments" means any of the following to the extent then permitted by law:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Obligations of instrumentalities or agencies of the United States of America. These are specifically limited to:

-- Federal Home Loan Mortgage Corporation (FHLMC)
  Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  Debt Obligations
-- Federal Home Loan Banks (FHL Banks)
  Consolidated debt obligation
-- Federal National Mortgage Association (FNMA)
  Debt obligations
  Mortgage backed securities (Excluded are stripped mortgage securities-which are purchased at prices exceeding their principal amounts).

Book entry securities listed in 1 and 2 above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

3. Federal Housing Administration debentures.

4. Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated SP-1 by S&P and MIG-1 by Moody's.

5. Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF) or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors

thereto. These deposits: (a) must be continuously and fully insured by BIF or SAIF, or (b) must have maturities of less than 366 days and be deposited with banks the short term obligations of which are rated SP-1 by S&P and MIG-1 by Moody's.

6. Money market mutual funds or portfolios investing in short-term US Treasury securities rated AAAm or AAAm-G by S&P and Aaa by Moody's.

7. Investment agreements, funding agreements or guaranteed investment contracts approved by the Riverside County Treasurer-Tax Collector with a financial institution rated in one of the two highest rating categories by both Moody's and S&P without regard to plus, minus or numerical notation. Such agreement or contract must contain downgrade covenants providing that in the event of a rating downgrade of the provider below Aa3 by Moodys or AA- by S&P, the agreement or contract shall require the provider to notify the Riverside County Treasurer-Tax Collector in writing of such downgrade within five (5) business days of such downgrade event; thereafter, at the provider's option, the provider shall either (a) assign the agreement or contract and all of its obligations thereunder to a then qualified financial institution acceptable to the Riverside County Treasurer-Tax Collector, or (b) collateralize the agreement or contract with U.S. Treasury or Government Agency securities at 105% of principal and interest, marked-to-market weekly with a three (3) business day cure period for deficiencies. Such collateral must be held by an independent third party acting for the benefit of the County of Riverside and must be free and clear of any liens. A downgrade below A3 by Moodys or A- by S&P of the provider or any substituted provider pursuant to an assignment shall allow for the immediate withdrawal of all monies then invested in the agreement or contract at no premium or penalty to the County of Riverside.

8. Repurchase agreements with financial institutions or banks insured by the FDIC or FSLIC, or any broker dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), or any other financial institutions, provided that: (a) the repurchase agreement is over-collateralization at one hundred two percent (102%), computed weekly, consisting of securities as described in clauses (1) and (2) above; (b) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such obligations; (c) the Trustee shall have perfected a first priority security interest in such obligations; and (d) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral;

9. The Local Agency Investment Fund administered by the State of California.

10. Investment Trust of California, doing business as CalTRUST.

11. The Pooled Investment Fund maintained by the County Treasurer-Tax Collector.

**Section 7. <u>Source of Payment; Parity Note</u>.** The principal amount of the Note, together with the interest thereon, shall be payable from taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys which are accrued, received or held by the County for the general fund of the County and are provided for or attributable to the Repayment Fiscal Year and which are available for payment of current expenses and other obligations of the County ("Unrestricted Revenues"). As security for the payment of the principal of and interest on the Note, the County hereby pledges all Unrestricted Revenues (the "Pledged Revenues"), and the principal of the Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the moneys received by the County from such Pledged Revenues and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the County lawfully available therefor (all as provided for in Sections 53856 and 53857 of the Act). Anything herein to the contrary notwithstanding, Unrestricted Revenues pledged to the payment of the Note as Pledged Revenues shall not include any amounts heretofore pledged by the County to the payment of County of Riverside Teeter Plan obligations issued pursuant to Resolution No. 97-203, as such resolution may be amended and supplemented from time to time. The County may incur indebtedness secured by a pledge of its Pledged Revenues subordinate to the pledge of Pledged Revenues hereunder and may issue subordinate tax and revenue anticipation notes.

In order to effect the pledge referenced in the preceding paragraph, the County hereby agrees to the establishment and maintenance of a "2011 Note Payment Account" (herein called the "Payment Account") by the Paying Agent as the responsible agent to maintain such an account until the payment of the principal of the Note and the interest thereon, and the County further agrees to cause to be deposited in the Payment Account from amounts received in the months specified in the Purchase Agreement as Repayment Months (each individual month a "Repayment Month" and collectively "Repayment Months") (and any amounts received thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit in the Payment Account, is equal in the respective Repayment Months identified in the Purchase Agreement to the percentage of the principal and interest due on the Note specified in the Purchase Agreement. Any such deposit may take into consideration anticipated investment earnings on amounts deposited in an Investment Agreement, that is a Permitted Investment through the Maturity Date.

Any County Officer is hereby authorized to approve the determination of the Repayment Months and percentages of the principal and interest due on the Note required to be on deposit in the Payment Account in each Repayment Month, all as specified in the Purchase Agreement, by executing and delivering the Purchase Agreement, such execution and delivery to be conclusive evidence of approval by this Board and such County Officer. In the event on the day in each such Repayment Month that a deposit to the Payment Account is required to be made, the County has not received sufficient Unrestricted Revenues to permit the deposit into the Payment Account of the full amount of Pledged Revenues to be deposited in the Payment Account from said Unrestricted Revenues in said month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the County lawfully available for the payment of the principal of the Note and the interest thereon, as and when such other moneys are received or are otherwise legally available.

Any moneys placed in the Payment Account shall be for the benefit of the holders of the Note. The moneys in the Payment Account shall be applied only for the purposes for which the Payment Account is created until the principal of the Note and all interest thereon are paid or until provision has been made for such payment.

In the event that moneys in the Payment Account are insufficient to pay the principal of and interest on the Note in full when due, such moneys shall be applied in the following priority: first, to pay interest on the Note; and second, to pay principal of the Note. Any moneys remaining in or accruing to the Payment Account after the principal of the Note and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the general fund of the County.

Moneys in the Payment Account shall be invested in Permitted Investments and any such investment shall be for the account and risk of the County. The County shall not be deemed to be relieved of any of its obligations with respect to the Note by reason of such investment of the moneys in its Payment Account.

Anything herein to the contrary notwithstanding, the County may at any time during the Repayment Fiscal Year issue a Parity Note secured by a first lien and charge on Pledged Revenues on a parity with the Note; provided that (i) the issuance of any such Parity Note shall not, in and of itself, reduce or impair the rating on the Note, (ii) the maturity date of any such Parity Note shall be later than the outstanding Note and (iii) the Note and Parity Note shall have the same paying agent. In the event that the County issues a Parity Note, the County shall make appropriate deposits into the Payment Account with respect to such Parity Note, and in such event, the Payment Account shall also be held for the benefit of the holders of the Parity Note.

**Section 8. <u>Execution of Note</u>.** Any one of the County Officers or any other officer designated by the Board shall be authorized to execute the Note by manual or facsimile signature, and the Clerk of the Board of the County or any duly appointed deputy or assistant thereto shall be authorized to countersign the Note by manual or facsimile signature. Said officers of the County are hereby authorized to cause the blank spaces of the Note to be filled in as may be appropriate pursuant to the Purchase Agreement. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. The Note need not bear the seal of the County, if any.

**Section 9. <u>Use of Depository; Registration, Exchange and Transfer.</u>**

(A) The Depository Trust Company, New York, New York ("DTC"), is hereby appointed depository for the Note. DTC shall perform such function pursuant to the Blanket Issuer Letter of Representations on file with DTC (the "Letter of Representation"). The Note shall be initially issued and registered in the name of "Cede & Co.," as nominee of DTC and shall be evidenced by a single Note for each series. Registered ownership of each Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 9(B).

(B) The Note shall be initially issued and registered as provided in Section 9(A) hereof. Registered ownership of the Note, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of DTC, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (B) ("Substitute Depository"); provided, that, any successor of Cede & Co., as nominee of DTC or Substitute Depository, shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository not objected to by the County Officer, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Officer to substitute another depository for DTC (or its successor) because DTC (or its successor) is no longer able to carry out its functions as depository; provided, that, any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Officer to discontinue using DTC or a depository.

(C) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (B) of this Section 9, upon receipt of the outstanding Note of each series by the Paying Agent (together with a written request of the County Officer to the Paying Agent designating the Substitute Depository), a single new Note of each series, which the County shall prepare or cause to be prepared, shall be executed and delivered, authenticated by the Paying Agent, and registered in the name of any such successor to Cede & Co. or such Substitute Depository, or their respective nominees, as the case may be, all as specified in the written request of the County Officer. In the case of any transfer pursuant to clause (iii) of Subsection (B) of this Section 9 upon receipt of the outstanding Note of a series by the Paying Agent (together with a written request of the County Officer to such Paying Agent), a new Note, which the County shall prepare or cause to be prepared, shall be executed by the County and authenticated by the Paying Agent and delivered in such denominations and registered in the names of such persons as specified by the County Officer in such written request, subject to the limitations of this Section 9, provided, that, the Paying Agent shall deliver such new Note as soon as practicable.

(D) The County and the Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this Resolution and for purposes of payment of principal of and interest on such Note, notwithstanding any notice to the contrary received by the Paying Agent or the County; and the County and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Note while DTC or its successor is the registered owner. Neither the County nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the registered owner of any Note, and the Paying Agent may rely conclusively on its records as to the identity of the owners of the Note.

(E) Notwithstanding any other provision of this Resolution and so long as the outstanding Note is registered in the name of Cede & Co. or its registered assigns, the County and the Paying Agent shall cooperate with Cede & Co. or its registered assigns, as sole registered owner, in effecting payment of the principal of and interest on the Note by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Letter of Representations, the provisions of which the Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(F) In the case of any transfer pursuant to clause (iii) of subsection (B) of this Section, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount in authorized denominations, upon the books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed and in form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the County shall execute and the Paying Agent shall authenticate and deliver a new Note of authorized denominations of the same series, for a like aggregate principal amount of the same interest rate. The Paying Agent shall require the owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(G) The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Note of each series, which shall at all times be open to inspection by the County. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, the Note as hereinbefore provided.

(H) If any Note shall become mutilated, the County, at the expense of the owner of such Note, shall execute, and the Paying Agent shall thereupon authenticate and deliver a new Note of like series, tenor, interest rate and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated. Every mutilated Note so surrendered to the Paying Agent shall be cancelled by it and delivered to, or upon the order of, the County. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Paying Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the County, at the expense of the owner, shall execute, and the Paying Agent shall thereupon authenticate, if required, and deliver a new Note of like series, interest rate, tenor and number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall be about to mature, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Paying Agent. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County whether or not the Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with the Note of any other series secured by this.

The Note of any series surrendered for payment or registration of transfer, if surrendered to any person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly cancelled by it. The County may at any time deliver to the Paying Agent for cancellation any Note previously authenticated and delivered hereunder which the County may have acquired in any manner whatsoever, and any Note so delivered shall promptly be cancelled by the Paying Agent. No Note shall be authenticated in lieu of or in exchange for any Note cancelled as provided herein, except as expressly permitted hereunder. The cancelled Note of any series held by the Paying Agent shall be disposed of as directed by the County.

**Section 10. Representations and Covenants of the County.** The County makes the following representations and covenants for the benefit of the holder of the Note:

(A) The County is duly organized and existing under and by virtue of the laws of the State of California and has all necessary power and authority (i) to adopt this Resolution and perform its obligations thereunder, (ii) to enter into and perform its obligations under the Purchase Agreement, and (iii) to issue the Note and perform its obligations thereunder.

(B) Upon the issuance of the Note, the County shall have taken all action required to be taken by it to authorize the issuance and delivery of the Note and the performance of its obligations thereunder, and the County has full legal right, power and authority to issue and deliver the Note.

(C) The issuance of the Note, the adoption of the Resolution and the execution and delivery of the Purchase Agreement, and compliance with the provisions hereof and thereof will not conflict with or violate any law, administrative regulation, court decree, resolution, charter, by-laws or other agreement to which the County is subject or by which it is bound.

(D) Except as may be required under blue sky or other securities laws of any state or Section 3(a)(2) of the Securities Act of 1933, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the County required for the issuance and sale of the Note or the consummation by the County of the other transactions contemplated by this Resolution, except those the County shall obtain or perform prior to or upon the issuance of the Note.

(E) Prior to the issuance of the Note, the County has duly, regularly and properly adopted a preliminary budget for the Repayment Fiscal Year setting forth expected revenues and expenditures and has complied with all statutory and regulatory requirements with respect to the adoption of such budget. The County hereby covenants that it shall (i) duly, regularly and properly prepare and adopt its final budget for the Repayment Fiscal Year, (ii) provide to the Financial Advisor and the Underwriter, promptly upon adoption, copies of such final budget and of any subsequent revisions, modifications or amendments thereto and (iii) comply with all applicable laws pertaining to its budget.

(F) The County (i) has not defaulted within the past twenty (20) years, and is not currently in default, on any debt obligation and (ii), to the best knowledge of the County, has never defaulted on any debt obligation.

(G) The County's most recent audited financial statements present fairly the financial condition of the County as of the date thereof and the results of operation for the period covered thereby. Except as has been disclosed to the Financial Advisor and the Underwriter and in the Preliminary Official Statement and to be set forth in the final Official Statement, there has been no change in the financial condition of the County since the date of such audited financial statements that will in the reasonable opinion of the County materially impair its ability to perform its obligations under this Resolution and the Note. The County agrees to furnish to the Financial Advisor and the Underwriter promptly, from time to time, such information regarding the operations, financial condition and property of the County as such party may reasonably request.

(H) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the County, threatened against or affecting the County questioning the validity of any proceeding taken or to be taken by the County in connection with the Note, the Purchase Agreement or this Resolution, or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the County of any of the foregoing, or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the County's financial condition or results of operations or on the ability of the County to conduct its activities as presently conducted or as proposed or contemplated to be conducted, or would materially adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under, the Note, the Purchase Agreement or this Resolution.

(I) Upon issuance of the Note and execution of the Purchase Agreement, this Resolution, the Purchase Agreement and the Note will constitute legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy or other laws affecting creditors' rights generally, the application of equitable principles if equitable remedies are sought, the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against local agencies, as applicable, in the State of California.

(J) The County and its appropriate officials have duly taken, or will take, all proceedings necessary to be taken by them, if any, for the levy, receipt, collection and enforcement of the Pledged Revenues in accordance with law for carrying out the provisions of this Resolution and the Note.

(K) Except for Parity Notes, if any, permitted to be executed and delivered pursuant to Section 7 hereof, the County shall not incur any indebtedness secured by a pledge of its Pledged Revenues unless such pledge is subordinate in all respects to the pledge of Pledged Revenues hereunder.

(L) The information contained in the Official Statement (excluding the statements and information under the heading "UNDERWRITING" and under "THE NOTES—Book-Entry Only System"), as of the time of delivery thereof to the Underwriter and at all times subsequent thereto up to and including the closing, will be true, complete, correct and final in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(M) The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate consistent with the requirements of the Rule.

**Section 11. Tax Covenants.** The County will not take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Note under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Without limiting the generality of the foregoing, the County will not make any use of the proceeds of the Note or any other funds of the County which would cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Code, a "private activity bond" within the meaning of Section 141(a) of the Code, or an obligation the interest on which is subject to federal income taxation because it is "federally guaranteed" as provided in Section 149(b) of the Code. The County, with respect to the proceeds of the Note, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued or applicable thereunder to the extent that such requirements are, at the time, applicable and in effect.

The County hereby covenants that the County will take all legally permissible steps necessary to ensure that all of the gross proceeds of the Note will be expended no later than the day that is six months after the date of issuance of the Note so as to satisfy the requirements of Section 148(f)(4)(B) of the Code.

Notwithstanding any other provision of this Resolution to the contrary, upon the County's failure to observe, or refusal to comply with, the covenants contained in this Section 11, no one other than the holders or former holders of the Note, and their legal representatives, shall be entitled to exercise any right or remedy under this Resolution on the basis of the County's failure to observe, or refusal to comply with, such covenants.

The covenants contained in this Section 11 shall survive the payment of the Note.

**Section 12. Events of Default and Remedies.**

If any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) Failure by the County to make or cause to be made the transfers and deposits to the Payment Account, or any other payment required to be paid hereunder, including payment of principal and interest on the Note, on or before the date on which such transfer, deposit or other payment is due and payable;

(b) Failure by the County to observe and perform any covenant, condition or agreement (other than failure to make a payment or transfer as provided in subsection (a) of this Section) on its part to be observed or performed under this Resolution, for a period of fifteen (15) days after written notice, specifying such failure and requesting that it be remedied, is given to the County by the holders of not less than 10% in aggregate principal amount of the Note, unless such holders shall agree in writing to an extension of such time prior to its expiration;

(c) Any warranty, representation or other statement by or on behalf of the County contained in this Resolution or the Purchase Agreement or in any requisition or any financial report delivered by the County or in any instrument furnished in compliance with or in reference to this Resolution or the Purchase Agreement or in connection with the Note, is false or misleading in any material respect;

(d) A petition is filed against the County under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 30 days after such filing, but the holders of the Note shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect their interests;

(e) The County files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law; or

(f) The County admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the County or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 30 days, but the holders of the Note shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect their interests;

Whenever any Event of Default referred to in this Section 12 shall have happened and be continuing, the holders of the Note and any adversely affected former holders of the Note, and their legal representatives, shall, in addition to any other remedies provided herein, have the right, at their option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Without declaring the Note to be immediately due and payable, require the County to pay to the Paying Agent on behalf of the holders of the Note, an amount equal to the principal of the Note and interest thereon to maturity, plus all other amounts due hereunder, and upon notice to the County the same shall become immediately due and payable by the County without further notice or demand; and

(b) Take whatever other action at law or in equity (except for acceleration of payment on the Note) which may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

**Section 13. Application of Amounts After Default**. Notwithstanding anything to the contrary contained herein, after a default by the County, all funds and accounts held by the Paying Agent and all payments received by the Paying Agent with respect to the Note after an Event of Default by the County pursuant to Section 12 hereof, and all damages or other payments received by the Paying Agent for the enforcement of any rights and powers of the Paying Agent under Section 12, shall be deposited into the Payment Account and as soon as practicable thereafter applied to the payment of all amounts then due as interest on the Note and any Parity Note, and thereafter to the payment of all amounts due as principal on the Note and any Parity Note, ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Note and Parity Note.

**Section 14. Paying Agent.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed as paying agent and registrar for the Note. The County hereby directs and authorizes the payment by the Paying Agent of the interest on and principal of the Note when such become due and payable, from the Payment Account held by the Paying Agent in the name of the County in the manner set forth herein. The County hereby covenants to deposit funds in such account at the time and in the amount specified herein to provide sufficient moneys to pay the principal of and interest on the Note on the day on which it matures. Payment of the Note shall be in accordance with the terms of the Note and this Resolution.

**Section 15. Approval of Actions.** All actions heretofore taken by the officers and agents of the County or this Board with respect to the sale and issuance of the Note and participation are hereby approved, confirmed and ratified, and the County Officers and agents of the County are hereby authorized and directed, for and in the name and on behalf of the County, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Note in accordance with, and related transactions contemplated by, this Resolution.

**Section 16. Proceedings Constitute Contract**. The provisions of the Note and of this Resolution shall constitute a contract between the County and the registered holders of the Note and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrepealable.

**Section 17. Limited Liability.** Notwithstanding anything to the contrary contained herein or in the Note or in any other document mentioned herein or related to the Note, the County shall not have any liability hereunder or by reason hereof or in connection with the transactions contemplated hereby except to the extent payable from moneys available therefor as set forth in Section 7 hereof.

**Section 18. Amendments**. At any time or from time to time, the County may adopt one or more Supplemental Resolutions without the necessity for consent of the owner of the Note for any one or more of the following purposes:

(a) to add to the covenants and agreements of the County in this Resolution, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any monies, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(e) to amend or supplement this Resolution in any other respect;

provided, however, that any such Supplemental Resolution does not adversely affect the interests of the holders of the Note.

Any modifications or amendment of this Resolution and of the rights and obligations of the County and of the holders of the Note may be made by a Supplemental Resolution, with the written consent of the holders of at least a majority in principal amount of the Note outstanding at the time such consent is given; *provided, however,* that if such modification or amendment will, by its terms, not take effect so long as the Note remains outstanding, the consent of the holders of such Note shall not be required. No such modification or amendment shall permit a change in the maturity of the Note or a reduction of the principal amount thereof or an extension of the time of any payment thereon or a reduction of the rate of interest thereon, or a change in the date or amounts of the pledge set forth in this Resolution, without the consent of the holders of such Note, or shall reduce the percentage of the Note, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Paying Agent without its written assent thereto.

**Section 19. Severability.** In the event any provision of this Resolution shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 20. Appointment of Bond Counsel and Disclosure Counsel**. The County approves and consents to the appointment of the law firm of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California as Bond Counsel for the Note. The County acknowledges that Bond Counsel regularly performs legal services for many private and public entities in connection with a wide variety of matters, and that Bond Counsel has represented, is representing or may in the future represent other public entities, underwriters, trustees, rating agencies, insurers, credit enhancement providers, lenders, financial and other consultants who may have a role or interest in the proposed financing or that may be involved with or adverse to County in this or some other matter. Given the special, limited role of Bond Counsel described above, the County acknowledges that no conflict of interest exists or would exist, waives any conflict of interest that might appear to exist, and consents to any and all such relationships.

The County approves and consents to the appointment of the law firm of Kutak Rock LLP, Los Angeles, California as Disclosure Counsel for the Note.

**Section 21. Appointment of Financial Advisor and Underwriter**. The County approves the appointment of Fieldman, Rolapp & Associates as financial advisor for the County for the Note (the "Financial Advisor") pursuant to its existing contract to provide financial advisory services for the County.

The County approves and consents to the appointment of E.J. De La Rosa & Co., Inc., as senior manager, together with Citigroup Global Markets Inc. and Wedbush Securities Inc., as co-managers, (collectively, the "Underwriter") for the Note.

**Section 22.** **Accounting Treatment of Advances**. The County has consulted with its Financial Advisor and auditors in a review of certain advances that are periodically received from the U.S. Government, the State of California and other agencies (collectively, the "Advances"). The Advances are to be expended on certain purposes and programs of the County. To the extent such Advances are received before the intended services are performed by the County, the County, effective on July 1, 2011, will treat such Advances as available to be temporarily borrowed for the payment of normal, operating expenses of the County.

**Section 23.** **Effective Date.** This Resolution shall take effect from and after its date of adoption.

[Attach form of Certification of the Clerk with respect to the Resolution.]

# EXHIBIT A

## FORM OF NOTE

COUNTY OF RIVERSIDE

2011 TAX AND REVENUE ANTICIPATION NOTE, SERIES ___[*]

| Interest Rate | Maturity Date | Date of Original Issue |
|---|---|---|
| % | | July __, 2011 |
| **First Repayment Month** | **Second Repayment Month** | **Third Repayment Month** |
| __% (Total of principal and interest due on Note at maturity) | __% (Total of principal and interest due on Note at maturity) | __% (Total of principal and interest due on Note at maturity)[**] |

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

**FOR VALUE RECEIVED,** the County of Riverside (the "County") acknowledges itself indebted, and promises to pay, to the registered owner identified above, or registered assigns, on the maturity date set forth above, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon on [__________, 2012 and on the Maturity Date], at the Interest Rate specified above (the "Note Rate"). Principal of and interest on this Note are payable in such coin or currency of the United States as at the time of payment is legal tender for payment of private and public debts, such principal to be paid upon surrender hereof at the office of The Bank of New York Mellon Trust company, N.A., or its successor (the "Paying Agent"). Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months, in like lawful money from the date hereof until the maturity date specified above and, if funds are not provided for payment at maturity, thereafter on the basis of a 360-day year for actual days elapsed until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only to the registered owner hereof upon surrender of this Note as the same shall fall due; *provided, however*, no interest shall be payable for any period after maturity during which the holder hereof fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note (the "Note") represents the authorized issue of the Note in the aggregate principal amount made, executed and given pursuant to and by authority of certain resolutions of the Board of Supervisors of the County duly passed and adopted heretofore, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (collectively, the "Resolution"), to all of the provisions and limitations of which the owner of this Note, by acceptance hereof, assents and agrees.

---

[*] If more than one Series is issued in the Repayment Fiscal Year.

[**] Number of Repayment Dates and percentages to be determined in Purcahse Agreement (as defined in the Resolution).

The principal of the Note, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the County for the general fund of the County and are provided for or attributable to the Repayment Fiscal Year, as defined in the Resolution, and which are available for payment thereof. As security for the payment of the principal of and interest on the Note, the County has pledged from Unrestricted Revenues of the County received in the Repayment Months (as defined in the Resolution) identified in the Purchase Agreement (as defined in the Resolution) (and any amounts received thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit in the Payment Account (as defined in the Resolution) in each such month, is equal to the corresponding percentages of principal of and interest due on the Note as set forth in the Purchase Agreement (such pledged amounts being hereinafter called the "Pledged Revenues"), and the principal of the Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the County lawfully available therefor as set forth in the Resolution. The full faith and credit of the County is not pledged to the payment of the principal or interest on this Note.

The County and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the County and the Paying Agent shall not be affected by any notice to the contrary.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and that the amount of this Note, together with all other indebtedness of the County, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

**IN WITNESS WHEREOF,** the Board of the County has caused this Note to be executed by the manual or facsimile signature of a duly authorized County Officer of the County and countersigned by the manual or facsimile signature of the Secretary or Clerk of the Board as of the date of original issue set forth above.

COUNTY OF RIVERSIDE

By:____________________________
Title:

Countersigned

By:_____________________
Title: Clerk

# MEMORANDUM

*EXECUTIVE OFFICE, COUNTY OF RIVERSIDE*

***Bill Luna***
*County Executive Officer*

***Jay E. Orr***
*Assistant County Executive Officer*

**TO:** **COUNTY COUNSEL**

**ATTN:** Dale Gardner

**FROM:** Stephanie Persi

**DATE:** 5/9/11

**RE:** F11 Subject: Fiscal Year 2011-2012 Tax and Revenue Anticipation Notes

**Description of Document/Special Instructions:**

Please review and sign as soon as possible.

Thank you.

**For Sign-off:**

**Form 11** ☒

**Attachment(s)** ☒

**Date Needed:** [redacted]

**Time:**

**Contact for Pick-Up:**

Nikki Wyrick

**Phone:** 51157

**RECEIVED**

MAY - 9 2011 8:58 Am

COUNTY COUNSEL
TO

MCV

## SOURCES AND USES OF FUNDS

COUNTY OF RIVERSIDE
2011-2012 Tax and Revenue Anticipation Notes
50-50 Split Evenly
Series A & B

| Sources: | |
|---|---|
| Bond Proceeds: | |
| Par Amount | 250,000,000.00 |
| Premium | 3,123,750.00 |
| | 253,123,750.00 |

| Uses: | | |
|---|---|---|
| Project Fund Deposits: | | |
| Project Fund | | 252,672,000.00 |
| Delivery Date Expenses: | | |
| Cost of Issuance | 275,000.00 | |
| Underwriter's Discount | 176,750.00 | |
| | | 451,750.00 |
| | | 253,123,750.00 |

## BOND SUMMARY STATISTICS

COUNTY OF RIVERSIDE
2011-2012 Tax and Revenue Anticipation Notes
50-50 Split Evenly
Series A & B

| | |
|---|---|
| Dated Date | 07/01/2011 |
| Delivery Date | 07/01/2011 |
| First Coupon | |
| Last Maturity | 06/29/2012 |
| | |
| Arbitrage Yield | 0.557451% |
| True Interest Cost (TIC) | 0.637884% |
| Net Interest Cost (NIC) | 0.646354% |
| All-In TIC | 0.763206% |
| Average Coupon | 2.000000% |
| | |
| Average Life (years) | 0.871 |
| Duration of Issue (years) | 0.871 |
| | |
| Par Amount | 250,000,000.00 |
| Bond Proceeds | 253,123,750.00 |
| Total Interest | 4,354,166.67 |
| Net Interest | 1,407,166.67 |
| Bond Years from Dated Date | 217,708,333.33 |
| Bond Years from Delivery Date | 217,708,333.33 |
| Total Debt Service | 254,354,166.67 |
| Maximum Annual Debt Service | 254,354,166.67 |
| Average Annual Debt Service | 255,775,139.67 |
| | |
| Underwriter's Fees (per $1000) | |
| Average Takedown | |
| Other Fee | 0.707000 |
| | |
| Total Underwriter's Discount | 0.707000 |
| | |
| Bid Price | 101.178800 |

| Bond Component | Par Value | Price | Average Coupon | Average Life | PV of 1 bp change |
|---|---|---|---|---|---|
| Serial Bond A | 125,000,000.00 | 101.116 | 2.000% | 0.747 | 8,750.00 |
| Serial Bond B | 125,000,000.00 | 101.383 | 2.000% | 0.994 | 12,500.00 |
| | 250,000,000.00 | | | 0.871 | 21,250.00 |

BOND SUMMARY STATISTICS

COUNTY OF RIVERSIDE
2011-2012 Tax and Revenue Anticipation Notes
50-50 Split Evenly
Series A & B

| | TIC | All-In TIC | Arbitrage Yield |
|---|---|---|---|
| Par Value | 250,000,000.00 | 250,000,000.00 | 250,000,000.00 |
| + Accrued Interest | | | |
| + Premium (Discount) | 3,123,750.00 | 3,123,750.00 | 3,123,750.00 |
| - Underwriter's Discount | -176,750.00 | -176,750.00 | |
| - Cost of Issuance Expense | | -275,000.00 | |
| - Other Amounts | | | |
| Target Value | 252,947,000.00 | 252,672,000.00 | 253,123,750.00 |
| Target Date | 07/01/2011 | 07/01/2011 | 07/01/2011 |
| Yield | 0.637884% | 0.763206% | 0.557451% |

## BOND PRICING

### COUNTY OF RIVERSIDE
### 2011-2012 Tax and Revenue Anticipation Notes
### 50-50 Split Evenly
### Series A & B

| Bond Component | Maturity Date | Amount | Rate | Yield | Price | Premium (-Discount) |
|---|---|---|---|---|---|---|
| Serial Bond A: | | | | | | |
| | 03/30/2012 | 125,000,000 | 2.000% | 0.500% | 101.116 | 1,395,000.00 |
| Serial Bond B: | | | | | | |
| | 06/29/2012 | 125,000,000 | 2.000% | 0.600% | 101.383 | 1,728,750.00 |
| | | 250,000,000 | | | | 3,123,750.00 |

| | | |
|---|---|---|
| Dated Date | 07/01/2011 | |
| Delivery Date | 07/01/2011 | |
| Par Amount | 250,000,000.00 | |
| Premium | 3,123,750.00 | |
| Production | 253,123,750.00 | 101.249500% |
| Underwriter's Discount | -176,750.00 | -0.070700% |
| Purchase Price | 252,947,000.00 | 101.178800% |
| Accrued Interest | | |
| Net Proceeds | 252,947,000.00 | |

BOND DEBT SERVICE

COUNTY OF RIVERSIDE
2011-2012 Tax and Revenue Anticipation Notes
50-50 Split Evenly
Series A & B

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---|---|---|---|---|---|
| 03/30/2012 | 125,000,000 | 2.000% | 1,868,055.56 | 126,868,055.56 | |
| 06/29/2012 | 125,000,000 | 2.000% | 2,486,111.11 | 127,486,111.11 | 254,354,166.67 |
| | 250,000,000 | | 4,354,166.67 | 254,354,166.67 | 254,354,166.67 |

PRELIMINARY OFFICIAL STATEMENT DATED MAY [__], 2011

**NEW ISSUE—BOOK-ENTRY ONLY**

**Moody's: [__]**
**S&P: [__]**
**See "RATINGS" herein.**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Note Counsel to the County of Riverside, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Note is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Note and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Note Counsel, interest with respect to the Note is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Note Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Note Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Note. See **"TAX MATTERS"** herein.*

**$[__]**

# COUNTY OF RIVERSIDE
# 2011-2012 TAX AND REVENUE ANTICIPATION NOTE

**Dated: Date of Delivery** **Due: As shown on the inside front cover**

The County of Riverside 2011-2012 Tax and Revenue Anticipation Note, Series A and Series B (collectively, the "Note") will be issued in fully registered book-entry form only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to the beneficial owners thereof in the denomination of $5,000 or any multiple thereof under the book-entry system maintained by DTC. Purchasers of the Note will not receive certificates representing their interests in the Note. Principal of and interest on the Note will be payable only at maturity at the principal office of The Bank of New York Mellon Trust Company, N.A., as paying agent ("the Paying Agent"), by wire transfer to DTC, which will in turn remit such principal and interest to its Participants, which in turn will remit such principal and interest to the Indirect Participants or to the Beneficial Owners of the Note, as more fully described herein.

The Note, in accordance with California law, is a general obligation of the County of Riverside (the "County"), and is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2011-12 Fiscal Year commencing July 1, 2011 which are legally available for payment thereof. The Note shall constitute a first lien and charge on such revenues and shall be payable from the moneys received by the County from such pledged revenues. To the extent not so paid, the Note shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the County lawfully available therefor. The Note Resolution requires the County to set aside and deposit in a special fund (the "Payment Account") to be established by the Paying Agent certain amounts from such pledged revenues received by the County in those months described herein so that the amount on deposit in the Payment Account on such dates as described herein, taking into consideration anticipated investment earnings thereon to be received by the maturity date, will be, following all such deposits, equal to all of the principal of and interest due on the Note, as more fully described herein.

**THE NOTE IS NOT SUBJECT TO REDEMPTION PRIOR TO MATURITY.**

THE NOTE IS A LIMITED OBLIGATION OF THE COUNTY, PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE NOTE RESOLUTION. THE COUNTY IS NOT AUTHORIZED TO LEVY OR COLLECT ANY TAX FOR REPAYMENT OF THE NOTE.

The cover page contains information for quick reference only, and is not a summary of this issue. Potential purchasers must read the entire Official Statement in order to obtain information essential to making an informed investment decision.

**The Note is offered when, as and if issued and delivered, subject to the approval as to its legality of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Note Counsel. Certain additional legal matters will be passed upon for the County by the County Counsel, and for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Note, in definitive form, will be available for delivery through the facilities of DTC on or about July 1, 2011.**

**DE LA ROSA & CO.**

**Citi** **Wedbush Securities Inc.**

Dated: June [__], 2011

## MATURITY SCHEDULE

**$[__]**
**COUNTY OF RIVERSIDE**
**2011-2012 TAX AND REVENUE ANTICIPATION NOTE**

| | CUSIP | Maturity Date | Principal Amount | Coupon | Yield |
|---|---|---|---|---|---|
| **Series A** | [__] | March 30, 2012 | $[__] | [__]% | [__]% |
| **Series B** | [__] | June 29, 2012 | $[__] | [__]% | [__]% |

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the County. 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 Note by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Note. Statements contained in this Official Statement which involve estimates, projections 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. See "INTRODUCTION—Forward-Looking Statements."

The information and expressions of opinion 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 Note referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and the information contained herein is in a form deemed final by the County for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

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 completeness of such information.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTE OFFERED HEREIN 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 NOTE TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN SUCH ACT. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE NOTE OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. THE NOTE HAS NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE COUNTY HAS ENTERED INTO AN UNDERTAKING FOR THE BENEFIT OF THE HOLDERS OF THE NOTE TO PROVIDE CERTAIN QUARTERLY FINANCIAL INFORMATION AND OPERATING DATA TO CERTAIN INFORMATION REPOSITORIES AND TO PROVIDE NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD AND TO CERTAIN INFORMATION REPOSITORIES OF CERTAIN EVENTS, PURSUANT TO THE REQUIREMENTS OF SECTION (b)(5)(i) OF RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

**COUNTY OF RIVERSIDE**

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

**Board of Supervisors**

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

**County Officials**

Bill Luna, County Executive Officer
Don Kent, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Larry Ward, Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel
Ed Corser, Finance Director

**SPECIAL SERVICES**

**Note Counsel**

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Los Angeles, California

**Disclosure Counsel**

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Los Angeles, California

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Irvine, California

**Paying Agent**

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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**OFFICIAL STATEMENT**

**$[__]**
**COUNTY OF RIVERSIDE**
**2011-2012 TAX AND REVENUE ANTICIPATION NOTE**

## INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the Note 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 Resolution. See APPENDIX F—"FORM OF RESOLUTION" attached hereto.*

This Official Statement, including the Appendices hereto, has been prepared under the direction of the County of Riverside (the "County"), in order to furnish information with respect to its sale of certain tax and revenue anticipation note designated, "County of Riverside, 2011-2012 Tax and Revenue Anticipation Note, Series A" and "County of Riverside, 2011-2012 Tax and Revenue Anticipation Note, Series B" (collectively, the "Note") in the aggregate principal amount of $[__]. The Note was authorized pursuant to the resolution of the County adopted May [17], 2011 (the "Resolution"), and will be issued in full conformity with the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"). The Note is a general obligation of the County payable solely from taxes, income, revenue, cash receipts and other moneys of the County attributable to its fiscal year commencing on July 1, 2011 (the "2011-12 Fiscal Year" or "Fiscal Year 2011-12") and legally available for payment thereof. Proceeds from the sale of the Note will be used for current General Fund expenditures, including current expenses and capital expenditures and to prepay the County's current year pension contributions. The California Government Code (the "Government Code") provides that the County may issue the Note only if the principal of and interest on the Note will not exceed 85% of the estimated moneys legally available for the payment of the Note and the interest thereon.

The Note and interest thereon are secured by a pledge of certain percentages of the County's unrestricted revenues received in the months and in the amounts described under the caption "THE NOTE—Security for the Note" below.

If the full amount of the revenues pledged in a particular month to the repayment of the Note has not been received by the County, then the amount of any deficiency shall be satisfied and made up from additional moneys of the County received and lawfully available for payment of the Note and interest thereon.

### Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "projection," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

**Potential Impact of State Financial Condition on the County**

The State is experiencing significant financial and budgetary stress. The State's financial condition and budget policies affect communities and local public agencies throughout California, including the County. The State's Fiscal Year 2009-10 and Fiscal Year 2010-11 budgets contained a number of measures which adversely impacted the County's finances. Due to the State's continuing financial and budgetary stress, it is anticipated that the State's Fiscal Year 2011-12 budget will similarly contain a number of measures which will adversely impact the County's finances. There can be no assurances that, as a result of the current State financial stress, the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. In addition, there can be no assurances that State actions in response to the State's financial difficulties will not adversely affect the financial condition of the County. See APPENDIX A—INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Impacts of State Budget."

## THE NOTE

**Authority for Issuance**

The Note is issued under the authority of the cited provisions of the Government Code and pursuant to the Resolution (see "INTRODUCTION" above).

**Purpose of Issue**

Issuance of the Note will provide moneys to meet the County's 2011-12 Fiscal Year General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions, and the discharge of other obligations or indebtedness of the County.

**Description of the Note**

The Note will be issued in the aggregate principal amount of $[__] and will be issued in denominations of $5,000 or integral multiples thereof. The Note shall bear interest at the rate and will mature on the dates set forth on the inside cover page hereof. Each series of the Note is payable at maturity and interest thereon will be computed on a 30-day month/360-day year basis. The Note is to be delivered as a fully registered Note, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Note. Purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof.

**Security for the Note**

The Note and the interest thereon are payable from taxes, income, revenue, cash receipts and other moneys of the County attributable to the 2011-12 Fiscal Year and legally available for payment thereof, and are secured by a pledge of certain of said moneys, excluding amounts heretofore pledged by the County to the payment of its Teeter Plan obligations issued pursuant to Resolution No. 97-203 (the "Pledged Revenues"). As security for the payment of the Note including the interest thereon, the County has covenanted pursuant to the Resolution to set aside: (a) an amount equal to [40]% of the principal amount of and interest on the Note at maturity from unrestricted revenues received by the County in the month of January 2012; (b) an amount equal to [30]% of the principal amount of and interest on the Note at maturity from unrestricted revenues received by the County in the month of April 2012; and (c) an amount equal to [30]% of the principal amount of and interest on the Note at maturity, from unrestricted revenues received by the County in the month of May 2012. Certain deposits may take into consideration anticipated investment earnings on amounts deposited in Permitted Investments through the Maturity Date. See APPENDIX F—"FORM OF RESOLUTION" attached hereto.

The Pledged Revenues shall be deposited by the County and held by the Paying Agent, in a special account (the "Payment Account") and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Payment Account shall be for the benefit of the holders of the Note and, until the Note and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Note at maturity, the moneys in the Payment Account shall be applied solely for the purpose of paying the principal of and interest on each series of the Note at its respective maturity, although such amounts shall be invested by the County in Permitted Investments. In the event investment losses cause amounts on deposit in the Payment Account to be insufficient to pay principal and interest on the Note at maturity, the County is required to use any available Unrestricted Revenues (as defined below) from Fiscal Year 2011-12 for the payment of principal and interest on the Note, but there is no guarantee that the County will have sufficient Unrestricted Revenues to pay the principal of and interest on the Note as the same becomes due. Moneys in the Payment Account may not be withdrawn to pay operating expenses.

The Resolution requires that the Pledged Revenues be deposited and held in the Payment Account until maturity, at which time the moneys in such fund will be used to repay the Note. If during the foregoing period there are insufficient sources of Pledged Revenues to permit deposit of the full amount of Pledged Revenues, then the amount of any deficiency shall be satisfied from any Unrestricted Revenues lawfully available for the repayment of the Note. The County is not authorized to levy or collect any taxes for the repayment of the Note.

**Available Sources of Repayment**

The Note, in accordance with the Act, is a general obligation of the County but is payable only out of Unrestricted Revenues, which include the taxes, income, revenue, cash receipts and other moneys of the County which are accrued, received or held by the County for the General Fund of the County and are provided for or attributable to the 2011-12 Fiscal Year and which are generally available for the payment of current expenses and other obligations of the County ("Unrestricted Revenues"). The Constitution of the State substantially limits the County's ability to levy ad valorem taxes (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The County may, under the Act, issue the Note only if the principal of, and interest on, the Note plus interest thereof will not exceed 85% of the estimated amounts of the County's uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts, and other moneys to be received or accrued by the County for the general fund of the County and provided for or attributable to the Repayment Fiscal Year, all of which will be legally available to pay principal of and interest on the Note. The County has reserved the right to issue additional notes during Fiscal Year 2011-12 having a parity or subordinate lien on the Pledged Revenues, so long as the principal of and interest on the Note and such additional notes will not exceed 85% of the estimated moneys legally available for the payment of the Note and the interest thereon. See "Additional Note Obligations" below and APPENDIX F—"FORM OF RESOLUTION" attached hereto. Further detail as to the estimated Unrestricted Revenues available for repayment can be found in Table I, "County of Riverside Fiscal Year 2010-11 Estimated Unrestricted Revenues Available for Note Repayment (in Thousands)", Table II "County of Riverside Fiscal Year 2010-11 Actual/Projected General Fund Cash Flow (in Thousands)," Table III, "County of Riverside Fiscal Year 2011-12 Projected General Fund Cash Flow (in Thousands)," and Table IV "County of Riverside Alternative Cash Resources, Actual Projected (in Thousands)."

The table below sets forth the source and amount of estimated Unrestricted Revenues available for repayment of the Note.

**TABLE I**
**County of Riverside**
**Fiscal Year 2011-12 Projected Unrestricted Revenues**
**Available for Note Repayment**
**(in Thousands)**

| Revenue Source | Fiscal Year 2011-12 Amount |
|---|---|
| Property Taxes | $ [__] |
| Sales Taxes | [__] |
| Other Taxes | [__] |
| Licenses and Permits | [__] |
| Fines, Forfeitures and Penalties | [__] |
| Use of Money and Property | [__] |
| State Aid | [__] |
| Federal Aid | [__] |
| Charges for Current Services | [__] |
| Miscellaneous Revenue | [__] |
| Other Financing Sources | [__] |
| Repayment of Advances to Other Funds | [__] |
| Intrafund Transfers | [__] |
| Reimbursement from Depts | [__] |
| **Total** | **$[__]** |

**Estimated and Projected General Fund Cash Flows**

Set forth below in Table II is a detailed summary of the County's actual Fiscal Year 2009-10 General Fund cash flows. Set forth below in Table III is a detailed summary of the County's actual and projected Fiscal Year 2010-11 General Fund cash flows. Set forth below in Table IV is a detailed summary of the County's projected Fiscal Year 2011-12 General Fund cash flow projections.

The projected Fiscal Year 2011-12 cash flows, as prepared by the County Auditor's Office, reflect the best currently available estimates and judgments of the County Auditor's Office as to the County's revenues and expenditures and the expected financial condition of the County for Fiscal Year 2011-12. The presented projected cash flows assume that all of the County's cash flow requirements are externally funded through the issuance of the Note, but, based on market conditions, the County may determine to borrow internally for a portion of its cash flow needs.

Neither the County's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected Fiscal Year 2011-12 cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and such parties assume no responsibility for, and disclaim any association with, the projected Fiscal Year 2011-12 cash flows.

***The assumptions and estimates underlying the projected cash flows are uncertain and, though considered reasonable by the management of the County as of the date hereof, are subject to a wide variety of significant business, economic and political risks and uncertainties that could cause actual results to differ materially from those contained in the projected cash flows.*** Accordingly, there can be no assurance that the projected results are indicative of the future performance of the County or that actual results will not be materially higher or lower than those contained in the projected cash flows. Inclusion of the projected cash flows in this Official Statement should not be regarded as a representation by any person that the results contained in the projected cash flows will be achieved.

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**TABLE II**
**County of Riverside Fiscal Year 2009-10**
**Actual General Fund Cash Flow (in Thousands)**

**TABLE III**
**County of Riverside Fiscal Year 2010-11**
**Actual/Projected General Fund Cash Flow (in Thousands)**

**Table IV**
**County of Riverside Fiscal Year 2011-12**
**Projected General Fund Cash Flow (in Thousands)**

California Government Code Section 25252 authorizes the Board of Supervisors of the County to establish and abolish funds necessary for the proper transaction of the business of the County and further provides that the Board of Supervisors may authorize the County Auditor to perform this function. In addition, California Government Code Section 25252 authorizes the Board of Supervisors to make transfers from one fund to another as the public interest requires and further provides that the Board of Supervisors may by resolution authorize the County Auditor to make such transfers of money from one fund to another if the Board of Supervisors has authority over each such fund, as the public interest requires. Pursuant to Resolution 2010-205, adopted by the Board of Supervisors on August 10, 2010, the Board of Supervisors has authorized the County Auditor to make temporary transfers of money between those funds under the authority of the Board of Supervisors as the public interest may require.

Set forth in Table V below are the actual and estimated alternative cash resources available to the County from the specified funds as of the dates set forth in such table. Pursuant to the authority granted in Resolution 2010-205, the County Auditor is authorized to transfer such moneys from one fund to another fund as the public interest may require, including transfers to the General Fund for the payment of the Note. There is no prescribed time period for the repayment of temporary transfers from one fund to another. The County Auditor has the authority to determine the timing of such repayments based on the needs of the respective funds.

***The assumptions and estimates underlying the estimated alternative cash resources are uncertain and, though considered reasonable by the management of the County as of the date hereof, are subject to a wide variety of significant business, economic and political risks and uncertainties that could cause actual results to differ materially from those contained in the estimated alternative cash resources.*** Accordingly, there can be no assurance that the estimated results are indicative of the future performance of the County or that actual results will not be materially higher or lower than those contained in the estimated alternative cash resources. Inclusion of the estimated alternative cash resources in this Official Statement should not be regarded as a representation by any person that the results contained in the estimated alternative cash resources will be achieved.

**TABLE V**
**County of Riverside Alternative Cash Resources**
**Actual/Projected (in Thousands)**

| Fund Type | Fund Purpose | Actual Balance 06/30/10 | Projected Balance 06/30/11 |
|---|---|---|---|
| Special Revenue | Transportation | | |
| Special Revenue | Flood Control | | |
| Special Revenue | Community Services | | |
| Special Revenue | Redevelopment | | |
| Special Revenue | County Service Areas | | |
| Special Revenue | Regional Park and Open-Space | | |
| Special Revenue | Other Special Revenue | | |
| Capital Project | Public Facilities | | |
| Capital Project | Crest | | |
| Capital Project | Redevelopment | | |
| Enterprise | County Service Areas | | |
| Enterprise | Flood Control | | |
| Enterprise | Regional Medical Center | | |
| Enterprise | Waste Management | | |
| Internal Service | Records Management and Archive | | |
| Internal Service | Fleet Service | | |
| Internal Service | Information Service | | |
| Internal Service | Printing Service | | |
| Internal Service | Supply Services | | |
| Internal Service | OASIS Project | | |
| Internal Service | Risk Management | | |
| Internal Service | Temporary Assistance Pool | | |
| Internal Service | Flood Control Equipment | | |
| | **Total Alternative Cash Resources** | | |

The County projects that alternative cash resources will total $___________ as of March 30, 2011 and $__________ as of June 29, 2011, the maturity dates of the Note.

**Additional Note Obligations**

Under the Resolution, the County has reserved the right to issue additional notes during Fiscal Year 2011-12 having a lien on the Pledged Revenues that is on parity or subordinate to the lien on the Pledged Revenues securing the Note, so long as the principal of and interest on the Note and such additional notes will not exceed 85% of the estimated moneys legally available for the payment of the Note and the interest thereon. A parity obligation ("Parity Note") may be issued provided that (i) the issuance of any such Parity Note shall not in and of itself reduce or impair the rating on the Note, (ii) the maturity date of any such Parity Note shall be later than the outstanding Note, and (iii) the Note and Parity Note shall have the same paying agent. In the event that the County issues a Parity Note, the County shall make appropriate deposits into the Payment Account with respect to such Parity Note, and in such event, the Payment Account shall also be held for the benefit of the holders of the Parity Note. The County may incur indebtedness secured by a pledge of its Pledged Revenues subordinate to the pledge of Pledged Revenues with respect to the Note and may issue subordinate tax and revenue anticipation notes. See APPENDIX F— "FORM OF RESOLUTION" attached hereto. The County currently expects that, other than the Note, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2011-12 Fiscal Year.

**Sources and Uses of Funds**

The following table presents the estimated sources and uses of funds in connection with the issuance of the Note.

| | |
|---|---|
| **Sources** | |
| Principal Amount of Note | $[__] |
| Original Issue Premium | [__] |
| Total Sources | $[__] |
| **Uses** | |
| Deposit to General Fund | $[__] |
| Costs of Issuance[1] | [__] |
| Total Uses | $[__] |

[1] Includes legal fees, underwriters' discount, printing expenses and other costs of issuance.

**Book-Entry-Only System**

***Introduction*** Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. The County makes no representations as to the accuracy or completeness of such information. The beneficial owners of the Note should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTE, (C) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE OWNER OF THE NOTE; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE NOTE; OR (E) ANY OTHER MATTER REGARDING DTC.

DTC will act as securities depository for the Note. The Note will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each issue of the Note each in the aggregate principal amount of such issue, and will be deposited with DTC. Individual purchases of participation in the Note will be made in book-entry form only. Purchasers of the Note will not receive certificates representing their ownership interest in the Note purchased. Principal and interest payments represented by the Note are payable directly to DTC by the Paying Agent. 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 Note. See APPENDIX E—"BOOK-ENTRY ONLY SYSTEM" 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 San Bernardino 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 2,139,535 as of January 1, 2010, reflecting a 1.4% increase over January 1, 2009.

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 County 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.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

### Article XIII A of the State Constitution

In 1978, California voters approved Proposition 13, adding Article XIIIA to the California Constitution. Article XIIIA was subsequently amended in 1986, as discussed below. Article XIIIA 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 XIIIA 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 XIIIA 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 XIIIA. 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 XIIIB to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIIIB. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any County, 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 XIIIB 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 XIIIB 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 XIIIB 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 XIIIB 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 XIIIB 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 2009-10 was $2,022,935,264 and the amount shown in its budget for that year as the appropriations subject to limitation was $924,759,013. The County's appropriations limit for Fiscal Year 2010-11 is $2,050,230,730 and the amount subject to the limitation is $971,645,571.

**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 XIIIC and XIIID 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 XIIIC) 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 XIIID) 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 XIIID, 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 XIIIC) 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. No such initiative is currently pending, or to the knowledge of the County, proposed.

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. In May, 2010, the Fourth Appellate District of the Court of Appeals of the State of California ruled against the County and ordered the trial court to issue a judgment vacating the assessment. 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. The County does not believe the ruling the *Beutz* action will have a material impact on County finances and the County is unaware of any other assessments imposed by the County which, if challenged, would adversely affect County finances.

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 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 XIIIA 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 *County 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. County 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. No such challenge against the County is currently pending, or to the knowledge of the County, proposed.

**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. Such shifting occurred in the 2009-10 fiscal year. See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget." 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 then 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. For a discussion of such reductions in the 2010-11 fiscal year, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget."

**Proposition 22**

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (a) to use State fuel tax revenues to pay debt service on state transportation bonds; (b) to borrow or change the distribution of state fuel tax revenues; (c) to direct redevelopment agency property taxes to any other local government; (d) to temporarily shift property taxes from cities, counties, and special districts to schools; (e) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the State Legislative

Analyst's Office ("LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

**Proposition 25**

According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the Legislature is still required to override any veto by the Governor.

**Proposition 26**

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal becomes effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

**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 2010-11, the secured property tax roll declined by .04% from the prior year, and is expected not to decline further in fiscal year 2011-12. See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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 prepares 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 year 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 2010-11 over [__] 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, 1A, 22, 25 and 26 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

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2010-11, approximately 39% of the County's General Fund budget revenues consist of payments from the State and 21% consists of payments from the Federal government.

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The severe economic downturn resulted in General Fund revenues in Fiscal Year 2009-10 ($86.9 billion) falling by approximately 16 percent from their peak in Fiscal Year 2007-08 ($102.6 billion). The State is currently emerging from the recession, and although the level of unemployment is still high, economic growth is rebounding. As a result, General Fund revenues in Fiscal Year 2010-11 ($94.2 billion) are expected to rebound by approximately 8.4 percent above the depressed Fiscal Year 2009-10 levels. Further revenues will be affected by the expiration after Fiscal Year 2010-11 of temporary tax increases enacted in Fiscal Year 2009-10, which represent about $7 billion in receipts in the current year, as well as the expiration of certain on-time revenues which were obtained in Fiscal Years

2009-10 and 2010-11. The State's Fiscal Year 2009-10 and Fiscal Year 2010-11 budgets contained, and the State's proposed Fiscal Year 2011-12 budget contains a number of measures which impact the County's finances. For a discussion of the County's budget and finances, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information."

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 neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County 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. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. 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. 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 2009-10.*** The initial 2009-10 Budget Act, which included a number of mid-year adjustments to the 2008-09 Budget was adopted by the Legislature on February 19, 2009, and signed by the Governor on February 20, 2009. The initial 2009-10 Budget Act included $36 billion in revenue increases and spending cuts to what was then estimated to be a $42 billion General Fund budget gap for the combined 2008-09 and 2009-10 fiscal years. It also provided for five budget-related measures that would have provided an estimated $6 billion in additional budget solution, to be placed before the voters on May 19, 2009. The measures were all rejected by the voters.

After adoption of the initial 2009 Budget Act, the State continued to experience significant declines in revenues and other financial pressures. On May 14, 2009, the Governor released the 2009-10 May revision. Together with the subsequent revisions, the 2009-10 May Revision identified a further budget shortfall through the 2009-10 fiscal year of approximately $24 billion. By July 2009, as new budget gaps were identified and with the failure to adopt corrective actions, the State's cash resources had dwindled so far that, commencing July 2, 2009, the State Controller began to issue registered warrants (or "IOUs") in lieu of warrants (checks) which could be immediately cashed. In late August 2009, the State called all of its outstanding registered warrants for redemption on September 4, 2009.

***Amended 2009-10 Budget Act.*** On July 24, 2009, the Legislature approved the amendments to the initial 2009-10 Budget Act and the Governor signed the Amended 2009-10 Budget Act on July 28, 2009. The Amended 2009-10 Budget Act included another $24 billion in spending cuts, borrowing and revenue enhancements to address the further deterioration of the State's fiscal situation identified in the 2009-10 May Revision.

Under the Amended 2009-10 Budget Act, General Fund revenues and transfers were projected to increase 6.4 percent, from a revised $84.1 billion in fiscal year 2008-09 to $89.5 billion in fiscal year 2009-10. The Amended 2009-10 Budget Act contains General Fund appropriations of $84.6 billion in 2009-10, compared to $91.5 billion in 2008-09, a 7.5 percent decrease. The June 30, 2010 total reserve was projected to be $500 million.

The Amended 2009-10 Budget Act included spending reductions of $31.0 billion; the receipt of $8.0 billion; $12.5 billion of tax increases; and $8.4 billion of other actions, including borrowing. The Amended 2009-10 Budget Act authorized the State to exercise its borrowing authority under Proposition 1A of 2004 to borrow from local agencies (including the County) up to 8 percent of their 2008-09 property tax revenues. However, the Amended 2009-10 Budget Act provided for the ability of local agencies to securitize the State's obligation to repay the amount borrowed. As a result, the County received an amount equal to the full amount of the property tax revenues in a timely manner

***State Budget for Fiscal Year 2010-11.*** The 2010-11 Budget Act closed an estimated budget gap of $19.3 billion with a combination of expenditure reductions of approximately $8.3 billion, federal funds of approximately $5.4 billion and other solutions totaling nearly $5.5 billion. General Fund appropriations totaled $86.6 billion, and the Rainy Day Fund was raised from $375 million to $1.3 billion.

A significant portion of the budget gap was closed by addressing public employee compensation and retirement benefits, including a reduction of approximately $1.5 billion in General Fund and special fund spending by raising employee pension contributions and other administrative actions to reduce employee compensation costs. Additionally, the 2010-11 Budget included one-time revenues of $1.2 billion through sale-leaseback transaction involving 11 state office buildings. Further, the 2010-11 Budget included loans from various transportation-related funds, including the Highway Users Tax Account, the Department of Transportation and the Department of Motor Vehicles, to the General Fund totaling approximately $1 billion.

***State Budget for Fiscal Year 2011-12.*** The Governor released the proposed budget for fiscal year 2011-12 (the "Proposed Budget") on January 10, 2011, in which he acknowledged that while a total of $103.6 billion in budget reductions were enacted between 2008 and 2010, the vast majority of those reductions were temporary or failed because of court challenges or faulty assumptions. Federal funding of $3.6 billion that was assumed in the 2010-11 Budget did not materialize. California voters passed Proposition 22, rejecting a significant provision of the 2010-11 Budget Act accounting for approximately $1 billion in loans to the General Fund and creating a budget shortfall of $1.6 billion. Temporary tax increases and federal stimulus funding totaling approximately $11.2 billion are set to expire on June 30, 2011. The Proposed Budget recognized a budget gap of $26.4 billion and proposed a combination of new taxes and expenditure reductions to close the gap.

The Proposed Budget would reduce expenditures by approximately $12.5 billion. Additionally, the Proposed Budget includes one-time loans from special funds to the General Fund, shifting allocated revenues to fund certain programs and other one-time actions totaling $8.2 billion. The Proposed Budget had anticipated that voters, at a June 2011 special election, would approve the extension of certain tax increases that are set to expire at the end of Fiscal Year 2010-11 and revenue shifts, generating approximately $12 billion. Due to the failure of the Legislature and the Governor to reach an agreement, these provisions of the Proposed Budget will not be presented to the voters in June.

The following are some of the major impacts of the Proposed Budget:

(a) Substantial cuts to major programs, including $1.7 billion to Medi-Cal, $1.5 billion to California's welfare-to-work program, $1 billion to the University of California and California State University, $750 million to the Department of Developmental Services and $580 million to state operations and employee compensation.

(b) Structural changes in the state/local government relationship, shifting responsibility for a number of programs from the state to local authorities. The first phase of this general realignment is a shift of $5.9 billion in state programs, primarily in the area of public safety, to counties. The second phase includes the elimination of existing redevelopment agencies across the state to remove limitations on the use of certain property taxes and shifting responsibility for health care services that are required to be funded by the state.

(c) Reductions in expenditures of greater than 15% for a number of state agencies. Environmental Protection will have a 16% reduction, Higher Education will have a 15.8% reduction and Health and Human Services will have a 21.5% reduction.

Features of the Proposed Budget affecting counties in general include the following:

(a) The burden-shifting to counties as a result of the proposed general realignment would have a significant impact on counties. Phase one of the realignment would shift public safety programs from state to county responsibility, including responsibility for fire protection and medical emergency response, court security and jurisdiction over lower-level offenders and parole violators. Counties would be responsible for mental health services, substance abuse treatment, foster care and child welfare services and adult welfare services.

(b) Reductions in expenditures at the state level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of $1.5 billion in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

***LAO's Overview of Fiscal Year 2011-2012***. The Legislative Analyst's Office Overview of the Governor's Budget (the "Budget Overview") was released on January 12, 2011. The Budget Overview acknowledged that the Proposed Budget reasonably estimated the $25.4 billion shortfall consisting of an $8.2 billion estimated deficit remaining from the 2010-11 Budget and a $17.2 billion gap between revenues and expenditures in Fiscal Year 2011-12.

The Budget Overview credits the Governor for bold proposals such as the realignment of state and local responsibilities for certain government programs and the elimination of redevelopment agencies. The Legislative Analyst's Office looks favorably on both of these proposals, stating that the realignment proposal can "promote innovation, efficiency and responsiveness to local conditions" and that the elimination of redevelopment agencies "makes sense, as the state's costs associated with redevelopment have grown markedly over the years even though there is no reliable evidence that the program improves overall economic performance in the state." However, the Budget Overview highlights significant risks in the Proposed Budget, especially that approximately $12 billion of the proposed budget solutions are dependent upon voter approval in a special election. Additionally, the Budget Overview notes that while the Proposed Budget relies on estimates of savings to the state as a result of enacted solutions, those estimates may be overly optimistic. The Proposed Budget does not provide significant detail on how the savings are to be achieved, and "[h]istorically, such lack of detail often has been associated with budget actions that fail to produce the desired level of savings."

***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.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Note Counsel"), Note Counsel to the County, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Note is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Note and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Note Counsel, interest on the Note is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Note Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Note Counsel is set forth in APPENDIX C—"PROPOSED FORM OF OPINION OF NOTE COUNSEL."

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on debt obligations such as the Note that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the difference between the issue price of the Note and the aggregate amount to be paid at maturity of the Note (the "original issue discount"). For this purpose, the issue price of the Note is the first price at which a substantial amount of the Note is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Note if original issue discount treatment is elected.

A Note purchased, whether at original issuance or otherwise, for an amount higher than the principal amount payable at maturity ("Premium Note") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Note, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a holder of the Note's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such holder of the Note. Holders of Premium Note should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Note. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Note will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Note being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Note. The opinion of Note Counsel assumes the accuracy of these representations and compliance with these covenants. Note Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Note Counsel's attention after the date of issuance of the Note may adversely affect the value of, or the tax status of interest on, the Note. Accordingly, the opinion of Note Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the County referred to above requires the County to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Note which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Note is excluded from gross income for federal income tax purposes. Under the Code, if the County spends 100% of the proceeds of the Note within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Note to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The County expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during the 2011-12 Fiscal Year. To the extent that any rebate cannot be paid from such moneys, California law is unclear as to whether such covenant would require the County to pay any such rebate. This would be an issue only if it were determined that the County's calculation of expenditures of Note proceeds or of rebatable arbitrage profits, if any, was incorrect.

Although Note Counsel is of the opinion that interest on the Note is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Note may otherwise affect a holder of the Note's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder(s) of the Note or the holder(s) of the Note's other items of income or deduction. Note Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Note to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent holders of the Note from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Note. Prospective purchasers of the Note should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Note Counsel expresses no opinion.

The opinion of Note Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Note Counsel's judgment as to the proper treatment of the Note for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Note Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Note Counsel's engagement with respect to the Note ends with the issuance of the Note, and, unless separately engaged, Note Counsel is not obligated to defend the County or the holders of the Note regarding the tax-exempt status of the Note in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the holders of the Note, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of the IRS's positions with which the County legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Note for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Note, and may cause the County or the holders of the Note to incur significant expense.

## LITIGATION

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Note or the Resolution, or contesting the County's ability to appropriate or make the repayment of the Note, 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 Note. See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information—Litigation" for a discussion of the County's pending general litigation.

## LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Note is a legal investment for commercial banks in California to the extent that the Note, in the informed opinion of the bank, is prudent for the investment of funds of its depositors, and are eligible to secure deposits of public moneys in California under provisions of the California Government Code.

## UNDERWRITING

The Note is being purchased initially by De La Rosa & Co., as senior manager, together with Citigroup Global Markets, Inc., and Wedbush Securities Inc., as co-managers (collectively, the "Underwriter") at a price of $[__] (being the par amount of the Note, plus an original issue premium of $[__] and less the Underwriter's discount of $[__]). The Contract of Purchase provides that the Underwriter will purchase all of the Note, if any are purchased. Furthermore, the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase and certain other conditions.

The Underwriter may offer and sell the Note to certain dealers and others at a price lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

De La Rosa & Co., one of the Underwriters of the Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Bonds, with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

Citigroup Global Markets, Inc. ("Citi"), one of the Underwriters of the Note, has entered into a separate agreement with Morgan Stanley for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Note, Citi will share a portion of its underwriting compensation with respect to the Note with Morgan Stanley.

## CONTINUING DISCLOSURE

Pursuant to the Resolution, the County has covenanted for the benefit of the Owners and beneficial owners of the Note to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding material adverse events, if any such events should occur in connection with the following, to the owners of the Note and to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system, or any successor thereto, during the term of the Note. In addition, the County has covenanted to provide updated quarterly cash flow information within 40 days of the end of each fiscal quarter, beginning with the fiscal quarter ending September 30, 2011. See APPENDIX D—"PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE." 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.

## RATINGS

Moody's Investors Service Inc. and Standard and Poor's Rating Services, a division of the McGraw Hill Companies Inc. have assigned ratings of "[__]" and "[__]," respectively, to the Note. Such ratings reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from each rating agency. Further, there is no assurance that any of the ratings will be retained for any given period of time or that any of the ratings will not be revised or withdrawn entirely by such rating agencies if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Note.

## CERTAIN LEGAL MATTERS

At the time of the delivery of the Note, Orrick, Herrington & Sutcliffe LLP, Note Counsel, will deliver its final approving opinion. A proposed forms of such approving opinion is contained in APPENDIX C hereto and will be delivered to DTC with the Note. Note Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the County by the County Counsel, and for the Underwriter by its counsel, Nossaman LLP. Payment of the fees of Note Counsel, Disclosure Counsel and Underwriter's Counsel, is contingent upon the issuance of the Note.

## FINANCIAL ADVISOR

The County has retained Fieldman, Rolapp & Associates, Irvine, California, as Financial Advisor in connection with the authorization and delivery of the Note. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale, issuance and delivery of the Note.

Fieldman, Rolapp & Associates is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## 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 Brown Armstrong Certified Public

Accountants, independent certified public accountants, as stated in their report appearing in APPENDIX B. Brown Armstrong Certified Public Accountants, 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 Brown Armstrong Certified Public Accountants, with respect to any event subsequent to its report dated December 9, 2010. See APPENDIX B— "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010" attached hereto.

## 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 Resolution 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 the Note.

The execution and delivery of this Official Statement has been duly authorized by the County.

COUNTY OF RIVERSIDE

By: /s/ Bill Luna
County Executive Officer

# APPENDIX A

# INFORMATION REGARDING THE COUNTY OF RIVERSIDE

# APPENDIX B

# THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS

# FOR THE FISCAL YEAR ENDED JUNE 30, 2010

# APPENDIX C

## PROPOSED FORM OF OPINION OF NOTE COUNSEL

## APPENDIX D

## PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the County of Riverside (the "County") in connection with the issuance by the County of Riverside of its $[__] aggregate principal amount of County of Riverside 2011-2012 Tax and Revenue Anticipation Note (the "Note"). The Note is being issued pursuant to a Resolution adopted by the Board of Supervisors of the County on May 17, 2011 (the "Resolution"). The County 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 Note 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 Resolution, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"*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 Note (including persons holding a Note through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Note 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 4(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 Note required to comply with the Rule in connection with the offering of the Note.

"*Quarterly Report*" means any Quarterly Report of the County provided by the County pursuant to and as described in Section 3 of this Certificate.

"*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 Reports.**

(a) The County shall, or shall cause the Dissemination Agent to, not later than 40 days after the end of the fiscal quarters ending September 30, 2011, December 31, 2011 and March 31, 2012, 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 the Quarterly Report of the County, which is consistent with the requirements of subsection (b) below. Each Quarterly Report may include by reference other information as required by this Certificate. The County shall provide a written certification with each Quarterly Report filed with the Dissemination Agent to the effect that such Quarterly Report constitutes the Quarterly Report required to be submitted by the County hereunder. The Dissemination Agent may conclusively rely upon such certification of the County.

(b) The County's Quarterly Report shall contain or include by reference information regarding the County's cash flow in the fiscal quarter most recently ended, including comparative information to the projected cash flow included in the Official Statement.

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

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

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

**Section 4. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 4, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Note:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Note;

(vii) modifications to the rights of Owners of the Note, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Note, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(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 Note pursuant to the Resolution.

**Section 5. 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 Note 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 Note, the County shall give notice of such termination in the same manner as for a Listed Event under Subsection 4(c).

**Section 6. 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 7. 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 Section 3 or Subsection 4(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 Note, 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 Note, 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 Note in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners of the Note, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Note.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Quarterly 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.

**Section 8. 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 Quarterly 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 Quarterly 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 Quarterly Report or notice of occurrence of a Listed Event.

**Section 9. 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 Note 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 Resolution with respect to the Note, 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 10. 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 Note.

**Section 11. 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 Note, and shall create no rights in any other person or entity.

**Section 12. Governing Law**. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

COUNTY OF RIVERSIDE

By ______________________________
Authorized Officer

[Signature Page for Continuing Disclosure Certificate]

## EXHIBIT A

## FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE REPORT

| | |
|---|---|
| Name of Issuer: | County of Riverside, California |
| Name of Bond Issue: | $ [__] County of Riverside 2011-2012 Tax and Revenue Anticipation Note |
| Issuance Date: | July 1, 2011 |

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Quarterly Report with respect to the above-named Note as required by Section 3 of the Continuing Disclosure Certificate, dated as of July 1, 2011, executed and delivered by the County. [The County anticipates that such report will be filed by ___________].

Dated: _____________

COUNTY OF RIVERSIDE

By ________________________________
Authorized Officer

## APPENDIX E

## BOOK-ENTRY-ONLY SYSTEM

*The information in this APPENDIX E 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 Note, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note, 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 E. 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.*

DTC, the world's largest securities depository, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The County undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Note under the DTC system must be made by or through Direct Participants, which will receive a credit for the Note on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Note 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 Note, except in the event that use of the book-entry system for the Note is discontinued.

To facilitate subsequent transfers, the Note 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 Note with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Note; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note is 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Note unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent 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 Note is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Note 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 Paying Agent 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 or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, 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.

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

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

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

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF THE NOTE AND WILL NOT BE RECOGNIZED BY THE PAYING AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

# APPENDIX F

## FORM OF RESOLUTION

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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 2,217,778 as of January 1, 2011, representing an approximately 1% increase over the County's population as estimated by the 2010 Census, following an increase of approximately 42% over the prior decade. For the eleven year period of January 1, 2000 to January 1, 2011, the County's population grew by over 600,000, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 59,000 to its population. This is followed by Riverside, Temecula, Moreno Valley, Indio, Corona, Beaumont, Lake Elsinore and La Quinta. The city of Beaumont experienced the most rapid growth rate. Several areas in the unincorporated County also grew rapidly. These include Eastvale (which incorporated in 2010), Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area 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, 2010 and January 1, 2011, the County population increased by approximately 1%, a rate close to 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)**

| CITY | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Banning | 28,148 | 28,551 | 29,507 | 29,844 |
| Beaumont | 31,317 | 32,448 | 36,496 | 38,195 |
| Blythe | 21,627 | 21,346 | 20,873 | 20,158 |
| Calimesa | 7,423 | 7,504 | 7,853 | 7,941 |
| Canyon Lake | 10,994 | 11,143 | 10,528 | 10,647 |
| Cathedral City | 51,972 | 52,508 | 51,037 | 51,603 |
| Coachella | 40,317 | 41,043 | 40,464 | 41,502 |
| Corona | 146,698 | 148,770 | 151,854 | 153,649 |
| Desert Hot Springs | 25,939 | 26,584 | 25,852 | 27,383 |
| Eastvale | - | - | - | 54,303 |
| Hemet | 73,205 | 74,931 | 78,335 | 79,607 |
| Indian Wells | 5,000 | 5,099 | 4,941 | 5,010 |
| Indio | 80,962 | 82,325 | 75,122 | 77,165 |
| Lake Elsinore | 49,556 | 50,324 | 51,445 | 52,503 |
| La Quinta | 42,743 | 43,830 | 37,307 | 37,836 |
| Menifee | - | 67,819 | 77,267 | 79,444 |
| Moreno Valley | 182,945 | 186,515 | 192,654 | 195,216 |
| Murrieta | 99,576 | 100,835 | 103,085 | 104,459 |
| Norco | 27,143 | 27,189 | 27,066 | 27,060 |
| Palm Desert | 50,686 | 51,570 | 48,132 | 49,111 |
| Palm Springs | 47,019 | 47,653 | 44,385 | 45,002 |
| Perris | 53,340 | 54,387 | 67,879 | 69,781 |
| Rancho Mirage | 16,975 | 16,938 | 17,168 | 17,463 |
| Riverside | 296,191 | 300,769 | 302,814 | 306,779 |
| San Jacinto | 35,491 | 36,521 | 44,043 | 44,597 |
| Temecula | 99,873 | 102,713 | 99,611 | 101,657 |
| Wildomar | - | 31,374 | 32,006 | 32,543 |
| TOTALS | | | | |
| Incorporated | 1,525,140 | 1,650,689 | 1,677,724 | 1,760,548 |
| Unincorporated | 553,461 | 459,193 | 501,968 | 457,320 |
| County-Wide | 2,078,601 | 2,109,882 | 2,179,692 | 2,217,778 |
| California | 37,883,992 | 38,255,508 | 37,223,900 | 37,510,766 |

Source: State Department of Finance, Demographic Research Unit.

**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 2006 through 20010.

**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 |
|---|---|---|---|
| **2006** | | | |
| Riverside County | $ 35,656,620 | $43,490 | 41.8% |
| California | $764,120,082 | $46,275 | 45.6% |
| **2007** | | | |
| Riverside County | $ 38,631,365 | $45,310 | 44.3% |
| California | $814,894,437 | $48,203 | 47.9% |
| **2008** | | | |
| Riverside County | $ 40,935,407 | $46,958 | 46.2% |
| California | $832,531,445 | $48,952 | 48.8% |
| **2009** | | | |
| Riverside County | $40,935,686 | $46,852 | 46.2% |
| [California] | | | |
| **2010** | | | |
| Riverside County | $ 41,337,856 | $47,080 | 46.6% |
| California | $844,822,042 | $49,736 | 49.7% |

(1) Estimated.
(2) Dollars in thousands.

Source: Demographics USA, Trade Dimensions for 2006, "Survey of Buying Power," Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009 and 2010.

## 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 PMSA**
**ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY[1]**
**(IN THOUSANDS)**

| INDUSTRY | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Agriculture | 17.3 | 16.4 | 15.9 | 14.9 | 14.8 |
| Construction | 127.5 | 112.5 | 90.7 | 67.9 | 59.5 |
| Finance Activities | 51.5 | 49.8 | 46.1 | 42.5 | 41.1 |
| Government | 222.5 | 225.3 | 229.9 | 228.4 | 224.3 |
| Manufacturing: | 123.4 | 118.5 | 106.9 | 88.8 | 84.6 |
| Nondurables | 36.5 | 36.5 | 34.3 | 30.6 | 29.6 |
| Durables | 86.9 | 82.1 | 72.5 | 58.1 | 55 |
| Natural Resources and Mining | 1.4 | 1.3 | 1.2 | 1.1 | 1 |
| Retail Trade | 173.2 | 175.6 | 168.6 | 156.2 | 154.6 |
| Professional, Educational and other Services | 435.1 | 446.2 | 441.3 | 419.0 | 414.9 |
| Transportation, Warehousing and Utilities | 63.8 | 69.5 | 70.2 | 66.8 | 66.5 |
| Wholesale Trade | 54.2 | 56.8 | 54.1 | 48.9 | 48.8 |
| Information, Publishing and Telecommunications | 15.3 | 15.4 | 14.9 | 15.1 | 15.9 |
| Total, All Industries | 1,285.0 | 1,287.3 | 1,239.7 | 1,149.7 | 1,126.0 |

(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 2010:

**COUNTY OF RIVERSIDE**
**CERTAIN MAJOR EMPLOYERS[1]**
**(2010)**

| Company Name | Product/Service | No. of Local Employees[2] |
|---|---|---|
| County of Riverside | County Government | 17,676 |
| March Air Reserve Base | Military Reserve Base | 8,500 |
| Stater Bros. Markets | Supermarket Retailer | 6,900 |
| University of California, Riverside | University | 5,790 |
| Corona-Norco Unified School District | School District | 4,790 |
| KSL Resorts | Resort | 4,000 |
| Pechanga Resort & Casino | Casino & Resort | 4,000 |
| Riverside Unified School District | School District | 3,801 |
| Hemet Unified School District | School District | 3,546 |
| Moreno Valley Unified School District | School District | 3,481 |

(1) Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.
(2) Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.
Source: County Economic Development Agency

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**

| | 2006 | 2007 | 2008 | 2009 | 2010 | March 2011 |
|---|---|---|---|---|---|---|
| County[1] | 5.0% | 6.0% | 8.5% | 13.6% | 14.7% | 14.2%[2] |
| California[1] | 4.9 | 5.3 | 7.2 | 11.4 | 12.4 | 12.3[2] |
| United States[3] | 4.6 | 4.6 | 5.8 | 9.3 | 9.6 | 8.8 |

(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 2005 through 2009:

**COUNTY OF RIVERSIDE**
**TAXABLE SALES TRANSACTIONS**
**(IN THOUSANDS)**

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Apparel Stores | $ 990,129 | $ 1,080,385 | $ 1,171,013 | $ 1,121,543 | $ 1,293,271 |
| General Merchandise Stores | 3,021,908 | 3,250,377 | 3,272,665 | 3,081,989 | 2,855,733 |
| Drug Stores | 282,566 | 303,177 | 320,469 | 307,947 | 288,768 |
| Food Stores | 1,197,438 | 1,309,782 | 1,352,609 | 1,254,366 | 1,144,235 |
| Packaged Liquor Stores | 74,828 | 78,895 | 84,397 | 98,338 | 106,981 |
| Eating and Drinking Places | 2,157,801 | 2,316,422 | 2,388,039 | 2,340,554 | 2,266,853 |
| Home Furnishing and Appliances | 964,629 | 948,217 | 843,945 | 816,379 | 858,098 |
| Building Materials & Farm Implements | 2,756,280 | 2,738,153 | 1,961,911 | 1,435,337 | 1,128,595 |
| Auto Dealers & Supplies | 4,474,566 | 4,326,040 | 4,301,385 | 3,115,036 | 2,449,747 |
| Service Stations | 2,277,082 | 2,630,716 | 2,835,690 | 3,011,476 | 2,300,247 |
| Other Retail Stores | 2,641,985 | 2,860,181 | 2,710,393 | 2,106,283 | 1,364,956 |
| Retail Stores Total | $20,839,212 | $21,842,345 | $21,242,516 | $18,689,249 | $16,057,488 |
| All Other Outlets | 7,417,279 | 7,973,892 | 7,781,093 | 7,314,346 | 6,170,390 |
| Total All Outlets | $28,256,491 | $29,816,237 | $29,023,609 | $26,003,595 | $22,227,878 |

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 2006.

**COUNTY OF RIVERSIDE**
**BUILDING PERMIT VALUATIONS**
**(IN THOUSANDS)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| RESIDENTIAL | | | | | |
| New Single-Family | $4,412,257 | $2,207,320 | $1,214,752 | $ 891,825 | $ 914,180 |
| New Multi-Family | 431,579 | 238,316 | 243,741 | 76,717 | 73,832 |
| Alterations and Adjustments | 158,098 | 141,996 | 118,490 | 85,148 | 94,775 |
| Total Residential | $5,001,934 | $2,587,832 | $1,576,983 | $1,053,690 | $1,082,787 |
| NON-RESIDENTIAL | | | | | |
| New Commercial | $ 648,068 | $ 682,331 | $ 539,944 | $ 94,653 | $ 191,324 |
| New Industry | 288,353 | 184,506 | 70,411 | 12,278 | 6,686 |
| New Other[1] | 290,010 | 240,765 | 138,766 | 107,334 | 97,320 |
| Alterations & Adjustments | 303,407 | 350,539 | 292,694 | 162,557 | 242,848 |
| Total Nonresidential | $1,529,838 | $1,458,141 | $1,041,815 | $376,822 | $ 538,178 |
| TOTAL ALL BUILDING | $6,531,772 | $4,045,973 | $2,618,798 | $1,430,512 | $1,620,965 |

(1) 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**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Single Family | 20,692 | 9,763 | 3,815 | 3,424 | 4,030 |
| Multi-Family | 4,519 | 2,690 | 2,104 | 784 | 538 |
| TOTAL | 25,211 | 12,453 | 5,919 | 4,208 | 4,568 |

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 February 2010 and February 2011.

**COUNTY OF RIVERSIDE**
**COMPARISON OF MEDIAN HOUSING PRICES**

| | March 2010 | March 2011 | Percent change |
|---|---|---|---|
| Riverside County | $198,000 | $195,250 | -1.39% |
| Los Angeles County | 330,000 | 318,000 | -3.64% |
| Southern California(1) | 285,000 | 280,500 | -1.58% |

(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**

| Year | Los Angeles | Riverside | San Bernardino | Southern California(1) |
|---|---|---|---|---|
| 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 | 30,285 | 25,500 | 19,714 | 100,970 |
| 2010 | | | | |

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.]

**Agriculture**

Agriculture remains an important 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 2005 through 2010 is presented in the following table.

**COUNTY OF RIVERSIDE**

**VALUE OF AGRICULTURAL PRODUCTION**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010[(1)] |
|---|---|---|---|---|---|---|
| Citrus Fruits | $ 138,244,700 | $ 107,897,000 | $ 121,387,100 | $ 135,759,800 | $ 101,652,000 | |
| Trees and Vines | 188,553,200 | 191,321,200 | 189,286,500 | 173,678,000 | 191,682,600 | |
| Vegetables, Melons, Miscellaneous | 261,019,500 | 213,643,300 | 234,854,700 | 266,414,900 | 221,286,700 | |
| Field and Seed Crops | 77,687,300 | 68,611,700 | 94,492,000 | 123,545,400 | 69,699,800 | |
| Nursery | 229,210,200 | 270,992,800 | 272,326,200 | 230,416,200 | 206,499,900 | |
| Apiculture | 2,736,800 | 3,554,300 | 3,948,900 | 5,637,000 | 5,017,600 | |
| Aquaculture Products | 13,367,300 | 11,514,700 | 9,829,200 | 12,077,700 | 5,243,900 | |
| Total Crop Valuation | $ 910,819,000 | $ 867,535,000 | $ 926,124,600 | $ 947,529,000 | $ 801,082,500 | |
| Livestock and Poultry Valuation | 257,852,100 | 234,903,400 | 338,938,600 | 321,060,900 | 214,672,800 | |
| Grand Total | $1,168,671,100 | $1,102,438,400 | $1,265,063,200 | $1,268,589,900 | $1,015,755,300 | |

(1) Estimated.

Source: Riverside County Agricultural Commissioner]

**Transportation**

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in 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. 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 SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Agency provides 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. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno

Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

**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 Gorgonio 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 long-term water supply is a major concern of local and regional water agencies in California, especially southern California. The governor and the state legislature are currently engaged in discussions with respect to a comprehensive state-wide plan with respect to water supply, storage and conveyance, but no assurance can be made that a sustainable solution will be achieved.

Due to the ongoing drought conditions and water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

***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

Riverside County operates on an annual budget cycle. Under Government Code, the county must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. A final budget that reflects any revisions to the recommended budget must be adopted by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed at the end of the first, second and third quarters.

### Fiscal Year 2010-11 Final Budget

The County adopted its fiscal year 2010-11 budget on August 10, 2010. This budget approved total general fund appropriations of $2.4 billion. Such appropriations were for primary County services including public protection, health and sanitation, and public assistance. These three areas comprised approximately 92% 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 2010-11, approximately 39% of the County's general fund revenue consisted of payments from the State and 21% 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 "discretionary." Approximately 25% of the County's general fund revenue consisted of wholly discretionary revenue. The County generally uses discretionary revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection that are not otherwise funded by trial court funding from the State 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 are estimated at $122 million in fiscal year 2010-11. General sales tax receipts for the County are estimated at $28 million in fiscal year 2010-11.

As of June 30, 2011, it is projected that the general fund will have a balance of $307 million or 13% of the total general fund expenditures. This amount includes $85 million of reserved fund balance, $202 million of designated fund balance, and $20 million of unreserved fund balance. The Board recognizes the need to increase or at least preserve these reserves, and is exploring options to boost reserves, including an average 8% cut in expenditures for all general fund departments (for an approximate saving of $55 million) during the 2011-12 fiscal year. In addition, in April 2011 the County transferred $5 million in accumulated interest from a capital improvement program fund into the reserve for economic uncertainty.

Final figures for the 2010-11 fiscal year are still pending, but estimates reflect a 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 2010-11 are budgeted to decrease by approximately 9% from the prior fiscal year, supported in part by reserves and designations. Specifically, the budget includes the use of a total of $62 million in discretionary reserves, $20 million in unreserved fund balance, and $11 million in restricted reserves to support approved appropriations. Additionally, the County created a $15 million discretionary reserve for disaster relief and added $16.2 million in labor and prior year budget savings to reserves for economic uncertainty. The County preliminarily estimates that the budget for fiscal year 2011-12 will include the further use of approximately $28 million in discretionary reserves. The County preliminarily expects to restore a structurally balanced budget during fiscal year 2012-13.

**Mid-Year Developments and Adjustments**

While most economists agree that the recession has officially ended, the most optimistic economic forecasts project slow growth, if any, over the near future. The County's discretionary revenue estimates remained unchanged between July 1, 2010 and September 30, 2010, as reported in the First Quarter Budget Report. While some departments projected a potential shortfall of $47 million by year-end, the Board of Supervisors maintained its position that budget targets remain unchanged. Departments were instructed to take the steps necessary to remain within budget guidelines.

On May 3, 2011, the County Executive Officer released the Third Quarter Budget Report. Similar to the first two quarters of fiscal year 2010-11, the County did not report any significant changes in discretionary revenue overall. County departments that projected shortfalls during the first and second quarters continued to execute cost-cutting efforts and have reduced projected shortfalls to $25 million. The Board of Supervisors remained steadfast in its goal of structural balance and directed these departments, including public safety and public social services, to continue to take the steps necessary to remain within budget guidelines. The County estimates discretionary revenue for fiscal year 2010-11 to be $592 million, an amount that has remained unchanged from the original 2010-11 adopted budget. Fiscal Year 2011-12 estimates for discretionary revenue indicate a reduction of approximately $10 million.

**Fiscal Year 2011-12 Recommended Budget**

The County Executive Office is scheduled to release the recommended budget for Fiscal Year 2011-12 on June 13, 2011. The recommended budget is expected to include total general fund appropriations of approximately $2.4 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy will continue to stabilize in fiscal year 2011-12 but does not expect additional revenue to be available to expand services. However, the County believes additional, minor revenue losses are likely, especially with respect to property taxes. For fiscal year 2011-12, approximately 38% of the County's general fund revenue is projected to consist of payments from the State and 21% will consist of payments from the Federal government. The County projects that discretionary revenue will decrease by $10 million to $582 million for fiscal year 2011-12.

The assessed valuation of taxable property is expected to decrease by approximately .4%, equating to a decrease of approximately $2 million of property tax revenue, in fiscal year 2011-12. Sales tax receipts in fiscal year 2011-12 for the County from the 1/2 cent levy pursuant to Proposition 172 will be budgeted at $110 million. Any of this revenue in excess of the budgeted amount will be added to a public safety reserve for future budgetary needs. General sales tax receipts for the County are expected to be approximately $21 million, a reduction of more than $7 million from the prior year due to revenue loss associated with newly incorporated areas.

The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-2012 will incorporate addition direct cuts and labor savings of $55 million and a $28 million draw on reserves. Fiscal Year 2011-12 is anticipated to be the last year of cuts under the multi-year budget plan and the budgets for outlying years are anticipated to be structurally balanced.

**Impacts of State Budget**

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. While $38 million in revenue would be subject to this shift, the State must first repay the revenue shifted for this purpose during fiscal year 2009/10, as discussed below.

**COUNTY OF RIVERSIDE**
**FISCAL YEAR 2010-11 REVENUES WERE**
**SUBJECT TO STATE SUSPENSION PURSUANT TO PROPOSITION 1A**

| Component | Amount |
|---|---|
| 8% Property Tax | $21,840,000 |
| Sales Tax Triple Flip | 614,000 |
| Property Tax in Lieu of VLF | 15,104,000 |
| Total | $37,558,000 |

The approximately $38 million in fiscal year 2010-11 revenues subject to Proposition 1A includes approximately $33 million in General Fund revenues of the County. It should be noted that these revenues may not be suspended until the State repays the revenue suspension in the amount of approximately $38 million that occurred in fiscal year 2009-10 pursuant to Proposition 1A.

On November 19, 2009, the California Statewide Communities Development Authority issued the $1,895,000,000 California Statewide Communities Development Authority Revenue Bonds (State of California Proposition 1A Receivables Program) Series 2009 (the "Proposition 1A Bonds"). The County opted to sell its General Fund portion of Proposition 1A receivable from the State and received approximately $38 million in Proposition 1A Bond proceeds. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Proposition 1A" and "STATE OF CALIFORNIA FINANCIAL INFORMATION–Amended 2009-10 Budget."

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2011-12 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.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2011-12 Final Budget from time to time.

**Final Budget Comparison**

The following table compares the 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, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

**COUNTY OF RIVERSIDE**
**ADOPTED GENERAL FUND BUDGETS[1]**
**FISCAL YEARS 2006-07, 2007-08, 2008-09, 2009-10 AND 2010-11**
**(IN MILLIONS)**

| | 2006-07 Budget | 2007-08 Budget | 2008-09 Budget | 2009-10 Budget | 2010-11 Budget |
|---|---|---|---|---|---|
| REQUIREMENTS | | | | | |
| General Government | $ 217.58 | $ 279.30 | $ 238.6 | $ 239.2 | $ 175.3 |
| Public Protection | 947.66 | 1,032.48 | 1,132.0 | 1,055.2 | 1,062.4 |
| Public Ways and Facilities | 6.62 | 6.79 | 2.1 | 2.2 | 0.0 |
| Health and Sanitation | 381.17 | 410.68 | 392.3 | 295.2 | 396.0 |
| Public Assistance | 663.05 | 721.38 | 791.1 | 815.5 | 780.0 |
| Education | 0.39 | 0.49 | 0.6 | 0.4 | 0.6 |
| Recreation and Cultural | 0.31 | 0.29 | 0.3 | 0.3 | 0.3 |
| Debt Retirement-Capital Leases | 10.87 | 14.82 | 22.3 | 6.8 | 6.8 |
| Contingencies | 32.08 | 32.15 | 34.8 | 30.0 | 20.0 |
| Increase to Reserves | 6.15 | 8.92 | 5.0 | (12.8) | 17.5 |
| Total Requirements[3] | $ 2,265.88 | $ 2,507.30 | $2,619.1 | $2,532.0 | $2,458.9 |
| AVAILABLE FUNDS | | | | | |
| Use of Fund Balance and Reserves | $ 22.66 | $ 33.43 | $ 107.1 | $ 112.8 | $ 107.8 |
| Estimated Revenues: | | | | | |
| Property Taxes[2] | 214.16 | 262.61 | 287.2 | 244.9 | 222.4 |
| Other Taxes[2] | 77.54 | 71.06 | 49.1 | 46.1 | 46.0 |
| Licenses, Permits and Franchises | 29.71 | 31.63 | 24.9 | 20.7 | 19.8 |
| Fines, Forfeitures and Penalties | 48.26 | 51.99 | 60.6 | 55.7 | 58.0 |
| Use of Money and Properties | 53.51 | 53.16 | 29.7 | 13.5 | 11.2 |
| Aid from Other Governmental Agencies: | | | | | |
| State | 842.83 | 938.46 | 991.8 | 962.0 | 921.7 |
| Federal | 415.25 | 444.70 | 465.4 | 511.1 | 501.2 |
| Charges for Current Services | 424.61 | 462.26 | 385.1 | 452.7 | 461.0 |
| Other Revenues | 137.33 | 158.01 | 217.9 | 112.5 | 111.9 |
| Total Available Funds[3] | $2,265.86 | $2,507.30 | $2,619.1 | $2,532.0 | $2,458.9 |

(1) Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

(2) Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2008-09 Budget, the 2009-10 Budget, and the 2010-11 Budget and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.

(3) Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

**Riverside County Treasurer's Pooled Investment Fund**

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2011, the portfolio assets comprising the PIF had a market value of $5,421,230,535.75.

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, 2010, 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 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% 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 2010 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 March 31, 2011 (in thousands), were as follows:

| | Market Value | % of Pool |
|---|---|---|
| Federal Agency Securities | $4,175,290.88 | 77.02% |
| Cash Equivalents & Money Market Funds | 322,000.00 | 5.94 |
| Commercial Paper | 149,735.60 | 2.76 |
| Medium Term Notes | 0.00 | 0.00 |
| Municipal Notes | 86,235.56 | 1.59 |
| Certificates of Deposit | 100,000.00 | 1.84 |
| U.S. Treasury Bonds | 587,358.50 | 10.83 |
| Local Agency Obligations [1] | 610.00 | 0.01 |
| Total | $5,421,230.54 | 100.00% |
| | | |
| Book Yield: | 0.67% | |
| Weighted Average Maturity: | 1.26 years | |

(1) Represents County obligations issued by the Riverside District Court Financing Corporation..
Source: County Treasurer-Tax Collector

As of March 31, 2011, the market value of the PIF was 99.86% 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. 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 twenty-eight dollar administrative 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.

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 1999-00 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE**
**AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS**
**FISCAL YEARS 1999-00 THROUGH 2011-12**

**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 |
|---|---|---|---|---|---|
| 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 | 7.33 | 3,146,419,870 | 103.84 |
| 2009-10 | 2,791,941,475 | 139,427,699 | 4.99 | 2,957,072,395 | 105.91 |
| 2010-11 | 2,698,915,858 | N/A | N/A | N/A | N/A |
| 2011-12 | 2,698,915,858[4] | N/A | N/A | N/A | N/A |

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA 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) Estimated, based on County Assessor's projection of a 0.0% decline in Fiscal Year 2011-12 property values.
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 |
|---|---|---|---|
| 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 | 88,409,527 | 100.33 |
| 2010-11 | 86,326,418 | 74,280,196[3] | N/A |
| 2011-12 | 86,326,418[4] | N/A | N/A |

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA 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.
(3) Reflects partial year collections, through October 2010.
(4) Estimated, based on County Assessor's projection of a 0.0% decline in Fiscal Year 2011-12 property values.
Source: County Auditor-Controller

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 table describes the supplemental tax roll of the County for fiscal year 2000-01 through fiscal year 2010-11.

**COUNTY OF RIVERSIDE**
**SUMMARY OF SUPPLEMENTAL ROLL**
**AD VALOREM PROPERTY TAXATION**
**FISCAL YEARS 2000-01 THROUGH 2010-11**

| Fiscal Year | Tax Levy for Increased Assessments(1),(2)(3) | Refunds for Decreased Assessments(1) (3) | Net Supplemental Tax Levy | Collections(1),(2) |
|---|---|---|---|---|
| 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(4) | 60,817,712 | 46,478,150 | 14,339,562 | 74,316,444 |
| 2009-10 | 27,019,730 | 35,212,651 | (8,192,922) (5) | 19,632,809 |
| 2010-11 | 30,668,685(6) | 24,135,052(6) | 6,533,633 | 3,886,854(7) |

(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 refunds of negative supplemental taxes less than $10.
(4) Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
(5) The negative tax levy is a result of refunds exceeding the billed amounts.
(6) From July 2010 through April 2011.
(6) Current year and prior year collections, net of refunds from July 2010 through February 2011.

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 2006-07 through fiscal year 2010-11.

**COUNTY OF RIVERSIDE**
**ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE(1)**
**FISCAL YEARS 2006-07 THROUGH 2010-11**
**(IN MILLIONS)**

| Category | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|
| **SECURED PROPERTY:** | | | | | |
| Land | $ 66,302 | $ 76,817 | $ 82,768 | $ 69,917 | $ 65,877 |
| Structures | 130,830 | 153,297 | 149,837 | 137,292 | 132,431 |
| Personal Property | 803 | 841 | 860 | 906 | 819 |
| Utilities | 2,614 | 2,807 | 3,154 | 2,907 | 3,018 |
| Total Secured | $200,549 | $233,762 | $236,529 | $211,022 | $202,145 |
| **UNSECURED PROPERTY**: | | | | | |
| Land | $ 3 | $ 9 | $ 16 | $ 2 | 14 |
| Improvements | 2,839 | 3,199 | 3,866 | 3,761 | 3,748 |
| Personal Property | 3,571 | 3,996 | 4,426 | 4,154 | 4,049 |
| Total Unsecured(2) | $ 6,413 | $ 7,204 | $ 8,308 | $ 7,917 | 7,811 |
| Grand Total | $206,962 | $248,966 | $244,837 | $218,939 | $209,956 |

(1) Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIIIA 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 stabilized in 2009 and 2010. 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 incorporated 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%. In FY 2010-11, the Assessor plan proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In FY 2011-12, the Assessor intends to again proactively review all residential properties purchased after January 1, 1999.

***Property Tax Appeals***. The County has received assessment appeals applicable to fiscal year 2010-11 totaling approximately $10.3 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 $887.7 million of assessed value, representing $8.877 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2009-10 and fiscal year 2010-11. 66% of the fiscal year 2009-10 assessment appeals have been completed. The majority of the remaining fiscal year 2009-10 assessment appeals are expected to be completed by November 30, 2011.

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 2011-12 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2009-10 assessment appeals still to be completed; (ii) a portion of the fiscal year 2010-11 and fiscal year 2011-12 assessment appeals being completed during fiscal year 2011-12.

**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 2010-11, approximately 55% 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 $15.2 million as of June 30, 2010. 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 was completed through the sale, in October 2010, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of approximately $186 million and County of Riverside Teeter Obligation Note, Series C (the "C Notes") in the amount of approximately $20.8 million. The total amount of approximately $206.8 million is comprised of approximately $101.5 million representing fiscal year 2009-10 delinquent property taxes and approximately $105.3 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 annual payment. The letter of credit will expire on November 5, 2012. The C Notes were publicly sold backed by the General Fund.

## Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2010-11.

**COUNTY OF RIVERSIDE**
**TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2010-11**
**SECURED AND UNSECURED ASSESSMENTS**

| TAXPAYER | TOTAL TAXES LEVIED | PERCENTAGE OF TOTAL TAX CHARGE |
|---|---|---|
| Southern California Edison Company | $18,358,889.44 | 0.65% |
| Verizon California, Inc. | 8,071,874.64 | 0.28 |
| Inland Empire Energy Center, LLC | 7,342,006.24 | 0.26 |
| Southern California Gas Company | 6,372,124.04 | 0.22 |
| Federal National Mortgage Association | 3,461,382.40 | 0.12 |
| Centex Homes | 3,433,569.94 | 0.12 |
| Abbot Vascular, Inc. | 3,171,111.38 | 0.11 |
| Tyler Mall LTD Partnership` | 2,879,518.46 | 0.10 |
| Blythe Energy, LLC | 2,852,251.22 | 0.10 |
| Deutsche Bank National Trust Company | 2,851,079.20 | 0.09 |
| Ashby USA | 2,523,491.62 | 0.09 |
| Standard Pacific Corporation | 2,455,690.54 | 0.08 |
| Federal Home Loan Mortgage Corporation | 2,398,823.06 | 0.08 |
| Chelsea GCA Realty Partnership, LP | 2,373,021.26 | 0.08 |
| Wal Mart Real Estate Business Trust | 2,180,553.60 | 0.07 |
| BRE Properties, Inc. | 2,052,445.74 | 0.07 |
| Worldmark, The Club | 2,034,411.26 | 0.07 |
| Wells Fargo Bank | 2,021,344.46 | 0.07 |
| Costco Wholesale Corporation | 2,012,934.02 | 0.07 |
| Lowes HIW, Inc. | 2,003,715.86 | 0.07 |
| Watson Laboratories, Inc. | 1,931,538.88 | 0.07 |
| KB Home Coastal, Inc. | 1,903,337.30 | 0.07 |
| DS Hotel | 1,842,938.22 | 0.06 |
| Pacific Bell Telephone Company dba AT&T California | 1,841,788.30 | 0.06 |
| KSL Desert Resort | 1,788,008.72 | 0.06 |
| **Total** | **$90,157,849.80** | **3.17%** |

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2010-11 are shown below.

**COUNTY OF RIVERSIDE**
**TEN LARGEST TAXPAYERS IN FISCAL YEAR 2010-11**
**BY ASSESSED VALUE**

| ASSESSEE | ASSESSED VALUE |
|---|---|
| Abbot Vascular Inc. | $ 303,334,493 |
| Kaiser Foundation Hospitals | 292,084,486 |
| Eisenhower Memorial Hospital | 292,034,164 |
| Walgreens Company | 258,946,731 |
| Eisenhower Medical Center | 226,511,857 |
| Lowes HIW Inc. | 216,211,920 |
| Federal National Mortgage Association | 215,549,610 |
| Target Corp. | 210,110,346 |
| Kaiser Foundation Health Plan, Inc. | 206,804,418 |
| Costco Wholesale Corporation | 201,693,273 |
| Subtotal | $2,423,281,298 |
| All Others | 205,781,979,472 |
| Total | $208,205,260,770† |

† 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 2009-10, the County retained approximately 12.45% of the total amount collected (and is budgeted to retain 12.44% in fiscal year 2010-11). 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 1999-00 THROUGH 2010-11**

| Fiscal Year | Frozen Base Value | Full Cash Value Increments(1) | Total Tax Allocations(2) |
|---|---|---|---|
| 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 | 62,342,584,603 | 630,001,609 |
| 2010-11 | 15,980,487,099(3) | 58,188,212,570 | 586,318,387(4) |

(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) County report of increment of assessed district value for FY 2010-11.
(4) Includes general purpose and debt. Estimate.

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 45 unincorporated communities. As of June 30, 2010, the County Redevelopment Agency had a total land area of 82,250 acres and a base year assessed value, including State-owned land, of $2,964,045,695. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2010-11 is estimated at approximately $86,774,724 (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 2009-10 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

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 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 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 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, 2010, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

## COUNTY OF RIVERSIDE
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
## FISCAL YEARS 2005-06 THROUGH 2009-10

**(In Thousands)**

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|
| BEGINNING FUND BALANCE | $ 339,321 | $ 446,918 | $ 570,964 | $ 481,776[1] | $ 372,121 |
| REVENUES | | | | | |
| Taxes | 273,493 | 301,573 | 309,295 | 274,480 | 229,631 |
| Licenses, permits and franchises | 21,569 | 25,803 | 24,525 | 19,840 | 16,724 |
| Fines, forfeitures and penalties | 62,305 | 81,148 | 90,788 | 107,147 | 112,813 |
| Use of money and property – Interest | 42,826 | 62,848 | 61,623 | 33,414 | 12,197 |
| Use of money and property – Rents and concessions | 4,131 | 2,805 | 2,578 | 3,157 | 3,936 |
| Government Aid – State | 785,390 | 893,390 | 905,998 | 908,334 | 820,432 |
| Government Aid – Federal | 395,105 | 430,606 | 473,731 | 472,210 | 504,605 |
| Governmental Aid-Other | 69,042 | 81,703 | 95,808 | 95,812 | 89,312 |
| Charges for current services | 326,066 | 319,198 | 358,767 | 364,649 | 367,249 |
| Other revenues | 13,936 | 38,856 | 29,308 | 36,149 | 30,670 |
| TOTAL REVENUES | $1,993,863 | $2,237,932 | $2,352,421 | $2,315,192 | $2,187,569 |
| EXPENDITURES | | | | | |
| General government | $ 123,716 | $ 119,365 | $ 145,290 | $ 146,816 | $ 130,516 |
| Public protection | 798,035 | 916,524 | 1,032,582 | 1,062,437 | 1,005,679 |
| Public ways and facilities | 3,930 | 4,405 | 4,717 | 4,378 | - |
| Health and sanitation | 337,139 | 341,467 | 368,753 | 382,588 | 333,068 |
| Public assistance | 588,928 | 644,912 | 704,404 | 719,328 | 712,353 |
| Education | 349 | 394 | 464 | 675 | 551 |
| Recreation and cultural | 203 | 203 | 206 | 230 | 312 |
| Capital Outlay | 7,929 | 8,811 | 8,670 | 22,746 | 31,018 |
| Debt service | 33,576 | 29,751 | 26,132 | 22,501 | 21,876 |
| TOTAL EXPENDITURES | $1,893,805 | $2,065,932 | $2,291,218 | $2,361,699 | $2,234,373 |
| Excess (deficit) of revenues over (under) expenditures | 100,058 | 172,000 | 61,203 | (46,507) | (47,804) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer from other reserves | $ 103,586 | $ 89,449 | $ 104,892 | $ 99,825 | $ 168,833 |
| Transfer to other funds | (104,172) | (146,214) | (269,961) | (185,719) | (132,682) |
| Capital Leases | 8,125 | 8,811 | 8,670 | 22,746 | 31,018 |
| Total other Financing Sources (Uses) | 7,539 | (47,954) | (153,399) | (63,148) | 62,169 |
| NET CHANGE IN FUND BALANCES | 107,597 | 124,046 | (92,196) | (109,655) | 14,365 |
| FUND BALANCE, END OF YEAR | 446,918 | 570,964 | 478,768 | 372,121 | 386,486 |
| Less: | | | | | |
| Reserved Fund Balance | 100,436 | 88,233 | 84,466 | 91,196 | 90,374 |
| Designated Fund Balance | 277,833 | 339,773 | 335,630 | 203,821 | 250,463 |
| UNDESIGNATED UNRESERVED FUND BALANCE | $ 68,649 | $ 142,958 | $ 58,672 | $ 77,104 | $ 45,649 |

[1] Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE**
**GENERAL FUND BALANCE SHEETS**
**AT JUNE 30, 2006 THROUGH JUNE 30, 2010**

**(In Thousands)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Cash & Marketable Securities | $257,077 | $283,080 | $216,816 | $150,728 | $122,902 |
| Taxes Receivable | 19,939 | 40,766 | 58,256 | 46,813 | 27,714 |
| Accounts Receivable | 43,255 | 60,621 | 48,196 | 31,150 | 8,468 |
| Interest Receivable | 9,124 | 14,673 | 9,384 | 3,315 | 2,091 |
| Advances to Other Funds | 20 | 37 | 0 | 0 | 0 |
| Due from Other Funds | 5,895 | 5,417 | 24,716 | 19,110 | 25,353 |
| Due from Other Governments | 206,270 | 252,411 | 239,844 | 250,144 | 263,240 |
| Inventories | 1,806 | 1,540 | 2,105 | 2,132 | 1,941 |
| Prepaid items | 0 | 0 | 0 | 3,720 | 888 |
| Restricted Assets | 228,897 | 263,390 | 263,566 | 252,084 | 296,543 |
| Total Assets | $772,283 | $921,935 | $866,259 | $759,196 | $749,140 |
| LIABILITIES: | | | | | |
| Accounts Payable | $ 85,857 | $ 82,441 | $ 94,061 | $ 68,560 | $ 57,236 |
| Salaries & Benefits Payable | 63,119 | 70,585 | 83,753 | 88,184 | 46,376 |
| Due To Other Funds | 1,189 | 288 | 283 | 0 | 2,155 |
| Due to Other Governments | 35,017 | 41,432 | 40,991 | 47,579 | 35,161 |
| Deferred Revenue | 140,101 | 156,155 | 168,282 | 180,777 | 218,676 |
| Deposits Payable | 82 | 70 | 121 | 1,975 | 3,050 |
| Bonds & Notes Payable | --(1) | --(1) | --(1) | --(1) | --(1) |
| Total Liabilities | $325,365 | $350,971 | $387,491 | $387,075 | $362,654 |
| FUND BALANCE: | | | | | |
| Reserved | $100,436 | $ 88,233 | $ 84,466 | $ 91,196 | 90,374 |
| Unreserved | 346,482 | 482,731 | 394,302 | 280,925 | 296,112 |
| Fund Balance | $446,918 | $570,964 | $478,768 | $372,121 | 386,486 |
| Total Liabilities and Fund Balance | $772,283 | $921,935 | $866,259 | $759,196 | 749,140 |

(1) No activity to report.

Source: County Auditor-Controller.

**Long-Term Obligations of County**

Since its formation in 1893, 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 April 1, 2011, the County had $710,740,424 in direct general fund obligations and $366,945,000 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 April 1, 2011.

## COUNTY OF RIVERSIDE
## ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
## (AS OF APRIL 1, 2011)

| | | |
|---|---|---|
| 2010-11 Assessed Valuation: | $207,831,314,499 | (includes unitary utility valuation) |
| Redevelopment Incremental Valuation: | 58,566,816,216 | |
| Adjusted Assessed Valuation: | $149,264,498,283 | |

| OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 5/1/11 |
|---|---|---|
| Metropolitan Water District | 5.859% | $ 13,339,185 |
| Community College Districts | 1.469-99.999 | 562,637,793 |
| Unified School Districts | 2.845-100. | 1,999,283,780 |
| Perris Union High School District | 100. | 54,717,260 |
| Union School Districts | 100. | 56,513,493 |
| City of Riverside | 100. | 16,640,000 |
| Eastern Municipal Water District Improvement Districts | 100. | 45,050,000 |
| Elsinore Valley Municipal Water District Improvement District No. U2 | 100. | 285,000 |
| Coachella County Water District Improvement Districts | 100. | 7,145,000 |
| Riverside County Flood Control, Zone 3-B Benefit Assessment District | 100. | 2,685,000 |
| San Gorgonio Memorial Hospital District | 100. | 107,960,000 |
| Community Facilities Districts | 94.268-100. | 2,626,261,974 |
| Riverside County 1915 Act Bonds | 100. | 16,698,847 |
| City and Special District 1915 Act Bonds (Estimated) | 100. | 257,280,627 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | $5,766,497,959 |

| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | |
|---|---|---|
| **Riverside County General Fund Obligations** | **100. %** | **$ 710,740,424** |
| **Riverside County Pension Obligations** | **100.** | **366,945,000** |
| Riverside County Board of Education Obligations | 100. | 6,170,000 |
| School Districts General Fund and Lease Tax Obligations | 2.845-100. | 561,158,064 |
| City of Corona General Fund Obligations | 100. | 67,815,000 |
| City of Moreno Valley General Fund Obligations | 100. | 77,200,000 |
| City of Murrieta General Fund Obligations | 100. | 13,955,000 |
| City of Palm Springs Certificates of Participation and Pension Obligations | 100. | 123,452,894 |
| City of Riverside Certificates of Participation | 100. | 211,345,000 |
| City of Riverside Pension Obligations | 100. | 136,050,000 |
| Other City General Fund and Special Tax Obligations | 100. | 116,413,400 |
| Other Water District Certificates of Participation | 98.560-100. | 4,707,006 |
| Other Special District Certificates of Participation | 100. | 3,460,000 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $2,399,411,788 |
| Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)** | | **14,473,751** |
| City of Corona Certificates of Participation supported by waste water revenues | | 2,800,000 |
| City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues | | 10,185,000 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $2,371,953,037 |
| | | |
| GROSS COMBINED TOTAL DEBT | | $8,165,909,747 (1) |
| NET COMBINED TOTAL DEBT | | $8,138,450,996 |

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2010-11 Assessed Valuation:
Overlapping Tax and Assessment Debt........................................................2.77%

Ratios to Adjusted Assessed Valuation:
**Combined Gross Direct Debt ($1,077,685,424)........................................0.72%**
**Combined Net Direct Debt ($1,063,211,673)............................................0.71%**
Gross Combined Total Debt..........................................................................5.47%
Net Combined Total Debt.............................................................................5.45%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

**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 April 1, 2011, the County's current outstanding lease obligations total \$719,643,823. The County's annual lease obligation is approximately \$75,733,843 and the maximum annual lease payment is \$87,308,016.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of April 1, 2011.

## COUNTY OF RIVERSIDE
## SUMMARY OF LEASE RENTAL OBLIGATIONS
## (PAYABLE FROM THE COUNTY'S GENERAL FUND)
## (As of April 1, 2011)

| | *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 | $ 59,800,000 | $ 12,537,973[2] |
| Riverside County Hospital Project, Leasehold Revenue Bonds: | | | | |
| 1993 Series A and B | 2014 | 149,060,000 | 41,420,000 | |
| 1997 Series A | 2026 | 41,170,073 | 41,170,073 | |
| 1997 Series B & C | 2019 | 71,985,000 | 68,500,000 | 19,599,244[3] |
| County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue) | 2020 | 8,800,000 | 5,600,000 | 886,000[4] |
| Riverside County Palm Desert Financing Authority Lease Revenue Bonds | | | | |
| 2003 Series A | 2033 | 22,310,000 | 19,185,000 | 1,481,828 |
| 2008 Series A | 2022 | 72,445,000 | 70,510,000 | 8,251,800 |
| County of Riverside Certificates of Participation (Historic Courthouse Project): | | | | |
| 2003 Series A | 2033 | 13,190,000 | 11,830,000 | 873,455 |
| 2005 Series B[5] | 2027 | 22,610,000 | 19,955,000 | 1,521,687 |
| County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property) | 2027 | 18,000,000 | 10,175,000 | 1,442,488 |
| County of Riverside Certificates of Participation[6] (2009 Larson Justice Center Refunding) | 2021 | 36,100,000 | 23,630,000 | 2,566,750 |
| Riverside District Court Financing Corporation (United States District Court Project): | | | | |
| Series 1999 | 2020 | 24,835,000 | 13,863,750 | |
| Series 2002 | 2020 | 925,000 | 610,000 | 1,812,110[7] |
| County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) | | | | |
| 2000 Series A | 2032 | 17,945,000 | 6,320,000 | 2,304,710 |
| 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 | 32,265,000 | 2,532,031 |
| County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[9] | 2018 | 8,685,000 | 2,770,000 | 401,540 |
| County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project)[10] | 2036 | 51,655,000 | 46,935,000 | 3,403,100 |
| County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects) | 2037 | 34,675,000 | 32,845,000 | 2,163,094 |
| County of Riverside Certificates of Participation (2007A Public Safety Commission Project) | 2022 | 111,125,000 | 67,110,000 | 6,206,830 |
| County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A | 2038 | 15,105,000 | 15,105,000 | 1,154,355 |
| County of Riverside Certificates of Participation[11] (2009 Public Safety Communication and Woodcrest Library Refunding Projects) | 2040 | 45,685,000 | 45,615,000 | 1,911,518 |
| County of Riverside Monroe Park Building 2011 Lease Financing | 2020 | 5,535,000 | 5,535,000 | 616,293 |
| TOTAL | | $1,037,310,073 | $ 719,643,823 | $ 75,733,843 |

(1) Annual base rental for fiscal year 2011-2012 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 April 18, 2011 was approximately 0.27%.

(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 April 19, 2011 was approximately 0.27%.

(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

(6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson 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 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

Source: County Executive Office.

**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 Citigroup Financial Products, Inc. (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 A3 by Moody's, A by Standard & Poor's and A+ by Fitch as of May 1, 2011. 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. As of May 1, 2011, Assured Guaranty Corp. had a rating of "AA+" by S&P and "Aa3" 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**
**2000 THROUGH 2010**

| Year | Regular Employees[1] |
|---|---|
| 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 | 18,013 |
| 2010 | 17,671 |
| 2011[3] | 17,676 |

(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, 1,775 in 2009 and 1,708 employees in 2010.
(2) Reduction in regular employees due to court employees becoming State employees.
(3) As of April 26, 2011.
Source: County Human Resources Department

County employees comprise 7 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six 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 71% 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), which consist of 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 DDAA extend through June 30, 2011 and the agreement with LIUNA extends through June 30, 2012. 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 extends through June 30, 2012. The County is currently negotiating the extension of the agreements with RSA and SEIU. During the last 20 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 age 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 up to 2% per year after retirement.

Included among the employees covered under the PERS Contract are trial court employees of the State. The State is obligated to reimburse the County for the share of PERS costs associated with theses trial court employees, but the County remains primarily liable for such costs under the PERS contract.

In 2003, the County established a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions regarding 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 May 4, 2010 (the "2010 PARC Report") and included discussion and recommendations regarding pension reform at the County. See "– Retirement Program – Funding Status" and "– Retirement Program – Projected County Contributions and UAAL" herein for a description of the PARC Report.

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options at the County. PRAC delivered its analysis and recommendations to the Board of Supervisors on September 7, 2010. The recommendations include: (i) a recognition that one of the factors contributing to the County's current unfunded pension liability was the pension contribution holiday in 2000-2002 when the County did not make contributions to the pension fund, and avoidance of any future "funding holidays", and (ii) structuring any pension reform so the County can maintain its participation in the CalPERS retirement system.

***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 December 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 December 2009, is 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 are attributed to the current year, and the UAAL represents the actuarial present value of benefits 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. 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 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 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% effective March 2011; (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. In April 2010, PERS notified the County and other contracting agencies that its staff has completed a demographic experience study report and are recommending new actuarial assumptions for use in actuarial valuations. If the recommendations are approved by the PERS Board, the new assumptions will affect the County's 2011-2012 fiscal year employer contribution rates and are expected to increase the contribution rates. 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 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 RSA Safety members hired prior to June 25, 1992 and RSA Public Safety members hired prior to January 9, 1992. For RSA 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. For RSA Public Safety members hired after January 9, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share in subsequent years. The County will pay the employee share for LEMU and Law Enforcement Executive Management safety members immediately upon hire. The County pays the employee share of Miscellaneous retirement to the Miscellaneous plan for all LIUNA members hired prior to September 3, 1992 and SEIU members hired prior to January 10, 1992. For LIUNA members hired after September 3, 1992 and SEIU 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 immediately upon hire. **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, 2009, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 21.286% be implemented as the required rate for fiscal year 2011-12, which the County anticipates will result in a contribution to PERS of approximately $54.7 million for that fiscal year. In addition, the County will pay to PERS approximately $21.7 million in County Offsets of Employee Contributions for fiscal year 2011-12, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2011-12 of approximately $76.4 million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2009, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.112% be implemented as the required rate for fiscal year 2011-12, which the County anticipates will result in a contribution to PERS of approximately $90.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $39.7 million in County Offsets of Employee Contributions for fiscal year 2011-12, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2011-12 of approximately $128.8 million.

Contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during Fiscal Year 2008-09. While investment gains experienced in Fiscal Year 2009-10 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 Bonds have resulted in a net loss to the County of $54 million to date. 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, on June 23, 2008 and on May 4, 2010, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfers to PERS of $6.5 million, $6.5 million and $6.1 million, respectively, 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 PARC recommendations, 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 $4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of $247,000. Also 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 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, 2005 through June 30, 2009 and the total employer contributions made by the County for fiscal year 2007-08 through fiscal year 2011-12. 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 |
|---|---|---|---|---|---|
| 2005 | $58,201,798(2) | 94.8% | 2007-08 | $42,712,207 | $16,217,716 |
| 2006 | 61,861,506 | 95.0 | 2008-09 | 46,983,428 | 17,839,488 |
| 2007 | 78,113,619 | 94.3 | 2009-10 | 51,419,807 | 19,286,741 |
| 2008 | 55,295,801 | 96.2 | 2010-11 | 53,117,601 (3) | 21,080,893(3) |
| 2009 | 131,506,806 | 92.0 | 2011-12 | 53,117,601 (3) | 21,080,893(3) |

(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) Decrease from prior years due to payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS.
(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2009-10.

Source: PERS Actuarial Reports for June 30, 2005 through June 30, 2009 (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 |
|---|---|---|---|---|---|
| 2005 | $106,958,141(2) | 95.7% | 2007-08 | $88,824,408 | $37,106,508 |
| 2006 | 142,160,688 | 94.8 | 2008-09 | 95,930,361 | 40,075,029 |
| 2007 | 135,212,288 | 95.5 | 2009-10 | 89,998,824 | 39,731,498 |
| 2008 | 175,248,079 | 94.8 | 2010-11 | 90,914,746 (3) | 39,747,553(3) |
| 2009 | 389,195,847 | 89.7 | 2011-12 | 90,914,746 (3) | 39,747,553(3) |

(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) Decrease from prior years due to payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS.
(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2009-10.

Source: PERS Actuarial Reports for June 30, 2005 through June 30, 2009 (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) |
|---|---|---|---|---|---|---|
| 2005 | $1,127,240,234 | $1,069,038,436 | $58,201,798(1) | 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 | 1,469,415,642 | 1,414,119,841 | 55,295,861 | 96.2 | 240,746,309 | 23.0 |
| 2009 | 1,642,544,731 | 1,511,047,925 | 131,506,806 | 92.0 | 265,237,512 | 49.0 |

(1) Reflects the receipt of $396,874,938 on February 17, 2005 in connection with the issuance of the 2005 Pension Obligation Bonds.

Source: PERS Actuarial Reports for June 30, 2005 through June 30, 2009.

## 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) |
|---|---|---|---|---|---|---|
| 2005 | $2,471,523,205 | $2,364,565,064 | $106,958,141(1) | 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 | 3,350,222,866 | 3,174,974,787 | 175,248,079 | 94.8 | 841,612,805 | 20.8 |
| 2009 | 3,790,232,824 | 4,401,036,977 | 389,195,847 | 89.7 | 841,103,683 | 46.3 |

(1) Reflects the receipt of $396,874,938 on February 17, 2005 in connection with the issuance of the 2005 Pension Obligation Bonds.

Source: PERS Actuarial Reports for June 30, 2005 through June 30, 2009.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2007-08 through fiscal year 2011-12 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 |
|---|---|---|---|
| 2005 | 2007-08 | 18.625% | 12.051% |
| 2006 | 2008-09 | 19.033 | 12.164 |
| 2007 | 2009-10 | 18.605 | 11.999 |
| 2008 | 2010-11 | 19.335 | 12.165 |
| 2009 | 2011-12 | 21.286 | 13.112 |

Source: PERS Actuarial Reports for June 30, 2005 through June 30, 2009.

***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 investment losses incurred by CalPERS in 2008 – 2009 will impact the County's contribution rates beginning in Fiscal Year 2011-2012. The PERS actuary, in its June 30, 2009 actuarial valuation, stated that the County's contribution rate under the Safety Plan for the Fiscal Year 2011-12 will be 21.286%, which would result in an approximate 1.951% increase in the contribution rate from Fiscal Year 2010-11 and projected a 2.2% increase for Fiscal Year 2012-13. The PERS actuary, in its June 30, 2009 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the Fiscal Year 2011-12 will be 13.112%, which would result in an approximate 0.947% increase in the contribution rate from Fiscal Year 2010-11, and projected a 13.5% increase for Fiscal Year 2012-13. Because of the smoothing methodology used by PERS we can expect similar rate increases through Fiscal Year 2013-14 followed by additional less severe rate increases 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 2010 PARC Report submitted to the Board of Supervisors on May 4, 2010, Bartel forecasted that as of June 30, 2010, the County will have a UAAL of $313 million for the Miscellaneous Plan and $113 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 86.1% for the Miscellaneous Plan and 89.0% 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 2010 which is greater than the assumed actuarial rate of return of 7.75%. According to the 2010 PARC Report, many experts consider a funded ratio based on actuarial asset values of 80% or better to be sound for government pensions.

***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 0.55%. The County has elected to contribute 2% of payroll in Fiscal Year 2008-09 instead of the required contribution of 0.68% in order to reach a target 90% funded ratio within one year. The County's contribution to the Plan was $1,976,950 for fiscal year 2009-10 and is estimated to be $1,141,669 for fiscal year 2010-11. The Plan's unfunded liabilities as of June 30, 2009 are approximately $2,018,200.

***[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, 2009 (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 $67.4 million, the accrued actuarial liability was estimated to be $55.2 million and the annual normal cost was $1.7 million. If the accrued actuarial liability of $55.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $4.4 million. Approximately 17% 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 Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to $67.4 most recently.]

**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 a Riverside County safety net provider. Declining and inadequate federal and State health care reimbursement and non-payment by the growing uninsured, coupled with rising service needs as a result of the recent economic downturn and costs of an older and sicker population, place 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 trauma 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, Medi-Cal and private insurance, in addition to the uninsured.

At June 30, 2010, RCRMC reflected unrestricted net assets of approximately $59.9 million. RCRMC had a cash balance of approximately $34.5 million as of June 30, 2010. In Fiscal Year 2009-10, RCRMC had an increase in net assets of approximately $6.5 million. RCRMC experienced a decline in patient collections in Fiscal Year 2009-10 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2009-10 for Medi-Cal days and Medi-Cal and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06 and expired on June 30, 2010. Based on the

State's reconciliation of the paid Medi-Cal days and Medi-Cal and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for Fiscal Year 2009-10 or may be required to reimburse the State for any overpayment received during such Fiscal Year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals on January 1 for the preceding fiscal year.

Historically, the County's budget included a general fund contribution to RCRMC to address potential revenue shortfalls and to support hospital debt service. The County expects a revenue surplus for RCRMC for fiscal year 2010-11. The surplus will be available in Fiscal Year 2011-12 to offset an anticipated increase in expenditures. As the State and local economy continue to suffer from high unemployment, residents are increasingly turning to the County hospital for services. RCRMC is experiencing an increase in uncompensated care. The County has submitted an application to the State's Low Income Health Plan (LIHP), which, once approved, is expected to partially offset costs incurred to serve the uninsured.

For fiscal year 2011-12, the County anticipates contributing approximately $10 million to RCRMC from general fund tobacco settlement revenues to support debt service on the main RCRMC facility and to offset operating expenses.

**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 is statutory limits (unlimited) 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 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a $100,000 minimum per occurrence and $500,000 maximum per occurrence 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 $602.5 million in limits. Earthquake coverage (covering scheduled locations and buildings 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 $82.5 million with an additional $225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a $100,000 minimum. Boiler and machinery provides up to $100 million in limits, with a $5,000 deductible per event. 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, 2009 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 June 30, 2009 was approximately $166 million.

**Litigation**

There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the Notes or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

| | |
|---|---|
| **$________** | **$__________** |
| **COUNTY OF RIVERSIDE** | **COUNTY OF RIVERSIDE** |
| **2011-2012 TAX AND REVENUE** | **2011-2012 TAX AND REVENUE** |
| **ANTICIPATION NOTES, SERIES A** | **ANTICIPATION NOTES, SERIES B** |

# CONTRACT OF PURCHASE

____________, 2011

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

Ladies and Gentlemen:

The undersigned, as representative of itself, Wedbush Morgan Securities Inc. and Citigroup Global Markets Inc.(collectively, the "Underwriter") offers to enter into this Contract of Purchase (the "Contract of Purchase") with the County of Riverside (the "County"). This offer is made subject to written acceptance by the County prior to 11:59 p.m., Pacific Daylight Time, on the date hereof, and, upon such acceptance, this Contract of Purchase will be binding upon the County and the Underwriter.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the County's 2011-2012 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes"), in the aggregate principal amount of $________, and the County's 2011-2012 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes" and, with the Series A Notes, the "Notes"), in the aggregate principal amount of $____________. The aggregate purchase price to be paid by the Underwriter for the Notes shall be $_____________, being the principal amount of the Notes, [less net original issue discount] [plus net original issue premium] of $____________, and less an Underwriter's discount of $_____________.

2. The Notes. The Series A Notes shall be dated their date of issuance and shall mature on ____________, 2012, and the Series B Notes shall be dated their date of issuance and shall mature on ____________, 2012. The Notes are being issued under a resolution adopted by the Board of Supervisors of the County (the "Resolution"), in full conformity with the Constitution and laws of the State of California including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), as amended and supplemented. The Series A Notes will bear interest at the rate of ________% per

annum, priced to yield _____% to maturity. The Series B Notes will bear interest at the rate of ______% per annum, priced to yield ______% to maturity. The Notes will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, N.Y., the securities depository for the Notes.

3. Use of Documents. The County has delivered to the Underwriter copies of its Preliminary Official Statement dated ________, 2011 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the County for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The County agrees to deliver to the Underwriter a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The number of Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board. The County has approved the distribution by the Underwriter of the Official Statement and the County hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolution and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the County to the Underwriter or entered into in connection with the transactions contemplated by this Contract of Purchase.

The County will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to provide ongoing periodic disclosure and notices of the occurrence of certain events, if material. A description of such undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

4. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of the Notes at the price or yield set forth on the cover of the Official Statement. The Underwriter may offer and sell the Notes to certain dealers and banks at prices lower than the public offering price stated on the cover of the Official Statement and said public offering price may be changed from time to time by the Underwriter.

The County acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Purchase Contract is an arm's-length commercial transaction between the County and the Underwriter, (ii) in connection with such transaction the Underwriter has not assumed a fiduciary responsibility in favor of the County with respect to (x) the offering of the Notes or the process leading thereto (whether or not the Underwriter has advised or is currently advising the County on other matters) or (y) any other obligation to the County except the obligations expressly set forth in this Purchase Contract, and (iii) the County has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Notes.

5. Closing. At 8:00 a.m., Pacific Daylight Time, on ________, 2011, or at such other time and on such other date as shall have been mutually agreed upon by the County and the Underwriter (the "Issue Date"), the County will deliver to the Underwriter, through the facilities

of DTC, the Notes in registered form duly executed and other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County (the "Closing").

6. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Underwriter that:

(A) The County is a political subdivision, organized and existing pursuant to the Constitution and laws of the State of California (the "State"), and has all requisite right, power and authority to conduct its business, to adopt the Resolution, to issue the Notes and to execute this Contract of Purchase and the Continuing Disclosure Certificate (collectively, the "Documents"), and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by the Documents.

(B) (i) At or prior to the Closing, the County will have taken all actions required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the execution and delivery of the Notes and the Documents, the adoption by the County of the Resolution, and the performance by the County of the obligations contained in the Documents, have been duly authorized and such authorization will be in full force and effect at the time of the Closing; (iii) this Contract of Purchase has been duly executed and delivered and constitutes the valid and legally binding obligation of the County enforceable against the County in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; (iv) the Board of Supervisors has duly authorized the consummation by the County of all transactions contemplated by the Documents and the Resolution; and (v) the County has authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriter.

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as may be necessary to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate (except that the County shall not be responsible for the failure to comply with any such laws of regulations with regard to Blue Sky).

(D) Except as otherwise disclosed in the Official Statement, to the best knowledge of the County, based upon reasonable inquiry, as of the time of acceptance hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any State court or public body, pending or threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the County or the entitlement of the officials of the County to their respective offices;

or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or taxes of the County pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting the validity of the Notes or the Documents, or contesting the powers or authority of the County with respect to the Notes or the Documents; or (iii) in which a final adverse decision would (a) materially adversely affect the consummation of the transactions contemplated by the Documents, or (b) declare the Documents to be invalid or unenforceable in whole or in material part.

(E) As of the date thereof, the Preliminary Official Statement with respect to the information therein regarding the County did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule 15c2-12.

(F) As of the date thereof, the Official Statement with respect to the information therein regarding the County does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriter thereof, and (ii) if in the reasonable opinion of the Underwriter and the County, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its expense supplement or amend the Official Statement in a form and in a manner jointly approved by the Underwriter and the County, which approval shall not be unreasonably withheld.

(G) The County undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriter and ending on the earlier of (i) the 25th day following the end of the underwriting period, as defined in the Rule under the Securities Exchange Act of 1934, or (ii) 90 days following Closing, it will (a) apprise the Underwriter of all material developments, if any, occurring with respect to the County and (b) if determined by the County or requested by the Underwriter, prepare a supplement to the Official Statement in respect of any such material event. The period described in the preceding sentence shall be reduced to twenty-five (25) days if the Official Statement has been deposited with the Municipal Securities Rulemaking Board (the "MSRB") and is available from such depository upon request. The Underwriter hereby agrees to use its best efforts to deposit the Official Statement with the MSRB so that such period will be reduced to twenty-five (25) days. Unless otherwise notified in writing by the Underwriter, the County may assume that the end of this underwriting period occurs on the date when the County delivers the Notes to the Underwriter.

(H) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the County will not have issued any bonds, notes or other obligations for borrowed money except as may be described in or contemplated by the Official Statement.

(I) Any certificates signed by any official of the County and delivered to the Underwriter shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein but not of the person signing the same.

(J) The County will punctually pay or cause to be paid the principal of and interest to become due on the Notes in strict conformity with the terms of the Resolution and the Notes and it will faithfully observe and perform all of the conditions, covenants and requirements of the Notes and the Documents.

(K) The County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order (i) to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and will, if requested by the Underwriter, use its best efforts to continue such qualifications in effect so long as required for distribution of the Notes; provided that the County shall not be required to pay any fees in connection with the foregoing or to subject itself to service of process in any jurisdiction in which it is not presently so subject.

(L) Between the date hereof and the Closing, the County will not modify or amend the Resolution without the prior written consent of the Underwriter.

(M) The County will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Except as disclosed in the Official Statement, the County has not failed to comply in all material respects with a continuing undertaking under the Rule during the previous five years.

(N) The Notes will be issued only under and within the limits of the Act, and, as such, are general obligations of the County, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the County attributable to County Fiscal Year 2011-2012.

(O) The County's Comprehensive Annual Financial Report (CAFR) as of June 30, 2010, for the fiscal year ended on such date, as described or set forth, as appropriate, in the Official Statement, is true, complete and correct and fairly present the financial condition of the County as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the County since June 30, 2010, except as described in the CAFR or the Official Statement.

(P) In order to effect the pledge of Pledged Revenues provided in the Resolution, the County hereby agrees to be deposited in the Payment Account (as defined in the Resolution) (i) an amount equal to 40% of the principal amount of principal of and interest on the Notes at maturity from Unrestricted Revenues (as defined in the Resolution) received by the County in the month of [January 2012] (which amount will be sufficient to pay principal of an interest on the Series A Notes on _________, 2012); (ii) an amount equal to 30% of the principal of and interest on the Notes at maturity from Unrestricted Revenues received by the County in the month of [April 2012]; and (c) an amount equal to 30% of the principal amount of and interest on the Notes at maturity, from unrestricted revenues received by the County in the month of [May 2012] (and any amounts received thereafter provided for or attributable to Fiscal Year 2011-12), until the amount on deposit in the Payment Account is equal to the percentage of the principal and interest due on the Notes.

Any such deposit may take into consideration anticipated investment earnings on amounts deposited in an Investment Agreement, that is a Permitted Investment through the Maturity Date, as provided for in the Resolution.

7. Conditions to Obligations of Underwriter at Closing. The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the County contained herein and the performance by the County of its obligations hereunder, as of the date hereof and as of the Closing. The obligation of the Underwriter to purchase the Notes at the Closing is subject to the following further conditions, any or all of which can be waived by the Underwriter in writing:

(A) The representations and warranties of the County contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing and otherwise pursuant hereto shall be true and correct in all material respects at and as of the Closing;

(B) At and as of the Closing (i) the Official Statement, this Contract of Purchase, the Continuing Disclosure Certificate and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been jointly agreed to in writing by the County and the Underwriter; (ii) all actions under the Act which, in the opinion of Orrick, Herrington & Sutcliffe LLP, Note Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County shall perform or have performed all of its obligations required under or specified in the Resolution or this Contract of Purchase to be performed at or prior to the Closing;

(C) To the best knowledge of the County, based on reasonable inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, is pending or threatened against the County which has any of the effects described in Paragraph 6(D) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, has been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation has been enacted, or a bill favorably reported for adoption, or a decision by any court rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter has been made or issued, to the effect that the Notes or any other securities of the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; and

(E) At or prior to the Closing, the Underwriter shall have received a copy of the following documents in each case dated at and as of the Closing and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Note Counsel as to the Notes in the form attached to the Official Statement as APPENDIX C, addressed to the County and upon which the Underwriter may rely;

(2) A supplemental opinion of Note Counsel, addressed to the Underwriter, to the effect that:

(i) the Contract of Purchase has been duly executed and delivered by the County and is a valid and binding agreement of the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against counties in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

(ii) the statements contained in the Official Statement in the sections thereof entitled "THE NOTES," "TAX MATTERS," and the Appendix containing the form of approving opinion, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Resolution and the Notes and the form and content of the approving opinion, are accurate in all material respects; and

(iii) the Notes are not subject to the registration requirements of Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(3) The negative assurance letter, dated the date of the Closing and addressed to the County and the Underwriter, of Kutak Rock LLP, as Disclosure Counsel to the County, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the County and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Official Statement, as of its date and as of the Closing Date (except for the financial statements, projections and the other financial and statistical data included therein and the information included therein relating to The Depository Trust Company and the book-entry system (as such terms are defined in the Official Statement), and in the Appendices thereto as to all of which no opinion or belief need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(4) The certificate of the County, dated the Closing Date to the effect that:

(i) the County is a political subdivision duly organized and existing under the Constitution of the laws of the State;

(ii) the Resolution was duly adopted at a meeting of the Board of Supervisors which was called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been amended, modified or rescinded;

(iii) the adoption of the Resolution and the execution and delivery of the Notes and the Documents and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not conflict with or constitute on the part of the County a material breach of or material default under any agreement or other instrument applicable or binding upon the County or any of its properties or any existing law, regulation, court order or consent decree to which the County or any of its properties is subject;

(iv) the County has full right and lawful authority to deliver the Official Statement, to execute and deliver the Notes, and to execute and deliver the Documents, to adopt the Resolution and the County has duly authorized, executed and delivered the Official Statement and the Documents;

(v) Except as otherwise disclosed in the Official Statement, to the best knowledge of the County, based on reasonable inquiry, there is no action, suit or proceeding, inquiry or investigation before or by any State court, public board or body, other than as disclosed in the Official Statement pending or, to the knowledge of the County, threatened against or affecting the County, (a) contesting in any way the completeness or accuracy of the Official Statement, or wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition of the County, the transactions contemplated by the Documents, the Resolution or by the Official Statement, or (b) which will adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under the Notes, the Documents, the Resolution, or any other agreement or instrument to which the County is a party and which is used or contemplated for use in consummation of the transactions contemplated by the Documents, the Resolution or the Official Statement; and

(vi) The representations and warranties of the County herein are true and correct in all material respects as of the date made and as of the date of the Closing, and the County has performed all its obligations required under or specified in the Resolution and the Documents to be performed at or prior to the Closing; and

(vii) Such official has reviewed the Official Statement and on such basis certifies that, to the best of his knowledge after reasonable inquiry, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) A certificate of the Clerk of the Board of Supervisors of the County, together with a fully executed copy of the Resolution, to the effect that:

(i) such copy is a true and correct copy of the Resolution; and

(ii) the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(6) An non-arbitrage certification from the County in form and substance satisfactory to Note Counsel, signed by an official of the County;

(7) Evidence from Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service Inc. that the Notes have been rated "_____" and "______," respectively, and that such ratings continue in effect as of the Closing;

(8) Certified copies of the Resolution and one executed original of each of the documents and such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Note Counsel may reasonably request in order to evidence compliance by the County with legal requirements, the truth and accuracy, at and as of the Closing, of the representations, warranties and agreements of the County herein contained and the statements contained in the Official Statement, and the due performance and satisfaction by the County at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the County;

(9) An opinion, dated the date of the Closing addressed to the Underwriter, of Nossaman LLP, counsel to the Underwriter, in such form as may be acceptable to the Underwriter; and

(10) Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

8. Termination of Obligations of Underwriter. If the County shall be unable to satisfy the conditions set forth in Section 7 to the obligations of the Underwriter contained in this Contract of Purchase, the obligations of the Underwriter under this Contract of Purchase may be terminated by the Underwriter by notice to the County at, or at any time prior to, the Closing. Notwithstanding any provision herein to the contrary, the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing in its sole discretion.

The Underwriter shall also have the right to terminate, in its sole discretion, its obligations under this Contract of Purchase, by notice to the County at, or at any time prior to the Closing, if between the date hereof and the Closing:

(i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading;

(ii) the market for the Notes or the market price for the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of Congress or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or formally proposed, or introduced on the floor of either House of Congress, or by the legislature of the State of California or by the United States Tax Court, or a ruling, order, or regulation (final, temporary or proposed) made by the Treasury Department of the United States or the Internal Revenue Service or other federal or State Court or other authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences or State income tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak or escalation of hostilities or other national calamity or crisis in the financial markets of the United States which has a material adverse effect on the market price of the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State of New York authorities having jurisdiction;

(iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which in the reasonable professional judgment of the Underwriter, materially and adversely affect the market price for the Notes;

(iv) the commencement of any action, suit or proceeding described in Paragraph 6(d) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Notes; or

(v) any rating of the Notes or other obligations of the County by a national rating agency shall have been withdrawn or downgraded.

9. Conditions to Obligations of the County. The performance by the County of its obligations under this Contract of Purchase with respect to issuance, sale and delivery of the Notes to the Underwriter is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the County and the Underwriter of opinions and certificates being delivered at or prior to the Closing by persons and entities other than the County.

10. Expenses. (A) The Underwriter shall be under no obligation to pay, and the County shall pay from its available funds or from the proceeds of the Notes, the following expenses: (i) all expenses in connection with the preparation, distribution and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto, and this Contract of Purchase; (ii) all expenses in connection with the printing, issuance

and delivery of the Notes; (iii) the fees and disbursements of Note Counsel and Disclosure Counsel; (iv) the fees and disbursements of counsel and consultants, including the County's financial advisor, in connection with the Notes; (v) the disbursements of the County in connection with the Notes; (vi) the fees and disbursements of the Paying Agent; (vii) any and all fees incurred in connection with obtaining a rating on the Notes or in obtaining any form of credit enhancement; and (viii) all expenses in connection with the preparation, execution and delivery of the Resolution and the Notes. The County will also pay (or cause to be paid) expenses (included in the expense component of the spread) incurred on behalf of the County's employees which are incidental to implementing this Contract of Purchase, including, but not limited to, meals, transportation, lodging and entertainment of such employees.

(B) The Underwriter shall bear all of its own expenses and fees incident to the purchase and resale of the Notes (including its counsel) and costs of qualifying the Notes for sale under the Blue Sky laws of any state.

11. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone or telex, confirmed in writing, or by delivering the same in writing, if to the County, to the address first written above, attention: County Executive Officer, or if to the Underwriter, to E. J. De La Rosa & Co., Inc., 10866 Wilshire Blvd., Suite 1650, Los Angeles, CA 90024, attention: Mr. Raul Amezcua.

12. Parties in Interest: Survival of Representations and Warranties. This Contract of Purchase when accepted by the County in writing as specified herein shall constitute the entire agreement between the County and the Underwriter and is made solely for the benefit of the County and the Underwriter (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the County arising out of its representations and warranties in this Contract of Purchase shall not be affected by any investigation made by or on behalf of the Underwriter.

13. Execution in Counterparts. This Contract of Purchase may be executed in counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

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14. Applicable Law. This Contract of Purchase shall be interpreted under, governed by and enforced in accordance with the laws of the State of California.

Very truly yours,

**E. J. DE LA ROSA & CO., INC.,** as representative of the Underwriter

By ___________________________
Title: ___________________________

The foregoing is hereby agreed to and accepted as of the date first above written:

**COUNTY OF RIVERSIDE**

By ________________________________
Christopher Hans
Deputy County Executive Officer
Time of Execution: ___________