

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



FROM: Executive Office

SUBMITTAL DATE:
May 3, 2012

SUBJECT: Fiscal Year 2012-2013 Tax and Revenue Anticipation Notes

RECOMMENDED MOTION: That Resolution 2012-130 authorizing and approving the borrowing of funds for fiscal year 2012-2013 and the issuance and sale of the Fiscal Year 2012-2013 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 2012-2013 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

Christopher Hans, Chief Deputy CEO

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 5/17/12
DATE: 5/17/12
Department: Finance

| | | | | |
|-----------------------|-------------------------------|-------------------------|-------------------------|-------|
| 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: | \$ 1,024,273 (interest) | For Fiscal Year: | 12/13 |

| | | |
|--------------------------------------|----------------------------------|--------------------------|
| SOURCE OF FUNDS: General Fund | Positions To Be Deleted Per A-30 | <input type="checkbox"/> |
| | Requires 4/5 Vote | <input type="checkbox"/> |

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

BY: *Ed Corser*
Ed Corser

- Consent
- Policy
- Consent
- Policy

Dept't Recomm.:
Per Exec. Ofc.:

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

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.5

PARC recommended the prepayment of the CALPERS contribution for the last 6 years and recommends the prepayment of the FY12-13 payment, approximately \$86 million. 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 0.3% – 0.5% 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 2012-13 resolution authorizes the issuance of tax and revenue anticipation notes in an amount not-to-exceed \$300,000,000, 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.

The Debt Advisory Committee has recommended the FY 2012-13 TRANs for approval.

1 COUNTY OF RIVERSIDE

2 RESOLUTION NO. 2012-130

3 RESOLUTION AUTHORIZING AND APPROVING THE BORROWING
4 OF FUNDS FOR FISCAL YEAR 2012-2013; THE ISSUANCE AND SALE
5 OF A 2012-2013 TAX AND REVENUE ANTICIPATION NOTE; AND THE
6 EXECUTION AND DELIVERY OF RELATED DOCUMENTS

7 WHEREAS, the County of Riverside (the "County") is authorized by Section
8 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
9 money by the issuance of temporary notes;

10 WHEREAS, the Board of Supervisors of the County (the "Board") has
11 determined that a sum (the "Principal Amount") not to exceed a maximum principal amount of
12 \$300,000,000, is needed for the requirements of the County, to satisfy obligations of the County,
13 and that it is necessary that said Principal Amount be borrowed for such purpose at this time by
14 the issuance of a note or notes therefore in anticipation of the receipt of taxes, income, revenue,
15 cash receipts and other moneys to be received or accrued by the County for the general fund of
16 the County, and provided for or attributable to its fiscal year ending June 30, 2013 ("Repayment
17 Fiscal Year");

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

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

26 WHEREAS, no money has heretofore been borrowed by or on behalf of the
27 County through the issuance of tax and revenue anticipation notes or temporary notes in
28 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

FORM APPROVED COUNTY COUNSEL
BY: *Dale A. Gardner* 5/11/12
DALE A. GARDNER DATE

1 Agreement”) to the Board;

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

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

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

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

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

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

21 **Section 2. Authorization of Issuance.** This Board hereby determines to borrow
22 solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to
23 be received or accrued by the County for the general fund of the County and provided for or
24 attributable to the Repayment Fiscal Year, by the issuance of a note or notes, pursuant to the
25 provisions of the Act, designated the County’s “2012 Tax and Revenue Anticipation Note,” with
26 an appropriate series designation if more than one note is issued (collectively, the “Note”), to be
27 issued in the form of a fully registered note or notes, in denominations of \$5,000 or integral
28 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 (each such date, a “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

1 revenues provided for or attributable to the Repayment Fiscal Year, as provided in Section 7
2 hereof. Both the principal of and interest on the Note shall be payable in lawful money of the
3 United States of America.

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

8 **Section 4. Sale of Note; Purchase Agreement; Continuing Disclosure.** The
9 form of the Purchase Agreement presented to this meeting is hereby approved. The County
10 Executive Officer, or in the absence of such officer, his or her assistant, the County Treasurer-Tax
11 Collector, or in the absence of such officer, his or her assistant, and the Auditor-Controller, or in
12 the absence of such officer, his or her assistant (each a "County Officer") are each hereby
13 individually authorized and directed to execute and deliver such Purchase Agreement in
14 substantially said form, with such changes thereto as such County Officer shall approve, such
15 approval to be conclusively evidenced by his or her execution and delivery thereof; *provided,*
16 *however,* that the interest rate on the Note shall not exceed 12% per annum, and that the
17 Underwriter's discount on the Note shall not exceed 0.075% of the Principal Amount actually
18 issued. Delivery of an executed copy of the Purchase Agreement by fax or telecopy shall be
19 deemed effective upon execution and delivery for all purposes.

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

26 **Section 5. Official Statement.** The proposed form of preliminary official
27 statement (the "Preliminary Official Statement") relating to the Note, in substantially the form
28 presented to this meeting, is hereby approved with such changes, additions, completion and
29 corrections as any County Officer may approve, and the Underwriter is hereby authorized and
30 directed to cause to be distributed to prospective bidders the Preliminary Official Statement in
31 connection with the offering and sale of the Note. Such Preliminary Official Statement, together
32 with any supplements thereto, shall be in form "deemed final" by the County for purposes of Rule
33 15c2-12, promulgated by the Securities and Exchange Commission (the "Rule"), unless otherwise
34 exempt, but is subject to revision, amendment and completion in a final official statement (the
35 "Official Statement"). The Official Statement in substantially said form is hereby authorized and
36 approved, with such changes therein as any County Officer may approve. The County Officer is
37 hereby authorized and directed, at or after the time of the sale of the Note, for and in the name
38 and on behalf of the County, to execute a final Official Statement in substantially the form of the
39 Preliminary Official Statement presented to this meeting, with such additions thereto or changes
40 therein as the County Officer may approve, such approval to be conclusively evidenced by the
41 execution and delivery thereof.

42 Any one of the County Officers is hereby authorized and directed to provide the
43 Financial Advisor or the Underwriter with such information relating to the County as they shall

1 reasonably request for inclusion in the Preliminary Official Statement and Official Statement of
2 the County. Upon inclusion of the information relating to the County therein, the Preliminary
3 Official Statement is, except for certain omissions permitted by the Rule, hereby deemed final
4 within the meaning of the Rule. If, at any time prior to the end of the underwriting period, as
5 defined in the Rule, any event occurs as a result of which the information contained in the
6 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.

7 **Section 6. Disposition of Proceeds of Note; Investment.** The moneys received
8 from the sale of the Note shall be deposited in the County's "2012 Note Proceeds Account"
9 (herein called the "Proceeds Account") which Proceeds Account is hereby established and
10 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.

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

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

15 1. (a) Direct obligations (other than an obligation subject to variation in
16 principal repayment) of the United States of America ("United States Treasury
17 Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment
18 of principal and interest by the United States of America, (c) obligations fully and
19 unconditionally guaranteed as to timely payment of principal and interest by any agency
20 or instrumentality of the United States of America when such obligations are backed by
21 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.

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

- 24 -- Federal Home Loan Mortgage Corporation (FHLMC)
25 Participation certificates (excluded are stripped mortgage securities
26 which are purchased at prices exceeding their principal amounts)
Debt Obligations
27 -- Federal Home Loan Banks (FHL Banks)
28 Consolidated debt obligation

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-- 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

1 by Moodys or A- by S&P of the provider or any substituted provider
2 pursuant to an assignment, shall allow for the immediate withdrawal of all
3 monies then invested in the agreement or contract at no premium or penalty
4 to the County of Riverside.

- 5 8. Repurchase agreements with financial institutions or banks insured by the
6 FDIC or FSLIC, or any broker dealer with "retail customers" which falls
7 under the jurisdiction of the Securities Investors Protection Corporation
8 (SIPC), or any other financial institutions, provided that: (a) the repurchase
9 agreement is over-collateralization at one hundred two percent (102%),
10 computed weekly, consisting of securities as described in clauses (1) and
11 (2) above; (b) a third party custodian, the Trustee or the Federal Reserve
12 Bank shall have possession of such obligations; (c) the Trustee shall have
13 perfected a first priority security interest in such obligations; and (d) failure
14 to maintain the requisite collateral percentage will require the Trustee to
15 liquidate the collateral;
- 16 9. The Local Agency Investment Fund administered by the State of
17 California.
- 18 10. Investment Trust of California, doing business as CalTRUST.
- 19 11. The Pooled Investment Fund maintained by the County Treasurer-Tax
20 Collector.

21 **Section 7. Source of Payment; Parity Note.** The principal amount of the Note,
22 together with the interest thereon, shall be payable from taxes, income, revenue (including, but
23 not limited to, revenue from the state and federal governments), cash receipts and other moneys
24 which are accrued, received or held by the County for the general fund of the County and are
25 provided for or attributable to the Repayment Fiscal Year and which are available for payment of
26 current expenses and other obligations of the County ("Unrestricted Revenues"). As security for
27 the payment of the principal of and interest on the Note, the County hereby pledges all
28 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 "2012 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

1 months specified in the Purchase Agreement as Repayment Months (each individual month a
2 “Repayment Month” and collectively “Repayment Months”) (and any amounts received
3 thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit
4 in the Payment Account, is equal in the respective Repayment Months identified in the Purchase
5 Agreement to the percentage of the principal and interest due on the Note specified in the
6 Purchase Agreement. Any such deposit may take into consideration anticipated investment
7 earnings on amounts deposited in an Investment Agreement, that is a Permitted Investment
8 through the Maturity Date.

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

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

25 In the event that moneys in the Payment Account are insufficient to pay the
26 principal of and interest on the Note in full when due, such moneys shall be applied in the
27 following priority: first, to pay interest on the Note; and second, to pay principal of the Note.
28 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.

1 **Section 8. Execution of Note.** Any one of the County Officers or any other
2 officer designated by the Board shall be authorized to execute the Note by manual or facsimile
3 signature, and the Clerk of the Board of the County or any duly appointed deputy or assistant
4 thereto shall be authorized to countersign the Note by manual or facsimile signature. Said
5 officers of the County are hereby authorized to cause the blank spaces of the Note to be filled in
6 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.

7 **Section 9. Use of Depository; Registration, Exchange and Transfer.**

8 (A) The Depository Trust Company, New York, New York (“DTC”), is hereby
9 appointed depository for the Note. DTC shall perform such function pursuant to the Blanket
10 Issuer Letter of Representations on file with DTC (the “Letter of Representation”). The Note
11 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).

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

14 (i) to any successor of Cede & Co., as nominee of DTC, or its
15 nominee, or of any substitute depository designated pursuant to clause (ii) of this
16 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;

17 (ii) to any Substitute Depository not objected to by the County
18 Officer, upon (1) the resignation of DTC or its successor (or any Substitute
19 Depository or its successor) from its functions as depository, or (2) a determination
20 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
21 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

22 (iii) to any person as provided below, upon (1) the resignation of
23 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
24 discontinue using DTC or a depository.

25 (C) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection
26 (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
27 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
28 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

1 Officer. In the case of any transfer pursuant to clause (iii) of Subsection (B) of this Section 9
2 upon receipt of the outstanding Note of a series by the Paying Agent (together with a written
3 request of the County Officer to such Paying Agent), a new Note, which the County shall prepare
4 or cause to be prepared, shall be executed by the County and authenticated by the Paying Agent
5 and delivered in such denominations and registered in the names of such persons as specified by
6 the County Officer in such written request, subject to the limitations of this Section 9, provided,
7 that, the Paying Agent shall deliver such new Note as soon as practicable.

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

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

26 (F) In the case of any transfer pursuant to clause (iii) of subsection (B) of this
27 Section, any Note may, in accordance with its terms, be transferred or exchanged for a like
28 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.

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

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

28 **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:

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

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

37 (C) The issuance of the Note, the adoption of the Resolution and the execution
38 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.

1 (D) Except as may be required under blue sky or other securities laws of any
2 state or Section 3(a)(2) of the Securities Act of 1933, there is no consent, approval, authorization
3 or other order of, or filing with, or certification by, any regulatory authority having jurisdiction
4 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.

5 (E) Prior to the issuance of the Note, the County has duly, regularly and
6 properly adopted a preliminary budget for the Repayment Fiscal Year setting forth expected
7 revenues and expenditures and has complied with all statutory and regulatory requirements with
8 respect to the adoption of such budget. The County hereby covenants that it shall (i) duly,
9 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.

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

12 (G) The County's most recent audited financial statements present fairly the
13 financial condition of the County as of the date thereof and the results of operation for the period
14 covered thereby. Except as has been disclosed to the Financial Advisor and the Underwriter and
15 in the Preliminary Official Statement and to be set forth in the final Official Statement, there has
16 been no change in the financial condition of the County since the date of such audited financial
17 statements that will in the reasonable opinion of the County materially impair its ability to
18 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.

19 (H) There is no action, suit, proceeding, inquiry or investigation, at law or in
20 equity, before or by any court, arbitrator, governmental or other board, body or official, pending
21 or, to the best knowledge of the County, threatened against or affecting the County questioning
22 the validity of any proceeding taken or to be taken by the County in connection with the Note, the
23 Purchase Agreement or this Resolution, or seeking to prohibit, restrain or enjoin the execution,
24 delivery or performance by the County of any of the foregoing, or wherein an unfavorable
25 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
26 presently conducted or as proposed or contemplated to be conducted, or would materially
27 adversely affect the validity or enforceability of, or the authority or ability of the County to
28 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

1 discretion in appropriate cases and the limitations on legal remedies against local agencies, as
2 applicable, in the State of California.

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

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

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

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

21 **Section 11. Tax Covenants.** The County will not take any action or fail to take
22 any action if such action or failure to take such action would adversely affect the exclusion from
23 gross income of the interest payable on the Note under Section 103 of the Internal Revenue Code
24 of 1986, as amended (the "Code"). Without limiting the generality of the foregoing, the County
25 will not make any use of the proceeds of the Note or any other funds of the County which would
26 cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Code, a
27 "private activity bond" within the meaning of Section 141(a) of the Code, or an obligation the
28 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.

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

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

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

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

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

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

23 (d) A petition is filed against the County under any bankruptcy,
24 reorganization, arrangement, insolvency, readjustment of debt, dissolution or
25 liquidation law of any jurisdiction, whether now or hereafter in effect and is not
26 dismissed within 30 days after such filing, but the holders of the Note shall have
27 the right to intervene in the proceedings prior to the expiration of such 30 days to
28 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;

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

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

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

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

26 **Section 14. Paying Agent.** The Bank of New York Mellon Trust Company, N.A.
27 is hereby appointed as paying agent and registrar for the Note. The County hereby directs and
28 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.

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

1 **Section 16. Proceedings Constitute Contract.** The provisions of the Note and
2 of this Resolution shall constitute a contract between the County and the registered holders of the
3 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 irrevocable.

4 **Section 17. Limited Liability.** Notwithstanding anything to the contrary
5 contained herein or in the Note or in any other document mentioned herein or related to the Note,
6 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.

7 **Section 18. Amendments.** At any time or from time to time, the County may
8 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:

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

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

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

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

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

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

21 Any modifications or amendment of this Resolution and of the rights and
22 obligations of the County and of the holders of the Note may be made by a Supplemental
23 Resolution, with the written consent of the holders of at least a majority in principal amount of
24 the Note outstanding at the time such consent is given; *provided, however,* that if such
25 modification or amendment will, by its terms, not take effect so long as the Note remains
26 outstanding, the consent of the holders of such Note shall not be required. No such modification
27 or amendment shall permit a change in the maturity of the Note or a reduction of the principal
28 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.

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

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

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

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

21 The County approves and consents to the appointment of E.J. De La Rosa & Co.,
22 Inc., as senior manager, together with Citigroup Global Markets Inc., as co-manager,
23 (collectively, the “Underwriter”) for the Note.

24 **Section 22. Effective Date.** This Resolution shall take effect from and after its
25 date of adoption.

26
27 [Attach form of Certification of the Clerk with respect to the Resolution.]
28

1 **EXHIBIT A**

2 **FORM OF NOTE**

3 COUNTY OF RIVERSIDE

4 2012 TAX AND REVENUE ANTICIPATION NOTE, SERIES ___^{*/}

| | | |
|----------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------|
| <u>Interest Rate</u> % | <u>Maturity Date</u> | <u>Date of Original Issue</u> July __, 2012 |
| <u>First Repayment Month</u> | <u>Second Repayment Month</u> | <u>Third Repayment Month</u> |
| ___% (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) ^{**/} |

11 **REGISTERED OWNER:**

12 **PRINCIPAL AMOUNT:**

13

14 **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.

17

18 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)

26 _____

27 ^{*/} If more than one Series is issued in the Repayment Fiscal Year.

28 ^{**/} Number of Repayment Dates and percentages to be determined in Purchase Agreement (as defined in the Resolution).