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



**FROM:** Successor Agency to the Redevelopment Agency

**SUBMITTAL DATE:**  
July 24, 2014

**SUBJECT:** Refunding of Outstanding Bonds of the Dissolved Redevelopment Agency, Housing Bonds (all Districts) and Non-Housing Bonds, 1st District, 4<sup>th</sup> District, 5<sup>th</sup> District, [\$948,000], Bond Proceeds (Vote on Separately)

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Adopt Successor Agency Resolution No. 2014-007 approving the Preliminary Official Statements in connection with the issuance of refunding tax allocation bonds for Housing Bonds issued in 2004 and non-Housing Bonds issued in 2004 for Project Area 1-1986, Desert Communities Project Area, and the I-215 Corridor Project Area; and,
2. Direct staff to take the necessary administrative action to complete the Refunding of the Outstanding Bonds.

**BACKGROUND:**

**Summary**

(commences on next page)

*Rohini Dasika*  
Rohini Dasika  
Senior Management Analyst

FORM APPROVED COUNTY COUNSEL  
BY: *Rohini Dasika* 7/24/14  
DALE A. GARDNER, Concurrence DATE

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ N/A	\$ 948,000	\$ 948,000	\$ N/A	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ N/A	\$ N/A	\$ N/A	\$ N/A	
<b>SOURCE OF FUNDS:</b> Bond Proceeds				<b>Budget Adjustment:</b>	No
				<b>For Fiscal Year:</b>	14/15

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

APPROVE

BY: *Alex Gann*  
Alex Gann

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.: 4-1, 6/3/14, 4-1, 6/17/14

District: All

Agenda Number:

4-2

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
FORM 11:**

**DATE:**

**PAGE:** 2 of 2

**BACKGROUND:**

**Summary (continued)**

On June 3, 2014 and June 17, 2014, the Board of Supervisors, sitting as the Successor Agency Board, approved the refunding of certain outstanding bonds of the Agency. Subsequent to that approval, on June 19, 2014, the Oversight Board to the Successor Agency to the Redevelopment Agency for the County of Riverside approved the issuance of the refunding bonds, and submitted the documents for approval to the State Department of Finance (DOF).

The Preliminary Official Statements, which are included as Attachment A, represent the County's required disclosure to bond investors. These Preliminary Official Statements include the most current information about the 2014-15 property tax roll, which became available in early July 2014. DOF submittal was required in June 2014 in order to accommodate a 60-day approval process, and take advantage of market conditions in a timely manner.

The finance team is expecting approval from the DOF later this month, and is anticipating the bond sale to occur in early September 2014. The anticipated amount of the proposed bond issues, savings percentage, and savings amounts as of July 21, 2014 are shown in the table below. The combined total savings from the four series is projected to be approximately \$9.46 million and \$5.9 million expressed in 2014 dollars.

<b>Series</b>	<b>Housing</b>	<b>1-1986</b>	<b>DCPA</b>	<b>I-215</b>
Size	\$36,385,000	\$19,415,000	\$27,840,000	\$16,290,000
PV Savings	\$1,762,882	\$1,417,156	\$1,674,152	\$1,018,234
PV Savings As %	4.85%	7.30%	6.01%	6.25%
Avg. Saving/Year	\$137,644	\$93,689	\$112,190	\$67,751
Total Savings	\$3,165,802	\$2,154,839	\$2,580,381	\$1,558,268

**Impact on Citizens and Businesses**

This item will be beneficial for the citizens of Riverside County due to the surplus tax revenue that will be derived from the refinancing. County residents and businesses will ultimately benefit, since the taxing entities will have additional revenue to use for services for the residents of Riverside County.

The savings in debt service payments that would otherwise be paid to bondholders will be distributed to taxing entities including the County General Fund (approximately 21%), K-12 school districts and community college districts (approximately 60% combined), cities and special districts. The County Library and County Fire share will be 2.3% and 6.4%, respectively.

**ATTACHMENTS:**

Successor Agency Resolution No. 2014-007  
Attachment A: Preliminary Official Statements

RESOLUTION NO. 2014-007

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE CONFIRMING THE ISSUANCE OF REFUNDING BONDS IN ORDER TO REFUND CERTAIN OUTSTANDING BONDS OF THE DISSOLVED REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, APPROVING PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the Redevelopment Agency for the County of Riverside (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the Successor Agency to the Redevelopment Agency for the County of Riverside (the "Successor Agency") has become the successor entity to the Former Agency;

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency issued its Redevelopment Agency for the County of Riverside Redevelopment Project Area No. 1 2004 Tax Allocation Bonds, Series A (the "Prior Series A Bonds") in the initial aggregate principal amount of \$24,865,000 for the purpose of financing redevelopment activities;

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency issued its Redevelopment Agency For the County of Riverside Desert Communities Redevelopment Project Area 2004 Tax

FORM APPROVED COUNTY COUNSEL

BY: [Signature] 7/24/14  
MARGA GARDNER

1 Allocation Bonds, Series D (the "Prior Series D Bonds") in the  
2 initial aggregate principal amount of \$34,840,000 for the purpose  
3 of financing redevelopment activities;

4       **WHEREAS**, prior to the dissolution of the Former Agency, the  
5 Former Agency issued its Redevelopment Agency for the County of  
6 Riverside Interstate 215 Corridor Redevelopment Project Area  
7 2004 Tax Allocation Bonds, Series E (the "Prior Series E Bonds")  
8 in the initial aggregate principal amount of \$20,240,000 for the  
9 purpose of financing redevelopment activities;

10       **WHEREAS**, prior to the dissolution of the Former Agency, the  
11 Former Agency issued its Redevelopment Agency for the County of  
12 Riverside 2004 Tax Allocation Housing Bonds, Series A (the "Prior  
13 Housing Bonds" and, together with the Prior Series A Bonds, the  
14 Prior Series D Bonds and the Prior Series E Bonds, the "Prior  
15 Bonds") in the initial aggregate principal amount of \$38,225,000  
16 for the purpose of financing low- and moderate-income housing  
17 within the County of Riverside;

18       **WHEREAS**, Section 34177.5 authorizes the Successor Agency to  
19 issue refunding bonds pursuant to Article 11 (commencing with  
20 Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5  
21 of the Government Code (the "Refunding Law") for the purpose of  
22 achieving debt service savings within the parameters set forth  
23 in Section 34177.5(a)(1) (the "Savings Parameters");

24       **WHEREAS**, the Successor Agency, pursuant to Resolution No.  
25 2014-005 (the "Non-Housing Bond Resolution"), adopted on June 3,  
26 2014, approved the issuance of (i) Successor Agency to the  
27 Redevelopment Agency for the County of Riverside Redevelopment  
28

1 Project Area No. 1 2014 Tax Allocation Refunding Bonds, Series A  
2 (the "Refunding Series A Bonds") in the aggregate principal  
3 amount of not to exceed \$27,500,000, (ii) Successor Agency to  
4 the Redevelopment Agency For the County of Riverside Desert  
5 Communities Redevelopment Project Area 2014 Tax Allocation  
6 Refunding Bonds, Series D (the "Refunding Series D Bonds") in  
7 the aggregate principal amount of not to exceed \$39,000,000, and  
8 (iii) Successor Agency to the Redevelopment Agency for the  
9 County of Riverside Interstate 215 Corridor Redevelopment  
10 Project Area 2014 Tax Allocation Refunding Bonds, Series E (the  
11 "Refunding Series E Bonds" and, together with the Refunding  
12 Series A Bonds and the Refunding Series D Bonds, the "Refunding  
13 Non-Housing Bonds") in the aggregate principal amount of not to  
14 exceed \$23,000,000, in order to refund the Prior Non-Housing  
15 Bonds, subject to the Savings Parameters being met, and  
16 requested that the Oversight Board for the Successor Agency (the  
17 "Oversight Board") approve the issuance of the Refunding Non-  
18 Housing Bonds by the Successor Agency;

19       **WHEREAS**, the Successor Agency, pursuant to Resolution No.  
20 2014-006 (the "Housing Bond Resolution" and, together with the  
21 Non-Housing Bond Resolution, the "Bond Resolutions"), adopted on  
22 June 17, 2014, approved the issuance of Successor Agency to the  
23 Redevelopment Agency for the County of Riverside 2014 Tax  
24 Allocation Housing Refunding Bonds, Series A (the "Refunding  
25 Housing Bonds" and, together with the Refunding Non-Housing  
26 Bonds, the "Refunding Bonds") in the aggregate principal amount  
27 of not to exceed \$45,000,000, in order to refund the Prior  
28

1 Housing Bonds, subject to the Savings Parameters being met, and  
2 requested that the Oversight Board approve the issuance of the  
3 Refunding Housing Bonds by the Successor Agency;  
4

5       **WHEREAS**, the Oversight Board, by Resolution OB No. 2014-009  
6 (the "OB Non-Housing Resolution"), adopted June 19, 2014,  
7 approved the issuance of the Refunding Non-Housing Bonds and by  
8 Resolution OB No. 2014-010 (the "OB Housing Resolution" and,  
9 together with the OB Non-Housing Resolutions, the "OB  
10 Resolutions"), adopted June 19, 2014, approved the issuance of  
11 the Refunding Housing Bonds, and the OB Resolutions, together  
12 with additional materials, have been submitted to the California  
13 Department of Finance for its approval of the OB Resolutions and  
14 the issuance of the Refunding Bonds;

15       **WHEREAS**, the Agency, with the assistance of its disclosure  
16 counsel, Best Best & Krieger LLP, has prepared a draft of an  
17 Official Statement for each series of the Refunding Bonds (each,  
18 an "Official Statement" and, collectively, the "Official  
19 Statements"), each of which contain applicable information  
20 regarding the Refunding Bonds, the Former Agency, the Successor  
21 Agency, and the Former Agency's Redevelopment Project Areas, the  
22 preliminary forms of which are on file with the Secretary of the  
23 Successor Agency;

24       **WHEREAS**, the Successor Agency, with the aid of its staff,  
25 has reviewed the Official Statements and wishes at this time to  
26 approve their use and distribution as in the public interests of  
27 the Successor Agency and applicable taxing entities;  
28

1           NOW, THEREFORE, the Successor Agency to the Redevelopment  
2 Agency for the County of Riverside **RESOLVES** as follows:

3           1.   Confirmation of Approval of Issuance of the Refunding  
4 Bonds. The Successor Agency hereby confirms its actions in the  
5 Bond Resolutions authorizing and approving the issuance and sale  
6 of the Refunding Bonds.

7           2.   Approval of Official Statements. The Successor Agency  
8 hereby approves the preliminary Official Statements in  
9 substantially the forms on file with the Secretary of the  
10 Successor Agency. Distribution of the preliminary Official  
11 Statements by the Agency and its underwriters (the  
12 "Underwriters") is hereby approved, and, prior to the  
13 distribution of the preliminary Official Statements, the County  
14 Executive Officer, the Chief Deputy County Executive Officer or  
15 the Deputy County Executive Officer, on behalf of the Successor  
16 Agency (each, an "Authorized Officer"), each acting alone, are  
17 authorized and directed, on behalf of the Successor Agency, to  
18 deem the preliminary Official Statements "final" pursuant to  
19 Rule 15c2-12 under the Securities Exchange Act of 1934 (the  
20 "Rule"). The execution of the final Official Statements, which  
21 shall include such changes and additions thereto deemed  
22 advisable by the Authorized Officers, and such information  
23 permitted to be excluded from the preliminary Official  
24 Statements pursuant to the Rule, is hereby approved for delivery  
25 to the Underwriters, and the Authorized Officers, each acting  
26 alone, are authorized and directed to execute and deliver the  
27 final Official Statements for and on behalf of the Successor  
28

1 Agency, and to deliver to the Underwriters a certificate with  
2 respect to the information set forth therein and to deliver to  
3 the Underwriters Continuing Disclosure Certificates  
4 substantially in the form appended to the final Official  
5 Statements.

6         3. Official Actions. The Authorized Officers and any and  
7 all other officers of the Successor Agency are hereby authorized  
8 and directed, for and in the name and on behalf of the Successor  
9 Agency, to do any and all things and take any and all actions,  
10 which they, or any of them, may deem necessary or advisable in  
11 connection with the issuance, sale and delivery of the Refunding  
12 Bonds, including the execution and delivery of all of the  
13 documents related thereto and necessary therefor. Whenever in  
14 this Resolution any officer of the Successor Agency is directed  
15 to execute or countersign any document or take any action, such  
16 execution, countersigning or action may be taken on behalf of  
17 such officer by any person designated by such officer to act on  
18 his or her behalf in the case such officer is absent or  
19 unavailable.

20         4. Effective Date. This Resolution shall take effect from  
21 and after the date of approval and adoption thereof.  
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The foregoing resolution was passed and adopted by the  
Successor Agency to the Redevelopment Agency for the County of  
Riverside at a regular meeting held on the 5th day of August,  
2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Chair

(S E A L)

Attest:

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

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2014

NEW ISSUE  
BOOK ENTRY ONLY

INSURED RATINGS: S&P: "\_\_\_"  
UNDERLYING RATING: S&P: "\_\_\_"

*In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2014 Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. Interest on the 2014 Series A Bonds is exempt from California personal income taxes. See "OTHER INFORMATION - Tax Matters" herein.*

\$ \_\_\_\_\_  
Successor Agency to the  
Redevelopment Agency for the County of Riverside  
Redevelopment Project Area No. 1  
2014 Tax Allocation Refunding Bonds, Series A

Dated: Date of Delivery

Due: October 1, as shown below

The Successor Agency to the Redevelopment Agency for the County of Riverside (the "Agency" or "Successor Agency") Redevelopment Project Area No. 1 of the Agency (the "Project Area"), 2014 Tax Allocation Refunding Bonds, Series A (the "2014 Series A Bonds" or "Bonds") will be secured under an Indenture of Trust (the "Indenture"), dated as of \_\_\_\_\_, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The payments due under the Indenture are secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Indenture and described herein) allocated as described herein and payable on a parity certain other obligations described herein. See "SECURITY FOR THE BONDS" herein.

The Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of interests in the Bonds will not receive certificates from the Successor Agency or the Trustee representing their interest in the Bonds purchased. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, commencing April 1, 2015. Payments of principal, premium, if any, and interest on the Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein.

The Bonds are subject to optional redemption prior to maturity and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption of the Bonds" herein.

[Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by \_\_\_\_\_ simultaneously with the delivery of the Bonds.]

[INSURER'S LOGO]

The Bonds are a special obligation of the Agency payable solely from Tax Revenues and moneys held under the Indenture. Neither the County of Riverside (the "County") nor the State of California shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the County, the State of California nor any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the County, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriations for their payment. The Agency does not have any taxing power. The Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings set forth herein.

For a discussion of some of the risks associated with a purchase of the Bonds, see "BOND OWNERS' RISKS" herein.

MATURITY SCHEDULE

See inside front cover

The Bonds are offered when, as and if issued, subject to the approval of their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain disclosure matters will be passed upon for the Agency as Disclosure Counsel by Best Best & Krieger LLP, Riverside, California. Certain matters will be passed on for the Agency by the Office of the County Counsel, County of Riverside, and for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in definitive form on or about \_\_\_\_\_, 2014.

Citigroup

Stifel

Dated: \_\_\_\_\_, 2014

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\* Preliminary, subject to change.

\$ \_\_\_\_\_\*

**Successor Agency to the  
Redevelopment Agency for the County of Riverside  
Redevelopment Project Area No. 1  
2014 Tax Allocation Refunding Bonds, Series A**

**MATURITY SCHEDULE**

\$ \_\_\_\_\_\*

**Serial Bonds**  
(Base CUSIP†: \_\_\_\_\_)

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> †
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\* Preliminary, subject to change.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Successor Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful.

The information set forth herein has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Successor Agency. Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency since the date hereof. The information and expressions of opinion stated herein are subject to change without notice.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking" statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the Successor Agency in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The Successor Agency disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Successor Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All summaries of the Indenture (as defined herein), and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such statute and document. This Official Statement, including any amendment or supplement hereto, is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the Successor Agency.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**

**BOARD OF SUPERVISORS**

Kevin Jeffries, District 1  
John F. Tavaglione, District 2  
Jeff Stone, District 3  
John J. Benoit, District 4  
Marion Ashley, District 5

**SUCCESSOR AGENCY/CITY STAFF**

Jay Orr, Executive Director  
Don Kent, Treasurer  
Kecia Harper-Ihem, Secretary  
Greg Priamos, County Counsel

**SPECIAL SERVICES**

**Trustee**

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

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Best Best & Krieger LLP  
Riverside, California

**Financial Advisor**

C. M. de Crinis & Co. Inc.  
Glendale, California

**Fiscal Consultant**

Urban Analytics, LLC  
San Francisco, California

**Verification Agent**

Barthe & Wahrman PA CPA's  
Minneapolis, Minnesota

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§ \_\_\_\_\_<sup>\*</sup>  
**Successor Agency to the  
Redevelopment Agency for the County of Riverside  
Redevelopment Project Area No. 1  
2014 Tax Allocation Refunding Bonds, Series A**

**INTRODUCTION**

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

**General**

This Official Statement, including the cover page, inside cover page, and appendices hereto, provides information in connection with the issuance by the Successor Agency to the Redevelopment Agency for the County of Riverside (the "Agency" or the "Successor Agency") of its Redevelopment Project Area No. 1 2014 Tax Allocation Refunding Bonds, Series A in the aggregate principal amount of \$ \_\_\_\_\_<sup>\*</sup> (the "2014 Series A Bonds" or the "Bonds").

**Purpose**

The Bonds are being issued (i) to refinance certain outstanding obligations of the Agency issued for the Project Area, (ii) to satisfy the Reserve Requirement of the reserve account for the Bonds, and (iii) to pay costs of issuance of the Bonds, including the financial guaranty insurance premium for the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

**Authority for Issuance of the Bonds**

The Bonds are being issued by the Successor Agency pursuant to the Community Redevelopment Law, consisting of Part 1 of Division 24 of the California Health and Safety Code (the "Redevelopment Law"), the provisions of Assembly Bill X1 26, consisting of Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended by Assembly Bill 1484 (the "Dissolution Act") and Article 11 (commencing with Section 53588) of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the "Refunding Law").

The Successor Agency will issue its Bonds pursuant to an Indenture of Trust dated as of \_\_\_\_\_, 2014 (the "Indenture"), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), the proceeds of which will be used to refund all or portion of certain bonds and indebtedness of the Successor Agency as more fully described herein.

The Bonds will be payable from, and secured by, property tax revenues (formerly tax increment revenues) related to the Redevelopment Project Agreement No. 1, which will include moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund, as defined herein, including amounts deposited therein which were, prior to the Dissolution Act, required to be deposited into the Former Agency's, as defined herein, Low and Moderate Income Housing Fund to the extent required to pay debt service on bonds issued to increase the supply of low and moderate income housing, and excluding amounts payable as pass-through obligations, described herein, as provided in the California Health and Safety Code as more fully described herein. Collectively, such tax increment revenues subject to a pledge under the Indenture are referred to herein as "Tax Revenues." The lien on Tax Revenues is on a parity with the Agency's outstanding 2005 Bonds and 2006 Bonds, as defined herein. See "SECURITY FOR THE BONDS."

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<sup>\*</sup> Preliminary, subject to change.

The issuance of the 2014 Series A Bonds was subject to review and approval under the Dissolution Act, of the Successor Agency's Oversight Board (the "Oversight Board"), as described below, and the Department of Finance of the State of California (the "State Department of Finance"). All such approvals have been obtained. See "SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE."

The Oversight Board for the Successor Agency approved the issuance of the 2014 Series A Bonds by the Successor Agency by resolution adopted on June 19, 2014 (the "Oversight Board Resolution"). The Department of Finance of the State of California released its letter approving the Oversight Board Resolution approving the issuance of the Bonds on \_\_\_\_\_. See Appendix I – "STATE DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING THE BONDS."

### **The County and the Successor Agency**

The County. The County, which encompasses 7,177 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 28 incorporated cities in Riverside County. For certain information regarding the County, see "APPENDIX B –Information Regarding the County of Riverside."

The Successor Agency. As described below, the Successor Agency has succeeded to certain rights of the Redevelopment Agency for the County of Riverside (the "Former Agency"). The Former Agency was organized by the County Board of Supervisors in 1985, to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code) (the "Redevelopment Law").

Pursuant to California legislation enacted in 2011 and 2012 (as more fully described herein, the "Dissolution Act"), redevelopment agencies in California, including the Former Agency, were dissolved, and with certain exceptions, could no longer conduct redevelopment activities. The Successor Agency, however, is authorized to continue to refinance existing bonds in order to achieve a savings in debt service. See "–The Project Area" below. See also "SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE" for a discussion of the Dissolution Act, the formation of the Successor Agency and the current powers, and limitations thereon, of the Successor Agency.

Pursuant to the Dissolution Act, the County has elected to serve as the Successor Agency. However, the Dissolution Act expressly clarifies that the County and the Successor Agency are separate public entities. None of the liabilities of the Former Agency are transferred to the County by the virtue of the County's election to serve as the Successor Agency.

### **The Project Area**

The Redevelopment Plan for the Project Area was adopted by the County Board of Supervisors on December 23, 1986. The Project Area consists of four sub-areas and represents approximately 4,651 total acres. See "REDEVELOPMENT PROJECT AREA NO. 1."

Under the Dissolution Act, the Bonds are secured by a pledge of, and payable from moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held and administered by the Office of the Auditor Controller of the County of Riverside (the "County Auditor-Controller") with respect to the Successor Agency (the "Redevelopment Property Tax Trust Fund"). DISCUSSIONS HEREIN REGARDING TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE COUNTY AUDITOR-CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND EQUAL TO SUCH TAX REVENUES. The Dissolution Act authorizes the issuance of bonds by a successor agency to refund bonds previously issued by a former redevelopment agency, which bonds may be secured by a pledge of property tax increment with the same legal effect as if the Bonds had been issued prior to the Dissolution Act, in full



conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. See “SECURITY FOR THE BONDS – Security for the Bonds.”

### **Terms of the Bonds**

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof (the “Authorized Denominations”). The Bonds will be dated their date of delivery and are payable with respect to interest semiannually each April 1 and October 1, commencing on April 1, 2015.

The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the Bonds. See APPENDIX E – “DTC AND THE BOOK ENTRY SYSTEM” attached hereto.

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption of the Bonds” herein.

### **Security for the Bonds**

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies in the Project Area thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Bonds will be special obligations of the Successor Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues under the Indenture, and the Agency is not obligated to pay the Bonds except from such Tax Revenues. The Bonds are payable as set forth in the Indenture, are not a debt of the County, the State of California or any other political subdivision of the State (except the Successor Agency, to the extent described herein), and neither the State, the County nor any of the State’s other political subdivisions (except the Successor Agency, to the extent described herein) is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency pledged therefor as provided in the Indenture. APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

**Additional Debt.** As more fully described under “SECURITY FOR THE BONDS,” the Agency may issue or incur additional obligations on a parity with, or subordinate to, the pledge of the Tax Revenues securing the Bonds if certain conditions are met under the Indenture and the Dissolution Act. The Successor Agency will not be permitted to issue any obligations with a lien senior to the lien of the Bonds.

**Outstanding Parity Bonds.** As more fully described under “SECURITY FOR THE BONDS,” the Agency has outstanding certain bonds issued by the Former Agency that are payable on a parity basis with the Bonds. The Former Agency issued its \$29,055,000 original principal amount of Redevelopment Project Area No. 1 2005 Tax Allocation Bonds, Series A (the “2005 Bonds”), currently outstanding in the aggregate principal amount of \$24,990,000, and its \$22,045,000, original principal amount of Redevelopment Project No. 1 2006 Tax Allocation Bonds, Series A (the “2006 Bonds”), currently outstanding in the aggregate principal amount of \$19,305,000. The 2005 Bonds and 2006 Bonds are payable from Tax Revenues on a parity with the Bonds. Additionally, the Agency’s 2005 Bonds and 2006 Bonds were purchased as part of the pooled financing by the

Riverside County Financing Authority, being the \$144,075,000 2005 Tax Allocation Revenue Bonds and the \$33,820,000 2006 Tax Allocation Revenue Bonds. .

**Reserve Account.** In order to further secure the payment of the principal of and interest on the Bonds and the Parity Bonds, a Reserve Account in the Special Fund is established under the Indenture in an amount equal to the Reserve Requirement, as defined in the Indenture (the "Reserve Requirement"). The Agency may find all or a portion of the Reserve Account with a Debt Service Reserve Fund Policy issued by the Insurer.

### **Bond Insurance**

Payment of the principal of and interest on the Bonds when due will be guaranteed by a financial guaranty insurance policy (the "\_\_\_\_\_ Policy") to be issued simultaneously with the delivery of the Bonds by \_\_\_\_\_ (the "Insurer" or "\_\_\_\_\_"). See "MUNICIPAL BOND INSURANCE" herein.

### **Professionals Involved in the Offering**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as trustee with respect to the Bonds under the Indenture.

C. M. de Crinis & Co. Inc., Glendale, California, has acted as Financial Advisor to the Agency in the structuring and presentation of the financing.

Urban Analytics, LLC, San Francisco, California, has acted as Fiscal Consultant to the Agency and has prepared an analysis of taxable values and tax increment revenues in the Project Areas. See "APPENDIX A – REPORT OF FISCAL CONSULTANT" herein.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Best Best & Krieger LLP is acting as Disclosure Counsel. Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, will be acting as counsel to the Underwriter. The Office of the County Counsel of the County of Riverside will pass on certain matters for the Agency as its general counsel. The fees and expenses of the Financial Advisor, Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **Continuing Disclosure**

With respect to continuing disclosure, the Agency will prepare and provide annual updates of the information contained in the tables included in this Official Statement with respect to property tax revenues, collections, any material delinquencies, principal taxpayers, and plan limit calculations and notices of enumerated events and all other remaining annual information required under the Continuing Disclosure Certificate. The [Agency] will act as Dissemination Agent and will file the annual reports and notices with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"). See the caption "CONTINUING DISCLOSURE" and "APPENDIX G - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

### **Reference to Underlying Documents**

Brief descriptions of the Bonds, the Indenture, the County, the Successor Agency, the Project Area and other related information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of and references to all documents, statutes, reports and other instruments referred to herein is qualified in its entirety by reference to such document, statute, report or instrument, copies of which are all available for inspection at the offices of the Agency. Certain capitalized terms used and not defined herein shall have the meaning given to those terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

## PLAN OF FINANCE

The Bonds are being issued (i) to refinance the 2004 Bonds as more fully described below, (ii) to fund the Reserve Account, and (iii) to pay costs of issuance of the Bonds, including the cost of the financial guaranty insurance premium for the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Former Agency previously issued its \$24,865,000 original principal amount of Redevelopment Project Area No. 1 2004 Tax Allocation Bonds, Series A (the "2004 Bonds"). The 2004 Bonds were issued pursuant to an Indenture of Trust, dated as of December 1, 2004 (the "2004 Indenture").

On the date of issuance of the Bonds, a portion of the proceeds will be transferred to the Trustee for deposit into the redemption fund established for the 2004 Bonds, under certain Irrevocable Refunding Instructions dated as of \_\_\_\_\_, 2014 (the "Refunding Instructions") delivered by the Successor Agency to the Trustee. As of \_\_\_\_\_, 2014: \$21,155,000 of the 2004 Bonds remain outstanding and will be redeemed on \_\_\_\_\_, 2014\*. The amount deposited in the redemption fund for the 2004 Bonds, together with other available moneys, will be held uninvested, or invested in certain federal securities and irrevocably pledged for the payment of the related 2004 Bonds on their date of redemption.

The sufficiency of the deposits in the redemption fund for the 2004 Bonds for those purposes will be verified by Barthe & Wahrman PA CPA's (the "Verification Agent"). See "OTHER MATTERS - Verification of Mathematical Accuracy." Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the redemption fund for the 2004 Bonds, the Successor Agency's obligations under the 2004 Indenture related to the 2004 Bonds will be discharged.

The amounts held and invested by the Trustee for the respective 2004 Bonds in the redemption fund are pledged solely to the payment of amounts due and payable by the Agency under the 2004 Indenture. Neither the funds deposited in the redemption funds for the 2004 Bonds nor the interest on the invested funds will be available for the payment of debt service on the Bonds.

See "ESTIMATED SOURCES AND USES OF FUNDS" below.

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\* Preliminary, subject to change.

**ESTIMATED SOURCES AND USES OF FUNDS**

Set forth below are the estimated sources and uses of proceeds of the Bonds.

Sources:

Par Amount of Bonds	\$ _____
Net Original Issue Premium (Discount)	_____
<b>TOTAL SOURCES:</b>	<b>\$ _____</b>

Uses:

Costs of Issuance <sup>(1)</sup>	\$ _____
Deposit to Redemption Fund	_____
<b>TOTAL USES:</b>	<b>\$ _____</b>

<sup>(1)</sup> Includes Underwriter's Discount, legal fees, printing, rating agency fees and expenses, fees of the Financial Advisor, fees of the Fiscal Consultant, financial guaranty insurance premiums, surety bond premiums and other issuance costs of the Bonds.

## ANNUAL DEBT SERVICE REQUIREMENTS OF THE BONDS

The following table provides the annual debt service requirements of the Bonds.

<b>Year Ending (October 1)</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Grand Total</u></b>
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			

## THE BONDS

### General

The Bonds will be dated as of the date of original delivery (the "Closing Date"), will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing [April 1, 2015] (each an "Interest Payment Date"). Principal of and premium, if any, on the Bonds is payable upon the surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the "Record Date"). At the written request of an Owner of the Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on the applicable Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request (any such written request shall remain in effect until rescinded in writing by the Owner). The principal of and premium (if any) on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Notwithstanding the foregoing, while the Bonds are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Bonds, for subsequent disbursement to Participants and beneficial owners. See "APPENDIX E – DTC AND THE BOOK-ENTRY SYSTEM."

### Redemption of the Bonds

**Optional Redemption.** The Bonds maturing on or after October 1, [2025] may be called before maturity and redeemed at the option of the Successor Agency, in whole or in part, from any source of funds, on any date on or after October 1, [2024], among maturities at the discretion of the Successor Agency and by lot within a maturity. Bonds called for redemption will be redeemed at a redemption price equal to the principal amount of Bonds to be redeemed plus accrued interest to the redemption date, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on October 1, \_\_\_\_\_ (the "Term Bonds"), are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and on October 1, in the respective years as set forth in the following tables; provided, however, that in lieu of mandatory sinking fund redemption thereof such Bonds may be purchased by the Agency pursuant to the Indenture:

**Bonds Maturing October 1, \_\_\_\_\_**

**Redemption Date  
(October 1)**

**Amount**

(maturity)

In the event that the Term Bonds have been optionally redeemed in part, the total amount of all future sinking account payments set forth above Term Bonds will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among each sinking account payment for the Term Bonds on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency. In lieu of depositing cash with the Trustee as a mandatory sinking account payment, the Successor Agency shall have the option to tender to the Trustee for cancellation at least 60 days prior to a sinking account redemption date any amount of Term

Bonds purchased by the Successor Agency which Term Bonds may be purchased by the Agency at public or private sale as and when and at such prices as the Successor Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Agency and tendered to the Trustee in any twelve month period ending on August 1, in any calendar year shall be credited towards and shall reduce the next mandatory sinking account payments required to be made in the order in which they are required to be made, as shown above.

### **Notice of Redemption; Rescission**

Notice of redemption shall be given by the Trustee for and on behalf of the Successor Agency, not less than 30 nor more than 60 days prior to the redemption date by first class mail or such other acceptable means to each of the Owners designated for redemption at their addresses appearing on the Bond registration books of the Trustee on the date such Bonds are selected for redemption. Each notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the CUSIP numbers of the Bonds to be redeemed, the individual number of each Bond to be redeemed or that all Bonds between two stated numbers (both inclusive) or that all of the Bonds are to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (d) state that on the redemption date there will become due and payable on each Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (e) require that such Bonds be then surrendered at the Office of the Trustee.

The Successor Agency shall have the right to rescind any optional redemption notice by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Successor Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

### **Effect of Redemption**

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture, other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed or purchased pursuant to such Indenture shall be canceled by the Trustee.

## SECURITY FOR THE BONDS

### Special Obligations

The Bonds will be special obligations of the Successor Agency and are payable, as to interest thereon and principal thereof, exclusively from Tax Revenues, and funds on deposit in certain funds and account established under the Indenture, and the Successor Agency is not obligated to pay such principal and interest except from such Tax Revenues. The Bonds are payable as set forth in the Indenture, are not a debt of the County, the State of California or any other political subdivision of the State (other than the Successor Agency, to the limited extent described in the Official Statement), and neither the State, the County nor any of the State's other political subdivisions are liable therefor (other than the Successor Agency, to the limited extent described in the Official Statement), nor in any event shall the Bonds be payable out of any funds or properties other than those of the Successor Agency pledged therefor as provided in the Indenture.

### Tax Increment Financing Generally

Prior to the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This financing mechanism provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Thereafter, the increase in taxable valuation becomes the increment upon which taxes are levied and allocated to the applicable agency. Redevelopment agencies have no authority to levy property taxes, but must instead look to this allocation of tax increment revenues to finance their activities.

Under the Redevelopment Law and Section 16 of Article XVI of the State Constitution, taxes on all taxable property in a project area levied by or for the benefit of the State, any city, county, city and county, district or other public corporation (the "Taxing Agencies") when collected are divided as follows:

(i) An amount each year equal to the amount that would have been produced by the then current tax rates applied to the assessed valuation of such property within the project area last equalized prior to the effective date of the ordinance approving the redevelopment plan, plus the portion of the levied taxes in excess of the foregoing amount sufficient to pay debt service on any voter-approved bonded indebtedness of the respective Taxing Agencies incurred for the acquisition or improvement of real property and approved on or after January 1, 1989, is paid into the funds of the respective Taxing Agencies; and

(ii) That portion of the levied taxes in excess of the amount described in paragraph (i) is deposited into a special fund of the applicable redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness incurred by, such agency to finance or refinance activities in or related to such project area.

That portion of the levied taxes described in paragraph (ii) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the "on and after January 1, 1989" reference from paragraph (i) above.

### Low and Moderate Income Housing Set-Aside

Prior to the Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund (the "Low and Moderate Income Housing Fund") not less than 20% of all tax revenues allocated to agencies from redevelopment project areas adopted after December 31, 1976, for authorized housing purposes. This 20% set-aside requirement was eliminated by the Dissolution Act; however, the Housing Bonds, described herein, have a prior lien on such amounts, to the extent such amounts



are required to pay debt service on the Housing Bonds. Excess amounts that would otherwise have remained in the Low and Moderate Income Housing Fund are available as Tax Revenues.

### **Assembly Bill 1290**

Assembly Bill 1290 (being Chapter 942, Statutes of 1993) ("AB 1290") was adopted by the California Legislature and became law on January 1, 1994. The enactment of AB 1290 created several significant changes in the Redevelopment Law, including time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See "REDEVELOPMENT PROJECT AREA NO. 1" for a discussion of the time limitations.

AB 1290 also established a statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after the establishment of the project area or the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the 11th year of collecting tax increment, an additional 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the 30th year must be so paid. Under the Redevelopment Law, the County is considered a taxing entity and may elect to receive its share of the required tier 1 payments. The County may not, however, receive any share of the tier 2 and tier 3 payments. See "REDEVELOPMENT PROJECT AREA NO. 1 – Pass-Through Agreements and Statutory Tax Sharing Payments."

The tax sharing payments described above are required to be made prior to payment of debt service on bonds or loans secured by tax increment from project areas which are subject to AB 1290. However, the provisions of Section 33607.5(e) of the Redevelopment Law and Section 34177.5(c) of the Dissolution Act set forth a process pursuant to which such pass-through payments may be subordinated to debt service on newly-issued bonds or loans, including the Bonds. The Successor Agency has taken action to subordinate the pass-through payments to the Bonds per the provisions of Section 34177.5(c) pursuant to letters to the Taxing Agencies.

A full disclosure of existing pass-through obligations of the Successor Agency is discussed herein under "REDEVELOPMENT PROJECT AREA NO. 1 – Pass-Through Agreements and Statutory Tax Sharing Payments."

### **Redevelopment Property Tax Trust Fund**

The Dissolution Act authorizes bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

### **Allocation of Taxes Subsequent to the Dissolution Act**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of ABX1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act (the "Redevelopment Property Tax Trust Fund"). The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered

indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of ABX1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the Bonds from Tax Revenues. Pursuant to the Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the Bonds will be included in the Successor Agency's Recognized Obligation Payment Schedules as prepared from time to time under the Dissolution Act.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll within the Project Area, to the extent they constitute tax increment revenues, less administrative costs, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See "--Recognized Obligation Payment Schedule" below.

### **Recognized Obligation Payment Schedule**

The Dissolution Act requires that, not less than 90 days prior to each January 2 and June 1, successor agencies prepare, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule" or "ROPS") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under an indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

A reserve may be included on the ROPS and held by the Successor Agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following six-month period as provided in the Dissolution Act.

In the Indenture, the Successor Agency has covenanted to comply with the Redevelopment Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture. Further, it promises to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and any Parity Debt, all amounts required to be deposited into the Special Fund pursuant to the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account, in the ROPS for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 all amounts required to be deposited in the Special Fund and in the Parity Debt Special Funds (pursuant to the Indenture) which amounts will be used to pay debt service on the Bonds and the Parity Bonds. These actions will include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve for the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture. The Successor Agency has also covenanted in the Indenture to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Retirement Fund and the Special Fund, as required by the Indenture.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the ROPS is submitted. Within five business days of the determination by the State Department of Finance, the Successor Agency may request additional review by the State Department of Finance and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. The State Department of Finance has on occasion rejected items on the Successor Agency's ROPS for certain obligations the DOF considered to be not documented. However, none of the rejected items related to bond debt service or enforceable obligations related to the repayment of bonds.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of ABX1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's ROPS.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the State Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a ROPS is final and conclusive, and reflects the Department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the State Department of Finance, then the State Department of Finance's review of such payments in each future ROPS will be limited to confirming that they are required by the prior enforceable obligation.

The Successor Agency's collection of Tax Revenues in the Project Area is assumed to be subject to limitations of the total tax increment collected by the Successor Agency over the life of the Redevelopment Plan. See "REDEVELOPMENT PROJECT AREA NO. 1-Plan Limitations."

The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of tax increment revenues that would otherwise be available to pay debt service on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BOND OWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES."

Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts and any tax sharing agreements entered before January 1, 1994, to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency (see below), (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for

such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance (as defined in the Dissolution Act). If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for the administrative costs allowance for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for contractual or statutory tax sharing amounts, but only to the extent such payments are subordinate to the payment of debt service on enforceable obligations, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Successor Agency believes but cannot guarantee that this process prescribed by the Dissolution Act of administering the tax increment revenues and the statutory tax sharing amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the Bonds when due. See "Recognized Obligation Payment Schedule." See also "ESTIMATED REVENUES AND BOND RETIREMENT" for additional information regarding the Statutory Tax Sharing Amounts applicable to the Successor Agency and the revenues derived from the Project Area. The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds. See "BOND OWNERS' RISKS."

The Bonds are not a debt of the County, the State or any of its political subdivisions (except the Successor Agency), and none of the County, the State or any of its political subdivisions (except the Successor Agency) is liable therefor. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

### **Security for the Bonds**

*The Indenture.* Under the Indenture, the Tax Revenues (as defined below) allocated and paid to the Agency are pledged to the payment of debt service on the Bonds and Parity Debt (subject to the lien of the tax-sharing agreements), together with moneys on deposit in the funds and accounts. See Table 5 herein showing the projected Tax Revenues, and debt service coverage on the Bonds.

"Tax Revenues" means all taxes annually allocated within the Plan Limitations and paid to the Successor Agency with respect to the Project Area following the closing date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. as of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds and any Parity Debt (including applicable reserves and financing costs) used to finance or refinance the increasing or improving of the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and excluding investment earnings. Pursuant to the Dissolution Act, a portion of such taxes are no longer required to be deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law (the "Prior Housing Deposit"), and, accordingly, such taxes shall exclude only the amount of the Prior Housing Deposit required to pay the Pro Rata Share of Housing Debt Service. Tax Revenues shall not include amounts payable by the Successor Agency under agreements entered into pursuant to Section 33401 of the Redevelopment Law, and amounts payable by the Successor Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law (except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt).

“Pro Rata Share of Housing Debt Service” means an amount equal to the percentage of debt service on Housing Bonds in the then current Bond Year, calculated by dividing the gross amount of taxes collected by the County for the Successor Agency pursuant to Section 34183 of the Dissolution Act and the Redevelopment Plan with respect to the Project Area in the last completed Fiscal Year by the sum of (i) the gross amount of taxes collected by the County for the Successor Agency pursuant to Section 34183 of the Dissolution Act and the Redevelopment Plan with respect to the Project Area in the last completed Fiscal Year, plus (ii) the gross amount of taxes collected by the County for the Successor Agency pursuant to Section 34183 of the Dissolution Act and the redevelopment plans for all of the other project areas of the Former Agency, which project areas include Project Area No. 1, the Jurupa Valley Redevelopment Project Area, the Mid-County Redevelopment Project Area, and the Interstate 215 Corridor Redevelopment Project Area, in the last completed Fiscal Year. For the purpose of this calculation, the gross amount of taxes collected refers to taxes deposited by the County into the Redevelopment Property Tax Trust Fund prior to deducting pass through payment obligations or administrative fees charged by the County or the State of California.

“Housing Bonds” means, collectively, the following: (i) the Former Agency’s 2004 Tax Allocation Housing Bonds, Series A, (ii) the Former Agency’s Redevelopment Agency for the County of Riverside 2004 Taxable Tax Allocation Housing Bonds, Series A-T, (iii) the Former Agency’s 2005 Tax Allocation Housing Refunding Bonds, Series A, (iv) the Former Agency’s 2010 Tax Allocation Housing Bonds, Series A, (v) the Former Agency’s 2010 Tax Allocation Housing Bonds, Series A 2010 Taxable Tax Allocation Housing Bonds, Series A-T, (vi) the Former Agency’s 2011 Tax Allocation Housing Bonds, Series A, and (vii) the Former Agency’s 2011 Taxable Tax Allocation Housing Bonds, Series A-T, and (viii) any bonds issued to refund such bonds similarly secured by amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Low and Moderate Income Housing Fund of the Former Agency pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law.

***Tax Sharing Agreements and Statutory Tax Sharing.*** The Agency has entered into tax-sharing agreements with taxing entities and school districts with respect to the portions of the Project Area that were adopted prior to 1994 (the “Pass Through Agreements”). See “APPENDIX A – Report of Fiscal Consultant – Fiscal Agreements.” In addition, certain sub-areas of the Project Areas are subject to the tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Law (added by AB 1290), any territory added to a project area after 1994 is required to share in tax increment revenues generated by such territory or changing the limitation on the date by which an agency could incur indebtedness pursuant to a statutory formula (“Statutory Tax Sharing”). See “APPENDIX A – REPORT OF FISCAL CONSULTANT – Fiscal Agreements” for a description of the Agency’s obligation to make statutory tax sharing payments.

## **Funds and Accounts**

The Indenture establishes the following funds and accounts:

1. The Special Fund (the “Special Fund”);
2. The Debt Service Fund (“Debt Service Fund”) and within such fund the following accounts:
  - (a) The Interest Account;
  - (b) The Principal Account;
  - (c) The Sinking Account;
  - (d) The Reserve Account; and
  - (e) The Redemption Account.
3. The Costs of Issuance Fund (the “Costs of Issuance Fund”).

A more detailed description of the Funds and Accounts is as follows:

Special Fund; Deposit of Tax Revenues. The Indenture establishes a special fund known as the “2014 Redevelopment Project Area No. 1 Special Fund,” which is held by the Successor Agency and which is herein referred to as the “Special Fund.” The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Parity Debt Special Funds and to the Special Fund promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts (i) on deposit in the Special Fund equal the aggregate amounts required to be transferred in such Bond Year into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture, and (ii) on deposit in the Parity Debt Special Funds equal the aggregate amounts required to be transferred in such Bond Year pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in any Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii), of this paragraph, then the Successor Agency shall transfer such Tax Revenues for deposit ratably based on the full amounts required to be so deposited.

All Tax Revenues received by the Successor Agency during any Bond Year in excess of the amount required to be deposited as described in the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for the security of the 2014 Series A Bonds and any additional Parity Debt and may be applied by the Successor Agency for any lawful purpose of the Successor Agency, including but not limited to the payment of Subordinate Debt, or the payment of any rebate amounts due and owing to the United States of America. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2014 Series A Bonds and the payment in full of all other amounts payable under the Indenture, and under any Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Debt Service Fund, except as may be provided in the Indenture and in any Parity Debt Instrument.

The Successor Agency acknowledges that, due to the passage of Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Tax Revenues to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and in order to insure the payment of debt service on the Bonds, including the 2014 Series A Bonds, on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and to make the timely payment of debt service on the Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all Tax Revenues are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the California Health and Safety Code, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the Bonds are Outstanding. The Successor Agency agrees in the Indenture that it will hold the Special Fund and the Parity Debt Special Funds as accounts within Retirement Fund and will continue to deposit all Tax Revenues, as and when received, into such funds in order to ensure that all Tax Revenues are available for the payment of debt service on the Bonds and Parity Debt on a timely basis.

Debt Service Fund; Transfer of Amounts to Trustee. The Indenture establishes a special trust fund to be known as the “Debt Service Fund,” which shall be held by the Trustee. Moneys in the Special Fund shall be transferred by the Successor Agency to the Trustee and transferred by the Trustee in the following amounts, at the following times, and into the following respective special accounts within the Debt Service Fund, which accounts are hereby established, or continued, as applicable, with the Trustee to pay debt service on the 2014 Series A Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

- (a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the 2014 Series A Bonds becomes due and payable, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding 2014 Series A Bonds on such date. No such transfer and deposit need be made to the Interest Account if the amount contained

therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding 2014 Series A Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2014 Series A Bonds as it shall become due and payable (including accrued interest on any 2014 Series A Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the 2014 Series A Bonds becomes due and payable at maturity, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding 2014 Series A Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2014 Series A Bonds upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each October 1 on which any Outstanding 2014 Series A Term Bonds become subject to mandatory redemption, or otherwise for purchases of 2014 Series A Term Bonds, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the 2014 Series A Term Bonds required to be redeemed on such October 1. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the 2014 Series A Term Bonds as it shall become due and payable upon redemption or purchase.

(d) Reserve Account. Amounts on deposit in the 2014 Series A Subaccount of the Reserve Account, which is established by the Indenture and which is to be held by the Trustee, shall be available to pay debt service only on the 2014 Series A Bonds and any other Parity Debt hereafter issued that the Successor Agency elects to be secured by the 2014 Series A Subaccount of the Reserve Account. In the event that the Successor Agency elects to secure additional Parity Debt with the 2014 Series A Subaccount of the Reserve Account, the Successor Agency shall establish subaccounts within the Reserve Account as needed. The 2014 Series A Subaccount will be initially funded by the deposit of a Reserve Account Credit Instrument (defined below) consisting of the Debt Service Reserve Fund Policy issued by the Insurer.

In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues on deposit in the Special Fund to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before four (4) Business Days preceding each April 1 and October 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Request of the Successor Agency, such amount shall be transferred as directed by the Successor Agency.

The Successor Agency shall, with the prior written consent of the Insurer, have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such Funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2014 Series A Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Successor Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Successor Agency to be applied in accordance with the Dissolution Act and the Redevelopment Law. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall reasonably be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Successor Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee; provided, however, that in the event the Reserve Requirement with respect to the 2014 Series A Bonds and any other Parity Debt is calculated on a combined basis, the Trustee shall establish separate subaccounts for the proceeds of the 2014 Series A Bonds and all Parity Debt to enable the Trustee to track the investment of the proceeds of the 2014 Series A Bonds and all Parity Debt on an individual basis. Additionally, the Successor Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

The calculation of the Reserve Requirement for the 2014 Series A Bonds has been made, and shall hereafter be made, without regard to the 2005 Bonds and the 2006 Bonds.

(e) Redemption Account. On or before the Business Day preceding any date on which 2014 Series A Bonds are subject to redemption, other than mandatory Sinking Account redemption of 2014 Series A Term Bonds, the Successor Agency shall transfer to the Redemption Account the amounts required to pay the principal of and premium, if any, on the 2014 Series A Bonds to be so redeemed on such redemption date to the Trustee. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2014 Series A Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of 2014 Series A Term Bonds. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such 2014 Series A Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of 2014 Series A Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on 2014 Series A Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

**Reserve Requirement.** The "Reserve Requirement" is defined in the Indenture to mean, with respect to the 2014 Series A Bonds or any Parity Debt (including the 2005 Bonds and the 2006 Bonds), as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the 2014 Series A Bonds or Parity Debt, as applicable, provided that if the original issue discount of the 2014 Series A Bonds or Parity Debt exceeds 2% of such original principal amount, then initially ten percent (10%) of the original principal amount of, less original issue discount on, the 2014 Series A Bonds or Parity Debt, but excluding from such calculation



any proceeds of Parity Debt deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, (ii) Maximum Annual Debt Service with respect to the 2014 Series A Bonds or Parity Debt, as applicable, or (iii) 125% of average Annual Debt Service on the 2014 Series A Bonds or Parity Debt, as applicable; provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument. The calculation of the Reserve Requirement may, at the option of the Successor Agency, be made with respect to the 2014 Series A Bonds and all Parity Debt, including the 2005 Bonds and the 2006 Bonds, on a combined basis, as provided in the Indenture, provided that the Trustee shall establish separate subaccounts for the proceeds of the 2014 Series A Bonds and Parity Debt, to enable the Trustee to track the investment of the proceeds of the 2014 Series A Bonds and Parity Debt on an individual basis.

As noted above, the Successor Agency has determined in the Indenture to calculate the Reserve Requirement for the 2014 Series A Bonds amount separate from the 2005 Bonds and the 2006 Bonds.

In the event proceeds of the Bonds or Parity Debt are deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, each such time that moneys are released from such escrow, other than to prepay a portion of the Bonds or Parity Debt, an amount of such released moneys shall be deposited in the applicable Reserve Account as is necessary to ensure that the amount on deposit therein at least equals the Reserve Requirement for the Bonds or Parity Debt after such release.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year payable on the Bonds or any Parity Debt in such Bond Year. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded debt service payments with respect to the Bonds or any Parity Debt (i) to the extent that amounts due with respect to the Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Indenture or the relevant Parity Debt Instrument or (ii) to the extent the proceeds thereof are then deposited in an escrow fund in which amounts are invested in Permitted Investments and from which moneys may not be released to the Successor Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the requirements of the Indenture.

If the Agency at any time in the future has cash on deposit in a Reserve Account, the Agency has the right at any time to request the release of funds by the Trustee from such Reserve Account, in whole or in part, by tendering the following to the Trustee a Qualified Reserve Account Credit Instrument, which meets the conditions of the Indenture.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met by the Agency at the time of delivery thereof to the Trustee: (a) S&P or Moody’s have assigned a long-term credit rating to such bank or insurance company is “A” or “A2,” respectively, or higher; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to the Indenture; and (e) prior written notice is given to the Insurer before the effective date of any such Qualified Reserve Account Credit Instrument; provided, however that the foregoing definition of “Qualified Reserve Account Credit Instrument” shall: (i) apply only to Parity Debt issued on or after [Date of First Supplemental Indenture]; and (ii) in instances where an irrevocable standby or direct-pay letter of credit or surety bond is issued on or after [Date of First Supplemental Indenture] (each a “Replacement Qualified Reserve Account Credit Instrument”) by a bank or insurance company to replace a Qualified Reserve Account Credit Instrument

issued prior to [Date of First Supplemental Indenture] (each an “Existing Qualified Reserve Account Credit Instrument”), clause (a) above shall be deemed to require instead that S&P or Moody’s shall have assigned to the bank or insurance company that issued any such Replacement Qualified Reserve Account Credit Instrument a long-term credit rating equal to or higher than the long-term credit rating assigned by S&P or Moody’s to the bank or insurance company that issued the Existing Qualified Reserve Account Credit Instrument proposed to be replaced thereby.

With respect to the portions of the Reserve Requirement attributable to Outstanding Parity Debt, the Agency has previously deposited with the Trustee Qualified Reserve Account Credit Instruments, as follows:

**TABLE 1**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**

Outstanding Parity Debt	Cash Deposit	Credit Instrument	Stated Amount	Provider
2005 Project Area No. 1 Bonds	\$1,684,237.46	--	--	--
2006 Project Area No. 1 Bonds	--	Surety Policy	\$1,341,275	MBIA
Total				

<sup>(1)</sup> In 2009, MBIA ceded its public finance business to National Financial Guaranty Corp. Standard & Poor’s Rating Agency currently rates National public Finance AA-.

The Qualified Reserve Account Credit Instrument and Cash Deposits identified on Table 1 above deposited with respect to Outstanding Parity Debt are not available to pay the Bonds. Likewise, the 2014 Series A Reserve Subaccount is not available to pay debt service on the Outstanding Parity Debt. However, as discussed above, funds in the 2014 Series A Reserve Subaccount may secure any Parity Debt hereafter issued that the Successor Agency which the Successor Agency elects to be secured by the 2014 Series A Subaccount Account.

Rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation’s bond insurance companies, including the provider of the Qualified Reserve Account Credit Instrument shown in Table 1 above. Further deterioration in the financial condition of the provider of the Qualified Reserve Account Credit Instrument or a failure to honor a draw by this provider under its Qualified Reserve Account Credit Instrument could occur. The Agency is not required under the Indenture to replace a Qualified Reserve Account Credit Instrument with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn. The Agency currently has no plans to replace such Qualified Reserve Account Credit Instrument with other instruments or cash.

**Issuance of Additional Agency Parity Debt.** The Agency has covenanted to not issue any obligations payable from Tax Revenues on a senior basis to the Bonds. The Indenture provides that the Successor Agency may issue or incur additional Parity Debt subject to the conditions summarized in part below. See APPENDIX D “Summary of Certain Provisions of the Indenture” for a more complete description of the conditions precedent to the issuance or incurrence of Parity Debt.

(a) No Event of Default shall have occurred and be continuing, and the Successor Agency shall otherwise be in compliance with all covenants set forth in the Indenture.

(b) The Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred twenty five percent (125%) of Annual Debt Service on the 2014 Series A Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

(c) The Successor Agency shall deliver to the Trustee a Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth subsections (a) and (b) above have been satisfied.

(d) The Successor Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

**Issuance of Subordinate Debt.** The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. The Successor Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Successor Agency shall be in compliance with all covenants set forth in this Indenture and all Parity Debt Instruments;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted within the Plan Limitations (as defined in the Indenture).

(c) The Successor Agency shall deliver to the Trustee a Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in the Indenture have been satisfied.

## **Events of Default**

**Events of Default and Acceleration of Maturities.** Each of the following events shall constitute an Event of Default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Successor Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Successor Agency by the Trustee or the Insurer; provided, however, if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within such thirty (30) day period and the Successor Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Successor Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Subject in all respects to the provisions of the Indenture, if an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority of the principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and

expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Tax Revenues, if appropriate, and for the revenues, income, product, and profits thereon, if any, ex parte, and without notice, and the Successor Agency consents to the appointment of such receiver upon the occurrence of an Event of Default. If any receivership, bankruptcy, insolvency, or reorganization or other judicial proceedings affecting the Successor Agency is filed, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under the Indenture at the time of the institution of such proceedings, and also for any additional amount which may become due and payable after such date, without prejudice to the right of any Owner to file a claim on his own behalf. The Trustee shall not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its legal fees and expenses in accordance with this Section.

Promptly upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority of the principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

**MUNICIPAL BOND INSURANCE**

**[TO COME]**

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
FOR THE COUNTY OF RIVERSIDE**

**The Agency**

The Former Agency was established pursuant to the Redevelopment Law and was activated by the Board of Supervisors of the County (the “Board”) on August 6, 1985, by Ordinance No. 612, at which time the Board declared itself to be the governing board (the “Board of Directors”) of the Former Agency. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the County. The Former Agency was a separate public body and exercises governmental functions in planning and carrying out redevelopment projects. Subject to requirements and certain limitations in the Redevelopment Law, the Former Agency was charged to build public improvements, facilitate the development of on and off-site improvements for private development projects, acquire and re-sell property, and provide services of special benefit to the Project Areas.

*AB 1X 26.* As a result of AB 1X 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agency.

On January 10, 2012, the County Board of Supervisors accepted designation as the Successor Agency pursuant to Resolution No. 2012-034 and Section 34171(j) of the Dissolution Act. On June 27, 2012, AB 1X 26 was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation. The Dissolution Act expressly clarifies that the County and the Successor Agency are separate public entities. None of the liabilities of the Former Agency are transferred to the County by the virtue of the County’s election to serve as the Successor Agency.

The present members of the Board of Supervisors and their terms of office are shown below:

<u>Member</u>	<u>Term Expires</u>
Kevin Jeffries	January 2017
John F. Tavaglione	January 2015
Jeff Stone	January 2017
John J. Benoit	January 2015
Marion Ashley	January 2015

As discussed below, many actions of the Successor Agency are subject to approval by an “oversight board” and the review or approval by the California Department of Finance, including the issuance of bonds such as the Bonds.

**Oversight Board**

The Oversight Board is governed by a seven-member governing board, with three members appointed by the County, one member appointed by the County Flood Control and Water Conservation District, one member appointed by Riverside Community College District, one member appointed by the City of Jurupa Valley, and one member appointed by the Riverside Superintendent of Schools.

The Oversight Board has fiduciary responsibility to the holders of enforceable obligations and the taxing entities that benefit from the distributions of property tax and other revenue. The Oversight Board will oversee the “winding down” process of the Redevelopment Agency for the County of Riverside and meets on an as-needed basis throughout the year. For example, the establishment of each ROPS must be first approved by the

Oversight Board. The issuance of bonds, such as the Bonds, is subject to the approval of the Oversight Board. All actions of the Oversight Board are subject to review by the California State Department of Finance (the "State Department of Finance" or the "DOF"). Certain Successor Agency matters are also subject to review by the County Auditor-Controller and the State Controller.

The Dissolution Act provides that, starting July 1, 2016, the current Oversight Board will be replaced, such that there will be only one oversight board for all of the successor agencies in the County. The Board will be comprised of seven members to be appointed to represent the different categories of taxing entities, the public and employees of successor agencies.

### **Department of Finance Finding of Completion**

Pursuant to the Dissolution Act, the Successor Agency was required to retain independent accountants to conduct two reviews, known as due diligence reviews (each, a "DDR"): one for the Low and Moderate Income Housing Fund (the "Housing Fund") and the other for all of the other funds and accounts (the "Other Funds"). The purpose of the DDRs was to determine the unobligated balance (the "Unobligated Balance"), if any, of the Housing Fund and the Other Funds, as of June 30, 2012, so that such Unobligated Balance would be distributed to the taxing agencies. Pursuant to the general procedure for determining the Unobligated Balance set forth in the Dissolution Act, legally restricted funds (including bond proceeds), value of assets that are not cash or cash equivalents (such as land and equipment) and amounts that are needed to satisfy obligations listed in an approved ROPS were excluded from the Unobligated Balance.

With respect to each DDR, the Successor Agency was required to submit such DDR, after review and approval by the Oversight Board, to the DOF. The DOF issued its final determination regarding the Successor Agency's DDR for the Housing Fund on December 21, 2012, having determined that the Successor Agency's Housing Fund Unobligated Balance available for distribution to the taxing agencies was \$15,663,716. The DOF issued its final determination regarding the DDR for the Other Funds on June 6, 2013, having determined that there was no Non-Housing Funds Unobligated Balance available for distribution to the taxing agencies. The Successor Agency has remitted such sums to the County Auditor-Controller.

Because the Successor Agency has made the remittances required by the DOF's final determination concerning the DDRs, as well as certain other amounts previously required to be remitted pursuant to the Dissolution Act, the DOF issued a "Finding of Completion" to the Successor Agency on April 18, 2014. Upon receipt of such Finding of Completion, the Successor Agency is authorized to proceed with actions permitted under certain provisions of the Dissolution Act, such as the submission of a Long Range Property Management Plan relating to the disposition of Agency-owned real properties. The Successor Agency plans to submit its Long Range Property Management Plan to DOF in the fall of 2014. There are no material disagreements between the Successor Agency and the County Auditor Controller's Office or the Department of Finance.

### **State Controller Asset Transfer Review**

The Dissolution Act requires that the State Controller to conduct a review of the activities of each former redevelopment agency and determine if such redevelopment agency transferred assets a city, county or other local agency after January 1, 2011. If such an asset transfer did occur and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the State Controller must order the available assets to be returned to the relevant successor agency.

The State Controller's Office has completed such an asset transfer review with respect to the Successor Agency. [Discuss Asset Transfer Review ] Agency has complied with the State Controller's orders.

## REDEVELOPMENT PROJECT AREA NO. 1

### General

The Riverside County Board of Supervisors (the "Board") approved Redevelopment Project Area No. 1 on December 23, 1986, pursuant to Ordinance No. 635. Redevelopment Project Area No. 1 is located in the southwestern region of the County and consists of four sub-areas, totaling approximately 4,651 acres. The original Project Area contains sub-areas in the communities of Home Gardens and Murrieta. The Board approved Amendment No. 1 to the Project Area on July 20, 1999, pursuant to Ordinance No. 793, which included a new sub-area in the communities of Lakeland Village and Wildomar. A second amendment to the Project Area was approved on December 14, 1999, pursuant to Ordinance No. 800. This amendment allowed for the creation of another new sub-area in the El Cerrito/Temescal Canyon area.

*Home Gardens.* The first sub-area encompasses approximately 150 acres and is located in the unincorporated area of Home Gardens, situated between the cities of Riverside and Corona. The area is comprised of commercial and industrial land uses and has easy access to both State Route 91 and Interstate 15. A small portion of the sub-area was annexed into the city of Corona and includes a small industrial park.

*Murrieta.* The second sub-area consists of approximately 200 acres within the city of Murrieta and is located between the cities of Lake Elsinore and Temecula. The sub-area was formed in 1986 and was subsequently included as part of the incorporation of the city of Murrieta in July, 1991. The Murrieta Sub-Area is located within the historic core of the city and remains mostly rural in nature with large residential lots, limited commercial, office and industrial development and several public facilities. The junction of Interstates 15 and 215 is approximately 1.5 miles southeast of the sub-area, making it a convenient location for businesses. The Agency has worked cooperatively with the City of Murrieta to implement a revitalization program to improve the historic district. Improvements implemented under the program include a streetscape project in which new decorative sidewalks, landscaping and lighting will be constructed. As the infrastructure improvements are being completed, the Façade Improvement Program is being utilized by business owners to renovate their commercial buildings along the street frontage.

*Lakeland Village/Wildomar.* The third sub-area is located adjacent to the city of Lake Elsinore. It is approximately 2,859 acres in size and consists of four non-contiguous areas in the communities of Lakeland Village, Wildomar, Sedco Hills and Cleveland Ridge. The Lakeland Village/Wildomar Sub-Area borders the southern portion of Lake Elsinore. Over half of the sub-area is single-family residential, with limited commercial development and several public facilities. Because the sub-area is adjacent to Lake Elsinore and the Cleveland National Forest, it has significant recreational potential.

*El Cerrito/Temescal Canyon.* This fourth sub-area includes approximately 1,442 acres of land on both sides of the 15 Freeway near the City of Corona. The El Cerrito Sub-Area is located north of Cajalco Road and the Temescal Canyon Sub-Area is located south of Weirick Road. Residential uses make up the largest percentage of existing development in the area, particularly in the El Cerrito sub-area, while commercial and industrial development is prominent in the Temescal Canyon Sub-Area.

### Largest Taxpayers in the Project Area

The following table shows the ten largest taxpayers in the Project Area. The Fiscal Consultant has identified the location by Sub-Area for each of the largest property tax payers in the table below. For a brief description of the three largest property tax payers in the Project Area, as well as the locations by Sub-Area, see "APPENDIX A – REPORT OF FISCAL CONSULTANT – Ten Largest Assessees."



**TABLE 2**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**10 Largest Property Owners by Assessed Value**  
**(Fiscal Year 2014-15)**

<u>Property Owner</u>	<u>Secured and Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Pct of Total</u>	<u>Sub-Area</u>
CASTLE & COOKE	\$ 173,968,839	\$ 2,107,526	\$ 176,076,365	13.04%	El Cerrito/Temescal
WILDROSE RIDGE	38,613,854	-	38,613,854	2.86%	El Cerrito/Temescal
TRM MANUFACTURING INC	-	21,338,677	21,338,677	1.58%	Home Gardens
ANAISA	20,235,195	-	20,235,195	1.50%	Home Gardens
TARGET CORPORATION	18,717,329	-	18,717,329	1.39%	El Cerrito/Temescal
FLEETWOOD ALUMINUM PRODUCTS INC	15,873,550	122,113	15,995,663	1.18%	Home Gardens
MCLD HOLDINGS LLC	-	13,135,376	13,135,376	0.97%	El Cerrito/Temescal
14 PROMENADE PARTNERSHIP L P	10,621,431	-	10,621,431	0.79%	Home Gardens
ROBERTSHAW CONTROLS CO LSE	9,641,825	-	9,641,825	0.71%	Home Gardens
TEMESCAL CANYON STORAGE CENTER	9,368,271	-	9,368,271	0.69%	El Cerrito/Temescal
Total, Top Ten:	\$ 297,040,294	\$ 36,703,692	\$ 333,743,986	24.72%	
Total, Top Twenty:	\$ 350,028,037	\$ 43,683,295	\$ 393,711,332	29.16%	
Total, Top Hundred:	\$ 479,858,169	\$ 70,300,262	\$ 550,158,431	40.75%	
Totals for the Area:	\$1,245,951,940	\$104,070,881	\$1,350,022,821	100.00%	

Source: County Assessor, Urban Analytics

## PROJECT AREA MAP

## **Pass-Through Agreements and Statutory Tax Sharing Payment**

Under redevelopment law existing at the time of a redevelopment agency's plan adoption, taxing jurisdictions that would experience a fiscal burden due to the existence of the redevelopment plan could enter into fiscal agreements with redevelopment agencies to alleviate that burden. Such agreements, known as Section 33401 fiscal, or pass-through, agreements, generally provide for redevelopment agencies to pay to a taxing entity some or all of that entity's share of the tax increment received by the agency. Taxing entities could separately receive their share of the growth in valuation due to inflation, known as Section 33676 or the 2% payments.

The Agency reports that it has a uniform set of agreements with non-school taxing entities regarding payments under Section 33401. Under these agreements, the Agency passes through to the taxing entities 100% of the tax increment that the entities would otherwise receive. The County itself does not receive pass-through payments for the general fund or for county fire or library districts under these agreements.

The Agency has a similarly uniform set of agreements with school jurisdictions. Under the school pass-through agreements, the school districts receive 29.62% of the tax increment that each district would normally receive. The Agency has no resolutions in effect with taxing entities under Section 33676.

All Section 33401 pass-through payments are calculated and made by the Auditor-Controller on the Agency's behalf. The Agency's Section 33401 payments are senior to the Bonds. In the Sub-Areas adopted after January 1, 1994, the Agency itself makes pass-through payments to taxing entities using the statutory mechanism set out in AB 1290. (See APPENDIX A—"REPORT OF FISCAL CONSULTANT.")

## **Statutory Tax Sharing Payments**

The Sub-Areas added to the Project Area after January 1, 1994 are subject to the special requirements of AB1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements. The Redevelopment Plan was subsequently brought into conformance with plan duration and other provisions of AB1290. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("SB 1045") and Senate Bill 1096, Chapter 211, Statutes of 2004 ("SB 1096"). SB 1045 and AB 1096 provide, among other things, that the Redevelopment Plan for the Project Area may be amended to add up to three years on to the effectiveness of the Redevelopment Plan and on to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, (effective December 30, 2004) extending by one year the date of effectiveness of the Redevelopment Plan and the allowed time to pay indebtedness or receive property taxes. As a result, the Project Area is subject to the initiation of tax sharing payments. Those taxing entities that have entered into negotiated tax sharing agreements continue to receive tax sharing payments in accordance with the terms of those agreements. The taxing entities without tax sharing agreements will receive their proportionate share of the statutory payments described below.

The payments to those taxing entities that do not have tax sharing agreements in place are made in accordance with the three-tiered formula for statutory tax sharing payments required outlined in Section 33607.7 of the Law. These taxing entities receive their proportional shares of a tax sharing amount that is defined as being 25% of the revenue derived from the difference in assessed value in the current year and the assessed value in the adjusted base year and net of the 20% housing set-aside requirement.

Under Section 34177.5(c) of the Dissolution Act, the Agency may subordinate the statutory passthrough payments to the repayment of indebtedness. The Agency has notified the entities receiving statutory passthrough payments that it intends to subordinate the statutory passthrough payments to the repayment of bonds.

### Successor Agency Indebtedness

In addition to the Bonds, the Agency currently has the following outstanding indebtedness (see “APPENDIX C – Successor Agency Audited Financial Statements for Fiscal Year Ending June 30, 2013” hereto for additional information relating to the payment of indebtedness of the Agency):

A description of outstanding indebtedness of the Agency, other than the 2014 Series A Bonds, as of July 1, 2014 as follows:

**TABLE 3**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Summary of Outstanding Debt**  
**(As of July 1, 2014)**

	<b>Balance</b>
	<b><u>July 1, 2014</u></b>
Bonds:	
2004 Bonds <sup>(1)(2)</sup>	\$21,155,000
2005 Bonds <sup>(2)</sup>	24,990,000
2006 Bonds <sup>(2)</sup>	<u>19,305,000</u>
Total	\$65,450,000

<sup>(1)</sup> Bonds to be refunded.

<sup>(2)</sup> Shown in aggregate as “Loans Payable” in audited financial statements.

Source: County of Riverside.

### Assessed Valuation

Due to the impact of general economic stress in California, and certain property assessment policies of the County (see, “Proposition 8 Assessment Reductions and Restorations,” herein) which allowed for blanket reductions in assessed valuations in the Project Area, taxable values in the Project Area declined by 7.42% percent in 2010-11. The Project Area also experienced declines in incremental value of 2.55 percent for 2012-13. Values increased for 2013-14 by 2.35% and for fiscal year 2014-15 by 6.10% in fiscal year 2014-15. The base year value is 33% of the total taxable value in the Project Area for 2014-15. Table 4 sets forth Project Area assessed valuation for the past five fiscal years.

**TABLE 4**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Historical Assessed Values**  
**(Fiscal Years 2010-11 through 2014-15)**

<u>Roll</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<b>Secured</b>					
- Land	404,977,034	399,511,730	383,970,768	400,252,581	426,073,365
- Improvements	792,871,444	796,970,755	780,860,785	809,335,272	865,464,674
- Personal Property	1,806,359	1,639,441	1,989,042	1,919,583	1,811,912
- Exemptions	(44,885,983)	(45,207,418)	(47,074,502)	(47,493,671)	(48,288,987)
Secured Total	1,154,768,854	1,152,914,508	1,119,746,093	1,164,013,765	1,245,060,964
<b>Unsecured</b>					
- Land	113,044	119,523	346,498	44,579	14,272
- Improvements	68,127,970	71,234,970	75,976,579	69,039,300	67,070,987
- Personal Property	45,141,674	50,122,183	46,639,724	38,467,858	37,028,602
- Exemptions	(50,000)	(36,000)	(400,135)	(39,213)	(42,980)
Unsecured Total	113,332,688	121,440,676	122,562,666	107,512,524	104,070,881
<b>Utility</b>					
- Land	1,351,476	1,351,476	890,976	890,976	890,976
- Improvements	0	0	0	0	0
- Personal Property	0	0	0	0	0
- Exemptions	0	0	0	0	0
Utility Total	1,351,476	1,351,476	890,976	890,976	890,976
Totals:	1,269,453,018	1,275,706,660	1,243,199,735	1,272,417,265	1,350,022,821
Percent Change	-7.42%	0.49%	-2.55%	2.35%	6.10%
Plus: HOPTR AV	16,537,188	16,147,760	16,002,103	15,152,540	14,825,592
Less: Base AV	446,601,282	446,601,282	446,601,282	446,601,282	446,601,282
Incremental AV:	839,388,924	845,253,138	812,600,556	840,968,523	918,247,131
Incremental Revenue (1%)	8,393,889	8,452,531	8,126,006	8,409,685	9,182,471

Source: County Assessor, Urban Analytics

### Property Taxes and Inflation Rates

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the parcel's value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Project Area. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase in the parcel's value cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the "Board") may be revalued annually and such assessments are not subject to the inflation

limitations established by Proposition 13. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

Each year the Board announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. Through 2010-11 there were six occasions when the inflation factor has been less than 2%. Until 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was a -0.237% and this resulted in a reductions to the adjusted base year value of parcels. The changes in the California Consumer Price Index (CCPI) from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. The table below reflects the inflation adjustment factors for the current fiscal year, ten prior fiscal years and the estimated adjustment factor for the next fiscal year.

### **Historical Inflation Adjustment Factors**

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2003-04	2.000%
2004-05	1.867
2005-06	2.000
2006-07	2.000
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454

Source: State of California Board of Equalization.

### **Supplemental Assessment Revenues**

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Assessment Revenues by taxing entities typically follows the change of ownership by a year or more. The Agency has not included revenues resulting from Supplemental Assessments in its projections.

### **Proposition 8 Assessment Reductions And Restorations**

Proposition 8 amended the Revenue and Taxation Code to allow for reduction of a property's taxable value when the property's market value drops below the inflation adjusted base value for that property. Once reduced, the Riverside County Office of the Assessor (the "Assessor") is required to revalue the property each year and enroll the lesser of the current market value of the property or its original inflation adjusted base value. If a property that has been reduced in value under Proposition 8 is sold, its value is reset based upon the sales price and this new value is no longer subject to annual revaluation under Proposition 8.

The Assessor annually reports on the number of assessments by city and unincorporated area subject to Proposition 8 reductions, and the amount of Proposition 8 reductions (these figures are reported by tax rate district rather than by sub-area and include areas outside of the Project Area). The Assessor reports 5,158 properties reduced through Proposition 8 in fiscal year 2014-15 in the principal tax rate districts within the Project Area with \$538,827,205 in reduced valuation. This compares to 8,498 properties and \$938,979,295 in Proposition 8 reductions in fiscal year 2013-14 and 10,335 properties and \$1,135,935,324 in Proposition 8 reductions in fiscal year 2012-13. While these figures include properties outside of the Project Area, they indicate that Proposition 8 reductions have decreased in value by nearly half between fiscal year 2012-13 and fiscal year 2014-15. The assessor does not indicate on the rolls that parcels are subject to Proposition 8

### **Assessed Valuation Appeals**

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion. Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. The assessed value may be increased to its pre reduction level for fiscal years following the year for which the reduction application is filed if the real estate market recovers.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Most of the appeals filed in the Project Area are based on Section 51 of the Revenue and Taxation Code which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

There are currently 58 pending appeals within the Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, the fiscal consultant reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed and then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of the pending appeals.

Four of the Project Area's top ten taxpayers have pending appeals of their assessed value as shown in Table 5. The estimated impact of value losses resulting from these pending appeals has not been incorporated into the projected revenues of the Project Area. See "ESTIMATED REVENUES AND BOND RETIREMENT," herein.

**TABLE 5  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Redevelopment Project Area No. 1  
Assessment Appeals by Large Taxpayers**

<u>Roll Year</u>	<u>Owner Name</u>	<u>Status <sup>(1)</sup></u>	<u>County Valuation</u>	<u>Applicant Opinion of Value</u>	<u>Valuation After Appeal</u>
2013-14	CASTLE & COOKE CORONA CROSSINGS II INC	2 Pending	21,514,282	15,252,500	TBD
2013-14	FLEETWOOD ALUMINUM PRODUCTS INC	2 Pending	13,447,868	7,590,000	TBD
2013-14	TARGET CORP	1 Pending	18,829,807	400,000	TBD
2012-13	CASTLE & COOKE CORONA CROSSINGS II INC	1 Pending	19,020,890	13,130,000	TBD
2012-13	CASTLE & COOKE CORONA CROSSINGS II INC	1 Resolved	2,071,545	1,006,000	2,071,545
2012-13	FLEETWOOD ALUMINUM PRODUCTS INC	2 Resolved	12,963,927	7,274,000	12963927
2011-12	CASTLE & COOKE CORONA CROSSINGS I INC	2 Resolved	13,749,466	9,149,000	13,749,466
2011-12	CASTLE & COOKE CORONA CROSSINGS II INC	1 Resolved	2,030,928	1,006,000	2,030,928
2011-12	FLEETWOOD ALUMINUM PRODUCTS INC	2 Resolved	12,988,256	8,700,000	12988256
2010-11	CASTLE & COOKE CORONA CROSSINGS I INC	3 Resolved	14,905,231	9,469,112	14905231
2010-11	CASTLE & COOKE CORONA CROSSINGS II INC	2 Resolved	3,815,043	2,266,000	3,815,043
2010-11	FLEETWOOD ALUMINUM PRODUCTS INC	2 Resolved	15,426,975	8,700,000	15,426,975
2010-11	MCLD HOLDINGS LLC	1 Resolved	10,384,430	7,000,000	10,384,430

<sup>(1)</sup> Appeals filed on properties owned by the ten largest owners for 2014-15. Data is current as of June 30, 2014.  
Source: Riverside County Assessor



The following table shows the amount of assessed value that is presently under appeal within the Project Area and the estimated reduction of value that has been factored into the projections for 2014-15. The assessment appeals data below reflects appeals filed for fiscal years 2005-06 through 2013-14. To provide some indication of the proportion of valuation upheld on appeal, the table below provides information on resolved appeals filed in previous years in the Project Area. Overall, the 390 appeals settled in the Project Area during the fiscal year 2005-06 to fiscal year 2014-15 period resulted in reductions in valuation of \$6.33 million out of \$455.1 million in enrolled valuation subject to appeals, or around 1%. The overall retention rate has been estimated by the Fiscal Consultant to be approximately 99% of the original valuation.

Applying the 99% retention rate for resolved appeals to the \$139.4 million in total valuation for parcels with appeals pending indicates a potential valuation reduction of \$1.9 million or approximately \$14,000 in tax revenue. If the full amount of disputed valuation were granted, the reduction in valuation would be \$68 million or approximately \$684,000 in tax revenue. As noted below under "ESTIMATED REVENUES AND BOND RETIREMENT," no assumptions are made regarding any potential appeal-related adjustments to Project Area valuation.

**TABLE 6  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Redevelopment Project Area No. 1  
Estimated Appeals Loss  
Fiscal Year 2014-15**

<u>Roll Year</u>	<u>Status</u>	<u>Number of Appeals</u> <sup>(2)</sup>	<u>County Valuation</u>	<u>Applicant Opinion of Value</u>	<u>Valuation After Appeal</u>	<u>Retention Rate</u> <sup>(1)</sup>
2014-15	Resolved	-	-	-	-	-
2014-15	Pending	-	-	-	-	-
2013-14	Resolved	4	377,474	262,299	377,474	100%
2013-14	Pending	33	95,386,414	45,891,874	TBD	TBD
2012-13	Resolved	37	43,032,419	21,887,027	41,953,119	97%
2012-13	Pending	23	42,414,219	24,293,790	TBD	TBD
2011-12	Resolved	61	101,158,751	57,721,374	95,959,255	95%
2011-12	Pending	2	1,564,183	814,784	TBD	TBD
2010-11	Resolved	81	141,543,762	82,199,674	133,308,294	94%
2010-11	Pending	-	-	-	-	-
2009-10	Resolved	111	81,084,456	41,096,664	77,004,324	95%
2009-10	Pending	-	-	-	-	-
2008-09	Resolved	72	46,710,692	23,904,223	58,988,465	126%
2008-09	Pending	-	-	-	-	-
2007-08	Resolved	13	22,018,970	14,593,605	22,001,070	100%
2007-08	Pending	-	-	-	-	-
2006-07	Resolved	5	10,201,450	5,575,122	10,201,450	100%
2006-07	Pending	-	-	-	-	-
2005-06	Resolved	6	8,959,708	3,927,511	8,959,708	100%
2005-06	Pending	-	-	-	-	-
All Years	Resolved	390	455,087,682	251,167,499	448,753,159	99%
All Years	Pending	58	139,364,816	71,000,448	TBD	TBD

<sup>(1)</sup> Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the "Valuation After Appeal" into the "County Valuation." For withdrawn and denied appeals, the "Valuation After Appeal" is the original County valuation.

<sup>(2)</sup> As of 6/30/2014.

Source: Riverside County Assessor; Urban Analytics.

### Property Taxes; Teeter Plan

The County utilized a mechanism for the distribution of tax increment revenue to the former redevelopment agencies that has a similar effect on the Agency's tax increment revenues as the device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code). The Teeter Plan allows counties to distribute secured property tax revenue to participating jurisdictions without regard to delinquencies

by maintaining a reserve fund to cover delinquencies and allocating revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Under the mechanism used by the county to distribute tax increment revenue to the former redevelopment agencies, the County pays one-half of the taxes from the net taxable assessed valuation appearing on the equalized roll to each agency's RPTFF on January 2 and the other one-half on June 1; delinquencies are not deducted from the REDEVELOPMENT PROPERTY TAX TRUST FUND revenue, and delinquent tax payments and defaulted tax redemptions, penalties and interest are not added to REDEVELOPMENT PROPERTY TAX TRUST FUND revenue. Consequently, the Agency is currently not affected by delinquent tax payments.

**Financial Statements**

The Successor Agency currently maintains separate audited financial statements. The Successor Agency's audited financial statements for the fiscal year ended June 30, 2013, are included as Appendix C to this Official Statement. The Successor Agency has not requested nor did the Successor Agency obtain permission from the Auditor to include the audited financial statement as an appendix to this Official Statement. Accordingly, the auditor has not performed any post audit review of the financial conditions and operations of the Successor Agency.

**Property Value by Land Use**

Taxable values in the Project Area are diversified with residential property values making up 55.3% of all value. Industrial uses account for 17.1% of the Project Area taxable values and commercial uses account for 21.1%. Together, these four land use categories account for 93.5% of all taxable value in the Project Area.

The following table illustrates the land use of property within the entire Project Area and its assessed value.

**TABLE 7  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Redevelopment Project Area No. 1  
Land Use Statistics  
(Fiscal Year 2014-15)**

<u>Land Use</u>	<u>Secured AV</u>	<u>Pct of AV</u>	<u>Number of Parcels</u>	<u>Pct of Parcels</u>	<u>Acres</u>	<u>Pct of Acres</u>
Agricultural	\$1,046,472	0.1%	4	0.1%	37	0.8%
Commercial	262,547,123	21.1%	239	3.4%	305	6.6%
Industrial	212,767,250	17.1%	86	1.2%	278	6.0%
Single-Family Residential	484,450,914	38.9%	3,282	47.1%	656	14.1%
Condominiums	3,027,570	0.2%	13	0.2%	2	0.0%
Other Residential	201,097,615	16.2%	2,059	29.5%	1,927	41.4%
Vacant	77,292,710	6.2%	1,255	18.0%	1,410	30.3%
Other	2,831,310	0.2%	33	0.5%	37	0.8%
<b>Total</b>	<b>\$1,245,060,964</b>	<b>100.0%</b>	<b>6,971</b>	<b>100.0%</b>	<b>4,651</b>	<b>100.0%</b>

Source: County Assessor, Urban Analytics

The remaining area within the Project Area generally includes parcels which follow the major east/west arterial of Foothill Boulevard. Land use within this area are largely devoted to commercial and office uses with scattered sites of vacant land.

**Plan Limitations**

In 1993, the California Legislature enacted AB 1290. Among the changes to the Redevelopment Law accomplished by AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan

may terminate not more than 40 years following the date of original adoption, and loans, advances, and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

The Sub-Areas added to the Project Area after January 1, 1994 are subject to the special requirements of AB1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements. The Redevelopment Plan was subsequently brought into conformance with plan duration and other provisions of AB1290. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("SB 1045") and Senate Bill 1096, Chapter 211, Statutes of 2004 ("SB 1096"). SB 1045 and AB 1096 provide, among other things, that the Redevelopment Plan for the Project Area may be amended to add up to three years on to the effectiveness of the Redevelopment Plan and on to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, (effective December 30, 2004) extending by one year the date of effectiveness of the Redevelopment Plan and the allowed time to pay indebtedness or receive property taxes. As a result, the Project Area is subject to the initiation of tax sharing payments. Those taxing entities that have entered into negotiated tax sharing agreements continue to receive tax sharing payments in accordance with the terms of those agreements. The taxing entities without tax sharing agreements will receive their proportionate share of the statutory payments described below.

Additionally, the Successor Agency has covenanted in the Indenture to annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Successor Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on any obligations of the Successor Agency payable from tax increment revenues that are senior to the 2014 Series A Bonds, and payments on obligations that are subordinate to the 2014 Series A Bonds. If, based on such review, the allocation of tax increment revenues to the Successor Agency in any of the next three succeeding Fiscal Years will (a) cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Successor Agency payable from tax increment revenues that are senior to the 2014 Series A Bonds, and (iii) payments on obligations that are subordinate to the 2014 Series A Bonds or (b) cause the tax increment cap in a sub-area of the Project Area to meet its cap, the Successor Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Successor Agency's continuing ability to pay debt service on the 2014 Series A Bonds and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the 2014 Series A Bonds or Parity Debt or reducing the amount of tax increment being claimed from one or more sub areas within the Project Area. In the event that the Successor Agency determines to defease or redeem 2014 Series A Bonds or Parity Debt, such defeasance shall be accomplished as provided in the Indenture.

The Department of Finance has expressed the opinion that the tax increment limits within the former redevelopment plans that had not been reached prior to redevelopment dissolution are inconsistent with the purpose and intent of the redevelopment dissolution statutes. As a result, it is possible that the annual tax increment limit contained in the redevelopment plan may not be applied by the County Auditor Controller. However, the Department of Finance's opinion is not dispositive of this particular issue and, accordingly, the Successor Agency intends to comply with the foregoing covenant until such time that it is clear that the tax increment limitations no longer apply.

The following Table 8 is a summary of the plan limitations of the Project Area and its Sub-Areas.

**TABLE 8**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Summary of Redevelopment Project Area No. 1**  
**and Sub-Areas**

Redevelopment Project Area No. 1	Date of Adoption	Ordinance Number	Termination of Plan Activities (1)	Last Date to Repay Debt	Tax Increment Limit	Acreage	Sub-Area Tax	
							Increment As Percent of Project Area Total	Volatility Ratio (2)
1-1986 (Murrieta, Home Gardens)	12/23/1986	635	12/23/2027	12/23/2037	\$150,000,000	350	19%	0.12
1-1986 (Lakeland/Wildomar)	7/20/1999	793	7/20/2030	07/20/2045	--	2,859	33%	0.51
1-1986 (El Cerrito/Temescal)	12/14/1999	800	12/14/2030	12/14/2045	--	1,442	47%	0.20

(1) The Agency amended the pre-1994 plans on November 29, 1994 (Ordinance 750) to bring them into conformance with the requirements of AB1290. The plan limits shown above reflect the changes made through that ordinance. The Agency has extended by one year the Termination of Plan Activities and the last date to Repay Indebtedness as permitted under SB1045; dates reflect this extension.

(2) The Volatility Ratio is calculated by dividing the base year assessed valuation by the current year assessed valuation. The volatility ratio for the Project Area is 0.33%.

Source: Riverside County Office of the Assessor; Urban Analytics, LLC.

Each successor agency only receives the amount necessary to pay enforceable obligations on the approved ROPS (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules”) and it has become unclear whether a redevelopment plan’s tax increment limit continues to be effective. For the purposes of this Official Statement and the calculation of Tax Revenues, the Successor Agency has assumed that the tax increment limitation set forth in the Redevelopment Plan continues to be effective.

The volatility ratio shown in Table 8 is the proportion of total assessed valuation accounted for by the base year valuation, and reflects the degree of exposure of tax increment to changes in total valuation. A high volatility ratio indicates that a small percentage change in overall assessed valuation would cause a disproportionately large percentage change in tax increment, while a low volatility ratio suggests that a percentage change in overall assessed valuation would cause a similar percentage change in tax increment. Recently-formed redevelopment areas tend to have a high volatility ratio as their total assessed valuation remains close to the base year valuation; their volatility ratio decreases as assessed valuation grows. The volatility ratio for the Project Area is 0.33%

### **Allocation of Former Low and Moderate Income Housing Set-Aside**

Table 9 herein shows a projection of tax increment revenues and Tax Revenues pledged to repay the Bonds. A portion of tax increment that would have been deposited in the Former Agency’s Low and Moderate Income Housing Set-Aside is pledged to the repayment of the Housing Bonds of the Former Agency and Successor Agency. The Housing Bonds are payable from the former Low and Moderate Income Housing Set-Aside of all of the redevelopment project areas of the Former Agency. The Project Area is responsible for its pro rata portion of the debt service of the Housing Bonds. Reductions in assessed value in any other project area can have the result of increasing the pro rata share of debt service on the Housing Bonds in the Project Area, in particular, energy facilities in the Mid-County Redevelopment Project Area and the Interstate 215 Corridor Redevelopment Project Area, which have had large reassessments. A significant decrease in the assessed value of such a large property owner could result in reducing tax increment in the related project area. A reduction in another project area’s assessed value could increase the Project Area’s proportionate share of debt service for the Housing Bonds and result in a corresponding reduction in the amount of Tax Revenues available to pay debt service on the Bonds.

## ESTIMATED REVENUES AND BOND RETIREMENT

The Successor Agency has retained Urban Analytics, LLC, San Francisco, California (the "Fiscal Consultant"), to analyze the Project Area and to project future tax increment revenues for the Project Area. The Fiscal Consultant's report is included as Appendix A and should be read in its entirety.

For purposes of projecting Tax Revenues, the Fiscal Consultant has made the following assumptions:

- (1) The Fiscal Consultant assumed that the tax rate in the Project Area is 1%, with no tax rate overrides.
- (2) County administrative fee is estimated to be 1.50% of tax increment revenue in the Project Area.
- (3) Tax increment revenue is projected to increase at a 2% annual growth rate.
- (4) Tax increment revenues do not include any adjustment for delinquencies, refunds or rebates. See "Property Taxes; Teeter Plan," herein.
- (5) Projections assume that Statutory Pass-Through payments are subordinate to debt service.
- (6) Projections do not take into consideration any changes in assessed valuation due to new construction, property sales, Proposition 8 redactions or assessment appeals.
- (7) Senior Pass-Through payments are according to agreements described under "Pass-Through Agreements and Statutory Tax Sharing Payments," herein.

Actual levels of future tax increment revenues will depend upon the rate of growth in tax increment resulting from new development, change of ownership and inflation, and changes in tax rates, and may differ from the projections presented herein. See the Report of Fiscal Consultant attached hereto as Appendix A.

**TABLE 9**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Estimated Tax Increment Revenues<sup>(1)</sup>**  
**Fiscal Years 2014-15 through 2044-45**

<u>Fiscal Year</u>	<u>Gross Tax Increment</u>	<u>Project Area Share of Housing Debt Service</u>	<u>Senior Pass-Through Payments</u>	<u>Other Senior Obligations</u>	<u>Net Tax Increment</u>
2014/15	\$9,219,446	\$(1,262,244)	\$(397,875)	\$(138,292)	\$7,421,035
2015/16	9,471,239	(1,264,508)	(405,468)	(142,069)	7,659,194
2016/17	9,728,068	(1,267,737)	(413,214)	(145,921)	7,901,196
2017/18	9,990,033	(1,270,147)	(421,114)	(149,851)	8,148,922
2018/19	10,257,238	(1,272,830)	(429,172)	(153,859)	8,401,378
2019/20	10,529,787	(1,275,533)	(437,391)	(157,947)	8,658,916
2020/21	10,807,787	(1,277,597)	(445,775)	(162,117)	8,922,299
2021/22	11,091,347	(1,280,275)	(454,326)	(166,370)	9,190,376
2022/23	11,380,578	(1,282,571)	(463,048)	(170,709)	9,464,251
2023/24	11,675,594	(1,284,606)	(471,945)	(175,134)	9,743,909
2024/25	11,976,510	(1,287,263)	(481,020)	(179,648)	10,028,579
2025/26	12,283,445	(1,289,339)	(490,276)	(184,252)	10,319,578
2026/27	12,596,518	(1,291,391)	(499,717)	(188,948)	10,616,461
2027/28	12,915,852	(1,275,634)	(509,347)	(193,738)	10,937,133
2028/29	13,241,574	(1,277,876)	(519,170)	(198,624)	11,245,904
2029/30	13,573,809	(1,279,845)	(529,189)	(203,607)	11,561,168
2030/31	13,912,690	(1,281,188)	(539,409)	(208,690)	11,883,402
2031/32	14,258,348	(1,283,449)	(549,833)	(213,875)	12,211,190
2032/33	14,610,919	(1,284,444)	(560,465)	(219,164)	12,546,845
2033/34	14,970,541	(1,286,564)	(571,311)	(224,558)	12,888,109
2034/35	15,337,356	(1,288,502)	(582,373)	(230,060)	13,236,421
2035/36	15,711,508	(1,291,276)	(593,656)	(235,673)	13,590,903
2036/37	16,093,142	(1,334,117)	(605,165)	(241,397)	13,912,463

Source: Urban Analytics

The following Table 10 projects debt service coverage for the Bonds showing only projected net tax increment revenue and Tax Revenues.

**TABLE 10**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Estimated Debt Service Coverage**  
**Fiscal Years 2014-15 through 2036-37**  
**(In Thousands)**

<u>Year</u>	<u>Net Tax Increment Revenue</u>	<u>Net Tax Revenue</u>	<u>2014 Estimated Debt Service*</u>	<u>Parity Bonds Debt Service</u>	<u>Estimated Tax Revenue Coverage*</u>
2014/15					
2015/16					
2016/17					
2017/18					
2018/19					
2019/20					
2020/21					
2021/22					
2022/23					
2023/24					
2024/25					
2025/26					
2026/27					
2027/28					
2028/29					
2029/30					
2030/31					
2031/32					
2032/33					
2033/34					
2034/35					
2035/36					
2036/37					

<sup>(1)</sup> See Table 9 for details.

Source: Riverside County Office of the Assessor; Urban Analytics, LLC.

\* Preliminary, subject to change.



## **BOND OWNERS' RISKS**

*The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds and the credit quality of the Bonds. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For a discussion of certain matters that will or could cause reductions in the Tax Revenues available in future years, see "LIMITATIONS ON TAX REVENUES" of this Official Statement.*

### **Limited Special Obligations**

The Bonds will be special obligations of the Agency, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture. Neither the State nor any public agency (other than the Agency) is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Agency).

### **Recognized Obligation Payment Schedule**

The Dissolution Act provides that only those payments listed in a ROPS may be made by the Successor Agency from the funds specified in the ROPS. Before each six-month period, the Dissolution Act requires the Successor Agency to prepare and submit to the Successor Agency's Oversight Board and the State Department of Finance for approval, a ROPS pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a Recognized Obligation Payment Schedule approved by the State Department of Finance. See "SECURITY FOR THE BONDS – ROPS." If the Successor Agency were to fail to complete an approved a ROPS with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

If a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a ROPS. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a ROPS when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS-Security for the Bonds") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011; (ii) second, on each January 2 and June 1, to a successor agency for payments listed in its ROPS, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and

obligations listed on the ROPS; (iii) third, on each January 2 and June 1, to a successor agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in its Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Successor Agency does not submit an Oversight-Board approved ROPS within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. The Successor Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds as well as any amount required under the Indenture to replenish the Reserve Account, in ROPS for each six-month period to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including listing a reserve on the ROPS to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period.

AB 1484 also added new provisions to the Dissolution Act implementing certain penalties in the event the Successor Agency does not timely submit a ROPS for a six-month period. Specifically, a ROPS must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Successor Agency does not submit a ROPS by such deadlines, the County will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved ROPS by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the ROPS for subsequent six-month periods.

### **Challenges to Dissolution Act**

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the Bonds.

### **Reduction in Taxable Value**

Tax increment revenues allocated to the Successor Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Successor Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Earthquake," below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See "APPENDIX A – Report of Fiscal Consultant - Assessment Appeals."

### **Risks of Real Estate Secured Investments Generally**

The Owners and Beneficial Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (a) adverse changes in local market conditions, such as changes in the market value of real property within and in the vicinity of the respective project areas, the supply of or demand for competitive properties in such project areas, and the market value of competitive properties in the event of sale or foreclosure, (b) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies, and (c) natural disasters (including, without limitation, earthquakes, fires, droughts and floods), which may result in uninsured losses.

### **Reduction in Inflationary Rate and Changes in Legislation**

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2% and there have been several years in which taxable values were adjusted by an actual inflationary rate that was less than 2%. The adjusted inflationary rate for fiscal year 2014-15 is 0.454%. The Successor Agency is unable to predict whether future annual inflationary adjustments to the taxable value base of real property within the Project Area will be in the amount of the full 2% permitted under Article XIII A or will be in an amount less than 2%.

### **Change in Law**

In addition to the other limitations on Tax Revenues, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Successor Agency. There is no assurance that the California electorate or Legislature will not at some future

time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the Bonds.

### **Bankruptcy of Landowners**

The bankruptcy of a major assessee in the Project Area could delay and/or impair the collection of property taxes by the County with respect to properties in the bankruptcy estate. Although the Successor Agency is not aware of any major property owners in the Project Area that are in bankruptcy or threatening to declare bankruptcy, the Successor Agency cannot predict the effects on the collections of Tax Revenues if such an event were to occur.

### **Concentration of Property Ownership**

Based on Fiscal Year 2014-15 locally assessed taxable valuations, the top 10 taxable property owners in the Project Area No. 1 represent approximately 24.72% of the total Fiscal Year 2014-15 taxable value. Some of these property owners have pending assessed value appeals with respect to their property in the Project Area. The bankruptcy, termination of operations or departure from the Project Area by one of the largest property owners from the Project Area could adversely impact the availability of Tax Revenues to pay debt service on the Bonds. See “ESTIMATED REVENUES AND BOND RETIREMENT” for a description of the debt service coverage on the Bonds.

### **Earthquake**

As with most of Southern California, the most significant safety hazard in Riverside County is due to seismic hazards. Southern California has numerous seismically active faults, several of which are in or in close proximity to the portions of the Project Area. Most of the assessed valuation growth in the Project Area is due to new construction built in accordance with the Uniform Building Code which contains standards designed to minimize structural damage caused by seismic events.

From time to time, the County is subject to other natural calamities which could adversely affect economic activity in the County, and which could have a negative impact on the general economy and the values of properties in the Project Area. There can be no assurance that the occurrence of any natural calamity, such as earthquake, flooding or wildfire, would not cause substantial reduction in the assessed valuations of properties in the Project Area. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

### **Levy and Collection of Taxes**

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Successor Agency to make debt service payments on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency’s ability to make timely debt service payments on the Bonds. The County currently allocates 100% of the Tax Revenues collected on the secured property tax roll to the Successor Agency, regardless of the actual amount of payments made by taxpayers (see “Property Taxes; Teeter Plan,” below). The County currently allocates Tax Revenues collected with respect to unsecured property to the Agency based upon the tax increment actually collected.

### **Estimated Revenues**

In estimating that Tax Revenues will be sufficient to pay debt service on the Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues available to pay debt service on the Bonds

will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

### **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

### **Direct and Overlapping Indebtedness**

The ability of land owners within the respective project area to pay property tax installments as they come due could be affected by the existence of other taxes and assessments, imposed upon the land. In addition, other public agencies whose boundaries overlap those of the respective project area could, without consent of the Successor Agency, and in certain cases without the consent of the owners of the land within the Project Area, impose additional taxes or assessment liens on the property to finance public improvements.

### **Future Legislation and Initiatives**

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Successor Agency or the Successor Agency's ability to expend revenues. In addition, there are currently a number of proposed legislative changes to the Dissolution Act which, if adopted, would also affect revenues of the Successor Agency or the Successor Agency ability to expend revenues. The nature and impact of these measures cannot currently be anticipated.

### **Assessment Appeals**

Property taxable values may be reduced as a result of a successful appeal of the taxable value determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. A reduction in taxable values within the respective project area and the refund of taxes which may arise out of successful appeals by property owners will affect the amount of Tax Revenues and, potentially, Revenues under the Indenture. The Successor Agency has in the past experienced reductions in its tax increment revenues as a result of assessment appeals. The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. For a discussion of historical assessment appeals in the Project Area and summary information regarding pending and resolved assessment appeals for the Successor Agency, see Appendix A – REPORT OF FISCAL CONSULTANT.

### **Economic Risks**

The Agency's ability to make payments on the respective Bonds will be partially dependent upon the economic strength of the Project Area. If there is a decline in the general economy of the Project Area, the owners of property may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of tax increment revenues. In the event of decreased values, Tax Revenues may decline even if property owners make timely payment of taxes.

## **Acceleration on Default**

Under the Indenture, the principal due on the Bonds is subject to acceleration upon the occurrence of an Event of Default. If an Event of Default occurs under the Indenture, as a practical matter, Bond Owners will be limited to enforcing the obligation of the Agency to repay the Bonds on an annual basis to the extent of the Tax Revenues. No real or personal property in the Project Area is pledged to secure the Bonds, and it is not anticipated that the Agency will have available moneys sufficient to redeem all of the Bonds upon the occurrence of an Event of Default.

## **Investment Risk**

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX A attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Successor Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Tax Revenues are deposited, may be invested by the Successor Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Successor Agency cannot predict the effects on the receipt of Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County were to become insolvent or declare bankruptcy. See "BONDOWNER'S RISKS – Bankruptcy."

## **Bond Insurance Risk Factors**

The Successor Agency has received a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Insured Bonds. The following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any Owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Successor Agency which is recovered by the Successor Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by \_\_\_\_\_ (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the Successor Agency unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon

a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "OTHER INFORMATION – Ratings" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Successor Agency nor the Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

### **Bankruptcy**

The rights of the Owners of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See "APPENDIX F – Form of Opinion of Bond Counsel."

### **Loss of Tax Exemption**

As discussed under the caption "OTHER INFORMATION – Tax Matters," the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as the result of a failure of the Successor Agency to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, such Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the redemption provisions of the Indenture.

## LIMITATIONS ON TAX REVENUES

### Property Tax Limitations - Article XIII A

*Article XIII A of the California Constitution.* Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the California Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In the general elections of 1986, 1988, and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment will reduce the tax increment of the Successor Agency. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

In the June 1990 election, the voters of the State approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the California Supreme Court and the United States Supreme Court have upheld the constitutionality of Article XIII A.

*Article XIII B of the California Constitution.* On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof, including Section 33678 of the Law. The constitutionality of Section 33678 has been



upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely and Brown v. Community Redevelopment Agency of the City of Santa Ana*. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

*Proposition 218*. On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the public agencies to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C removes limitations on the initiative power in matters of local taxes, special taxes, assessments, fees and charges. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the levy of property taxes or to materially affect the collection and pledge of Tax Revenues.

The interpretation and application of the initiative provisions of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and while it is not possible at this time to predict with certainty the outcome of such determination, the Successor Agency does not believe that Proposition 218 will materially affect its ability to pay principal of or interest on the Bonds.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value is shown at 100% of assessed value and all general tax rates reflect the \$1.00 per \$100 of taxable value. Tax rates for bond debt service and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The Successor Agency is not able to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

### **Redevelopment Plan Limits**

There is a question on the applicability of tax increment limits as to time and amounts established under redevelopment plans after the adoption of AB 26 and AB 1484. The matter remains subject to further guidance from legislation and interpretation by the courts. If the cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Official Statement and in the Fiscal Consultant's Report appearing in Appendix A, it is assumed that tax increment limits will be enforced.

### **Unitary Property**

Assembly Bill 2890 (Statutes of 1986, Chapter 1457), which added Section 98.9 to the California Revenue and Taxation Code, provided that, commencing with the Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) was to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was changed from March 1 to January 1.

Assembly Bill 454 (Statutes of 1987, Chapter 921) further modified the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provided for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provided for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 was to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

The Successor Agency has projected the amount of unitary revenues to be allocated for 2013-14 within the Project Area. The Successor Agency cannot predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received nor the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies.

### **Property Taxes; Teeter Plan**

The County utilized a mechanism for the distribution of tax increment revenue to the former redevelopment agencies that has a similar effect on the Agency's tax increment revenues as the device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code). The Teeter Plan allows counties to distribute secured property tax revenue to participating jurisdictions without regard to delinquencies by maintaining a reserve fund to cover delinquencies and allocating revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Under the mechanism used by the County to distribute tax increment revenue to the former redevelopment agencies, the County pays one-half of the taxes from the net taxable assessed valuation appearing on the equalized roll to each agency's Redevelopment Property Tax Trust Fund on January 2 and the other one-half on June 1; delinquencies are not deducted from the Redevelopment Property Tax Trust Fund revenue, and delinquent tax payments and defaulted tax redemptions, penalties and interest are not added to Redevelopment Property Tax Trust Fund revenue. Consequently, the Agency is currently not affected by delinquent tax payments.

### **Tax Increment Limitation; Senate Bill 211**

Assembly Bill 1290 ("AB 1290") was signed into law by the Governor in December 1993 and amends various provisions of the Law. AB 1290 provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after 10 years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, will pay indebtedness or receive property taxes in connection therewith. In addition, in connection with the shift of tax increment revenues, (i) SB 1045 allowed the Former Agency to extend the effective date of the related redevelopment plan, and the date to receive Tax Revenues in the Project Area, by one year, and (ii) SB 1096 allowed the Former Agency to extend the effective date of the related redevelopment plan, and the date to receive Tax Revenues, by two years subject to compliance with major housing requirements. The Former Agency has taken such action with respect to SB 1045, and the projections of Tax Revenues reflect such extensions. Pursuant to the related redevelopment plan, the expiration date of the related redevelopment plan is as described in "REDEVELOPMENT PROJECT AREA NO. 1," herein.

On October 10, 2001 the Governor of the State signed into law Senate Bill 211 ("SB 211"), which allows redevelopment agencies to eliminate or extend the time limits on their ability to incur debt for project

areas established prior to January 1, 1994. Additionally, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain findings of blight in the applicable project areas. Additionally, if a redevelopment agency elects to extend the time limits on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain additional statutory pass-throughs to other taxing entities. The Former Agency did not extend any of the related redevelopment plan limitations with respect to the respective project area pursuant to SB 211.

### **Tax Collection Fees**

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The County administration fee amounts to approximately 2% of the tax increment revenues from a Project Area. The calculations of Tax Revenues take such administrative costs into account.

### **Future Initiatives**

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate, the County, as Successor Agency, has covenanted for the benefit of the Owners of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), in which it covenants to provide information regarding the Successor Agency on an annual basis as well as information regarding material adverse events, if any such events should occur in connection with the following, to the owners of the Bonds and to the Municipal Securities Rulemaking Board during the term of the Bonds. See APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

During the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; and (ii) missing or late filing of annual reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County.

Some specific examples of such failures include:

(a) The annual report and financial statements for fiscal year 2008-09, the first County filings which were required to be submitted to EMMA after the effective date of revisions to the Rule, were submitted to MSRB with significant delays with respect to each County issuance outstanding during the first quarter of the 2009-10 fiscal year, as the County had not yet updated its compliance procedures and filed its annual report and financial statement for such year in accordance with the previously-effective Rule requirements. Subsequently, the County has submitted to EMMA the annual reports and financial statements for fiscal year 2008-09.

(b) With respect to the Housing Authority of the County of Riverside Refunding Revenue Bonds 1998 Series A (Corona Projects), no filings were submitted to the MSRB, and with respect to certain redevelopment issuances involving the Riverside County Public Financing Authority, no filings were made to the MRSB in fiscal years 2010-11, 2011-12 and 2012-13. Recently, the Housing Authority of the County of Riverside submitted to EMMA for fiscal years 2008-09 through 2012-13 the financial statements of the Redevelopment Agency of the City of Corona.

The County and its related entities have made additional filings to provide certain of the previously omitted information. The County and its related entities have internally reviewed their previous filings and have completed corrective filings on all issues. With respect to notices or rating changes, the County and its related entities prepared an omnibus corrective notice regarding bond insurer ratings and ratings of the County's general fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted new procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports on behalf of the County.

## OTHER INFORMATION

### Litigation

At the time of delivery of and payment for the Bonds the Successor Agency will certify that, except as disclosed herein, to its best knowledge there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or body, pending against or threatened against the Successor Agency in any way affecting the existence of the Successor Agency or the titles of its officers to their offices or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of Tax Revenues to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, or any action of the Successor Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Successor Agency or its authority with respect to the Indenture or any action of the Successor Agency contemplated by the Indenture, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Successor Agency or its authority with respect to the Indenture or any action of the Successor Agency contemplated by the Indenture, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for Federal income tax purposes or the exemption of interest paid on the Bonds from California personal income taxation, nor, to the knowledge of the Successor Agency, is there any basis therefor.

### Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. The opinions described herein are subject to the condition that the Successor Agency complies with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

## Verification of Mathematical Computations

The Verification Agent will examine the arithmetical accuracy of certain computations included in the schedules provided by the Successor Agency relating to the refunding of the 2004 Bonds. See "PLAN OF FINANCE" above. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## Circular 230 Disclaimer

To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement.

## Legal Opinion

Jones Hall, A Professional Law Corporation, San Francisco, California, will render an opinion with respect to the validity of the Bonds in substantially the form set forth in Appendix F hereto. Copies of such approving opinion will be available at the time of delivery of the Bonds.

In addition, Best Best & Krieger LLP, as Disclosure Counsel, will deliver to the Agency and to the Underwriter a letter in customary form concerning the information set forth in this Official Statement.

## Ratings

The Bonds have received the rating of "\_\_\_\_" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("S&P") with the understanding that upon execution and delivery of the Bonds the Policy insuring the payment when due of the principal and interest on the Bonds will be issued by \_\_\_\_\_. In addition, S&P has assigned its underlying rating of "\_\_\_\_" on the Bonds.

The rating issued reflects only the view of such rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. There is no assurance that such rating will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

## Underwriting

Citigroup Global Markets Inc., on behalf of itself and Stifel, Nicolaus & Company, Incorporated (collectively, the "Underwriters") have agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Bonds, plus a net original issue premium of \$\_\_\_\_\_, less an underwriters' discount of \$\_\_\_\_\_ ) under a Bond Purchase Contract between the Agency and the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

**Miscellaneous**

All quotations from and summaries and explanations of the Indenture and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Successor Agency. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Successor Agency. The information contained herein should not be construed as representing all conditions affecting the Successor Agency or the Bonds.

SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY  
OF RIVERSIDE

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

**APPENDIX A**  
**REPORT OF THE FISCAL CONSULTANT**



## **APPENDIX B**

### **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 2,279,967 as of January 1, 2014, representing an approximately 1.1% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2004 to January 1, 2014, the County's population grew by 25.6%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 274,393 as of January 1, 2014. Currently, the growth in the County has tempered due to the economy and in recent years the County's population has grown at 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)

<u>CITY</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Banning	29,507	29,723	30,051	30,177	30,325
Beaumont	36,496	38,966	38,851	39,787	40,876
Blythe	20,873	20,063	20,440	19,609	18,992
Calimesa	7,853	7,910	8,022	8,096	8,231
Canyon Lake	10,528	10,606	10,721	10,771	10,826
Cathedral City	51,037	51,400	52,108	52,350	52,595
Coachella	40,464	41,339	42,030	42,795	43,633
Corona	151,854	153,047	154,985	156,864	159,132
Desert Hot Springs	25,852	27,277	27,721	27,835	28,001
Eastvale	-	54,090	55,770	57,266	59,185
Hemet	78,335	79,309	80,329	80,899	81,537
Indian Wells	4,941	4,990	5,050	5,083	5,137
Indio	75,122	76,817	78,298	81,415	82,398
Jurupa Valley	-	-	96,745	97,272	97,774
Lake Elsinore	51,445	52,294	53,183	55,444	56,718
La Quinta	37,307	37,688	38,190	38,412	39,032
Menifee	77,267	79,139	80,831	82,314	83,716
Moreno Valley	192,654	194,451	197,086	198,183	199,258
Murrieta	103,085	104,051	105,300	105,860	106,425
Norco	27,066	26,968	27,123	26,632	26,582
Palm Desert	48,132	48,920	49,619	49,962	50,417
Palm Springs	44,385	44,829	45,414	45,724	46,135
Perris	67,879	69,506	70,391	70,983	72,103
Rancho Mirage	17,168	17,399	17,556	17,643	17,745
Riverside	302,814	306,069	309,407	312,035	314,034
San Jacinto	44,043	44,421	44,937	45,229	45,563
Temecula	99,611	101,255	103,403	104,907	106,289
Wildomar	<u>32,006</u>	<u>32,414</u>	<u>32,818</u>	<u>33,182</u>	<u>33,718</u>
TOTALS					
Incorporated	1,677,724	1,754,009	1,876,494	1,896,729	1,916,377
Unincorporated	<u>501,968</u>	<u>451,722</u>	<u>357,699</u>	<u>358,924</u>	<u>363,590</u>
County-Wide	<u>2,179,692</u>	<u>2,205,731</u>	<u>2,234,193</u>	<u>2,255,653</u>	<u>2,279,967</u>
California	37,223,900	37,510,766	37,668,804	37,984,138	38,340,074

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 2010 through 2014:

### RIVERSIDE COUNTY AND CALIFORNIA TOTAL EFFECTIVE BUYING INCOME, MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000<sup>(1)</sup>

	Total Effective Buying Income <sup>(2)</sup>	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
<b>2010</b>			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
<b>2011</b>			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%
<b>2012</b>			
Riverside County	\$ 39,981,683	\$44,116	42.91%
California	\$814,578,458	\$47,062	46.65%
<b>2013</b>			
Riverside County	\$ 40,157,310	\$43,860	42.39%
California	\$864,088,828	\$47,307	46.90%
<b>2014</b>			
Riverside County	\$ 40,293,518	\$44,784	43.84%
California	\$858,676,636	\$48,340	48.17%

(1) Estimated, as of January 1 of each year

(2) Dollars in thousands

Source: Nielsen Solution Center

## 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<sup>(1)</sup>

(In Thousands)

<u>INDUSTRY</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Agriculture	14.9	15.0	14.9	15.0	14.6
Construction	67.9	59.7	59.1	62.6	69.3
Finance Activities	42.5	41.0	39.9	40.8	42.0
Government	235.2	234.3	227.5	224.6	225.0
Manufacturing:	88.7	85.1	85.1	86.7	86.8
Nondurables	30.6	29.8	29.3	29.8	29.8
Durables	58.1	55.3	55.8	56.8	57.0
Natural Resources and Mining	1.1	1.0	1.0	1.2	1.2
Retail Trade	156.2	155.5	158.5	162.3	164.8
Professional, Educational and other Services	419.9	438.5	446.3	463.6	491.4
Transportation, Warehousing and Utilities	66.8	66.6	68.8	73.8	78.6
Wholesale Trade	48.9	48.6	49.0	52.1	56.0
Information, Publishing and Telecommunications	<u>14.1</u>	<u>14.0</u>	<u>12.1</u>	<u>11.5</u>	<u>11.3</u>
Total, All Industries	<u>1,177.6</u>	<u>1,159.3</u>	<u>1,162.2</u>	<u>1,194.2</u>	<u>1,241.0</u>

(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, as of March, 2014

The following table sets forth the major employers located in the County as of 2013:

**COUNTY OF RIVERSIDE  
CERTAIN MAJOR EMPLOYERS<sup>(1)</sup>  
(2013)**

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees<sup>(2)</sup></u>
County of Riverside	Government	18,728
March Air Reserve Base	Military Reserve Base	9,000
Stater Brothers Market	Supermarket	6,900
Walmart	Retail Store	5,681
University of California, Riverside	University	5,497
Riverside Unified School District	School District	5,000
Corona-Norco Unified School District	School District	4,633
Kaiser Permanente Riverside Medical Center	Hospital	4,500
Moreno Valley Unified School District	School District	3,355
Hemet Unified School District	School District	3,270

(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; excludes, 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**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>June 2014</u>
County <sup>(1)</sup>	13.4%	14.5%	13.7%	2.1%	10.3%	8.4%
California <sup>(1)</sup>	11.3	12.4	11.8	10.4	8.9	7.3
United States <sup>(2)</sup>	9.3	9.6	8.9	8.1	7.4	6.3

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

(2) 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 2008 through 2012, the most recent year for which data is currently available:

### COUNTY OF RIVERSIDE TAXABLE SALES TRANSACTIONS (In Thousands)

	2008 <sup>(1)</sup>	2009	2010	2011	2012
Motor Vehicles and Parts Dealers	\$3,115,036	\$2,449,747	\$2,620,568	\$3,010,487	\$3,493,098
Furniture and Home Furnishings	485,981	381,643	412,325	436,482	441,649
Electronics and Appliances Stores	330,398	476,455	470,784	478,406	488,419
Building Materials, Garden Equipment and Supplies	1,580,020	1,237,518	1,232,145	1,303,073	1,365,513
Food and Beverage Stores	1,352,704	1,251,220	1,267,758	1,304,731	1,356,148
Health and Personal Care Stores	307,947	389,620	400,207	454,268	490,238
Gasoline Stations	3,011,476	2,300,247	2,685,840	3,300,785	3,516,040
Clothing and Clothing Accessories Stores	1,218,127	1,293,271	1,391,174	1,505,821	1,672,482
Sporting Goods, Hobby, Book and Music Stores	210,121	411,301	428,121	454,971	467,536
General Merchandise Stores	3,081,989	2,855,733	2,947,905	3,051,709	3,174,022
Miscellaneous Store Retailers	1,654,895	641,954	652,273	700,338	742,118
Nonstore Retailers	1,045,704	101,925	92,916	101,876	142,081
Food Services and Drinking Places	<u>2,340,554</u>	<u>2,266,853</u>	<u>2,317,486</u>	<u>2,473,339</u>	<u>2,668,324</u>
Total Retail and Food Services	<u>\$19,734,952</u>	<u>\$16,057,488</u>	<u>\$16,919,500</u>	<u>18,576,285</u>	<u>20,016,668</u>
All Other Outlets	<u>6,268,632</u>	<u>6,170,390</u>	<u>6,233,280</u>	<u>7,065,212</u>	<u>8,079,341</u>
Total All Outlets	<u>\$26,003,595</u>	<u>\$22,227,877</u>	<u>\$23,152,780</u>	<u>25,641,497</u>	<u>28,096,009</u>

(1) Data for 2008 is not necessarily directly comparable to 2009-2012 due to changes in classifications and groupings in the "Taxable Sales In California" report beginning in 2009.

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 2009.

### COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS<sup>(1)</sup> (In Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>RESIDENTIAL</b>					
New Single-Family	\$ 891,825	\$ 914,058	\$651,747	\$ 854,814	\$1,134,158
New Multi-Family	76,717	71,152	115,064	99,578	136,501
Alterations and Adjustments	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>	<u>84,517</u>	<u>94,422</u>
Total Residential	\$1,053,690	\$1,079,639	\$886,495	\$1,038,963	\$1,365,081
<b>NON-RESIDENTIAL</b>					
New Commercial	\$ 94,653	\$ 191,324	\$152,160	\$346,865	\$ 80,510
New Industry	12,278	6,686	10,000	3,767	140,972
New Other <sup>(1)</sup>	107,334	98,105	99,898	78,602	184,500
Alterations & Adjustments	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>	<u>154,325</u>	<u>364,616</u>
Total Nonresidential	\$376,822	\$ 539,380	\$559,415	\$583,559	\$770,598
<b>TOTAL ALL BUILDING</b>	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>	<u>\$1,602,522</u>	<u>\$2,135,679</u>

(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings, photovoltaic systems and other non-residential buildings and structures.

Source: Construction Industry Research Board for 2009 through 2011, California Homebuilding Foundation for 2012 through 2013

### COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Single Family	3,424	4,031	2,676	3,455	4,671
Multi-Family	<u>784</u>	<u>526</u>	<u>1,073</u>	<u>829</u>	<u>1,415</u>
<b>TOTAL</b>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>	<u>4,284</u>	<u>7,886</u>

Source: Construction Industry Research Board for 2009 through 2011, California Homebuilding Foundation for 2012 through 2013

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

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

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California<sup>(1)</sup></u>
2008	\$400,000	\$260,000	\$225,000	\$340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000
2012	330,000	210,000	163,000	300,000
2013	412,000	259,000	205,000	370,000

<sup>(1)</sup> 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 indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California<sup>(1)</sup></u>
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,560	100,106
2010	26,827	20,598	16,757	86,853
2011	25,597	17,383	14,181	77,105
2012	15,271	10,657	9,262	47,347
2013	6,469	4,191	4,088	19,470

<sup>(1)</sup> 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 2008 through 2012 is presented in the following table:

### COUNTY OF RIVERSIDE VALUE OF AGRICULTURAL PRODUCTION

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Citrus Fruits	\$135,759,800	\$101,652,000	\$140,501,000	\$119,942,513	125,684,390
Trees and Vines	173,678,000	191,682,600	164,994,000	232,649,262	217,073,170
Vegetables, Melons, Misc.	266,414,900	221,286,700	292,002,200	278,628,295	286,172,478
Field and Seed Crops	123,545,400	69,699,800	81,328,300	149,198,052	147,185,665
Nursery	230,416,200	206,499,900	169,341,300	200,154,964	190,878,100
Apiculture	5,637,000	5,017,600	4,631,700	4,844,400	4,983,400
Aquaculture Products	<u>12,077,700</u>	<u>5,243,900</u>	<u>4,921,700</u>	<u>4,808,250</u>	<u>4,204,750</u>
Total Crop Valuation	\$ 947,529,000	\$ 801,082,500	\$857,720,200	\$990,225,736	976,181,953
Livestock and Poultry Valuation	<u>321,060,900</u>	<u>214,672,800</u>	<u>235,926,300</u>	<u>292,030,380</u>	<u>276,548,118</u>
Grand Total	<u>\$1,268,589,900</u>	<u>\$1,015,755,300</u>	<u>\$1,093,646,500</u>	<u>\$1,282,256,116</u>	<u>\$1,252,730,071</u>

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, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. 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 Los Angeles World Airports, a proprietary department of the City of Los Angeles. 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 Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley 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, Palo Verde Irrigation District and Rancho California Water 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, which has been exacerbated due to the recent draught. The governor and the state legislature have been engaged in discussions to develop a comprehensive, state-wide water supply, storage and conveyance solution. However, no assurance can be made that a sustainable solution will be achieved within a reasonably timeframe.

Consequently, 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 for new developments. 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 rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal.

**APPENDIX C**  
**SUCCESSOR AGENCY**  
**AUDITED FINANCIAL STATEMENTS FOR**  
**FISCAL YEAR ENDED JUNE 30, 2013**

**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## APPENDIX E

### DTC AND THE BOOK ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Successor Agency believes to be reliable, but the Successor Agency does not take responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds, 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 Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity (and each individual yield in the case of bifurcated maturities) of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com); provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit will agree to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

NEITHER THE SUCCESSOR AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency. The Successor Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The Successor Agency undertakes no

obligation to investigate matters that would enable the Successor Agency to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE SUCCESSOR AGENCY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE SUCCESSOR AGENCY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

The Successor Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.



**APPENDIX F**  
**FORM OF OPINION OF BOND COUNSEL**

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Successor Agency to the Redevelopment Agency for the County of Riverside (the "Agency") in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of Successor Agency of the Redevelopment Agency for the County of Riverside Redevelopment Project Area No. 1 2014 Tax Allocation Refunding Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_, 2014, between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), (the "Indenture"). The Agency covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"County" means the County of Riverside.

"Dissemination Agent" shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, on December 31, 2015, and each December 31 thereafter, commencing with the report for the 2013-14 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Agency may be submitted separately from the balance of the Annual

Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If the Agency is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Agency shall send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A or such other form as prescribed or acceptable to the MSRB.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Agency), file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Agency for the preceding fiscal year either as a separate audit of the Agency or as a combined statement with the County's comprehensive audited financial report, prepared in accordance with generally accepted accounting principles and the laws of the state of California, including all statements and information prescribed for inclusion therein by the Governmental Accounting Standards Board. If the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the Agency, the Annual Report shall also include the following:

(b) Principal amount of Bonds outstanding.

(c) Agency outstanding debt, including without limitation any Parity Debt and subordinate debt (including a description of date, amount, term, rating, insurance in the Fiscal Year to which the Annual Report pertains and of the amount of all Agency debt outstanding and payable with Tax Revenues.

(d) Information regarding total historic assessed values and tax increment within the Project Area, as set forth in Table 4 of the Official Statement of the Agency, dated \_\_\_\_\_, 2014 (the "Official Statement"), together with "Projected Tax Revenues," and "Projected Debt Service Coverage" if and to the extent provided to the Agency by the County.

(e) Information regarding the top ten (10) tax payers within the Project Area, as set forth in Table 2 of the Official Statement, if and to the extent provided to the Agency by the County.

(f) Assessment Appeals by large taxpayers as shown in Table 5 of the Official Statement, together with estimated appeals loss as shown in Table 6 of the Official Statement.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been available to the public on the MSRB's website. The Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law, in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bondholders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the Issuer determines would be material under applicable federal securities laws, the Agency shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Agency.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice

in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Riverside or in U.S. District Court in or nearest to the County. The sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2014.

SUCCESSOR AGENCY TO THE REDEVELOPMENT  
AGENCY FOR THE COUNTY OF RIVERSIDE

By \_\_\_\_\_

**CONTINUING DISCLOSURE EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Agency: SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR  
THE COUNTY OF RIVERSIDE

Name of Bond Issue: SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR  
THE COUNTY OF RIVERSIDE REDEVELOPMENT PROJECT AREA  
NO. 1 2014 TAX ALLOCATION REFUNDING BONDS, SERIES A

Date of Issuance: \_\_\_\_\_, 2014

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the Agency, dated the Date of Issuance. [The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.]

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT  
AGENCY FOR THE COUNTY OF RIVERSIDE

By \_\_\_\_\_ [to be signed only if filed]

**APPENDIX H**  
**SPECIMEN BOND INSURANCE POLICY**



**APPENDIX I**

**STATE DEPARTMENT OF FINANCE  
DETERMINATION LETTER APPROVING THE BONDS**