

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

851



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

**FROM:** Executive Office

**SUBMITTAL DATE:**  
May 25, 2010

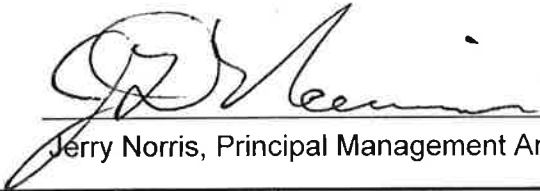
**SUBJECT:** Fiscal Year 2010-2011 Tax and Revenue Anticipation Notes

**RECOMMENDED MOTION:** That Resolution 2010-168 authorizing and approving the borrowing of funds for Fiscal Year 2010-2011 and the issuance and sale of a 2010-2011 Tax and Revenue Anticipation Note be adopted and approved.

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

The County, for the past twelve years, had issued its TRANS through the statewide financing program jointly sponsored by the California State Association of Counties and the League of California Cities. However due to economic conditions and last year's program constraints staff recommends issuing the 2010-2011 TRANS as a standalone issuer without joining the pool.

Annually, as a cost saving measure the County evaluates the option of prepaying its pension obligation. Board Policy B-25 (Pension Management Policy) directs the Pension Advisory Review Committee (PARC) to review and make a recommendation regarding the prepayment of the annual CalPERS contribution.  
(Continued)

  
Jerry Norris, Principal Management Analyst

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 5,985,000 (interest)	For Fiscal Year:	10/11

<b>SOURCE OF FUNDS:</b> Interest earnings on Note proceeds; General Fund	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

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

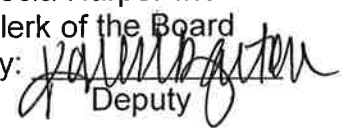
BY:   
Dean Deines

**County Executive Office Signature**

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Stone, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley  
Nays: None  
Absent: None  
Date: May 25, 2010  
xc: EO

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

**Prev. Agn. Ref.:** | **District:** | **Agenda Number:** **3.6**

FORM APPROVED COUNTY COUNSEL  
BY: Dale A. Gardner 5/18/10  
DATE: 5/18/10  
DALE A. GARDNER  
COUNTY CLERK

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

PARC met, at their April 12, 2010 meeting, and based on its analysis, prepaying the FY 10-11 CalPERS contribution would generate approximately \$3.3 million in cash flow benefits.

The PARC therefore recommended including the prepayment, approximately \$86.9 million, in the FY 10-11 TRANs. The cash flow benefit will continue to be evaluated up to the pricing of the TRANs. If, at the time of the pricing, there is insufficient savings, the prepayment will be removed from the TRANs.

The County's issuance cost for the TRANs will not exceed \$1.00/\$1,000 of issuance, which is just under last year's costs of \$1.05/\$1,000. It is anticipated that interest rates for the tax-exempt notes will be between 0.4% – 0.8% for a 12-month note.

Based on market conditions and potential difficulties selling this year's TRANs, there is a possibility that we may need to sell more than one series of notes. One series would have a shorter maturity date than the other series. The recommendation is that we offer a 9 or 10 month note (Series A) in addition to a 12 month note (Series B). The need to combine internal borrowing (borrowing from reserves) with external borrowing (TRANs Note) will continue to be evaluated until the day of issuance of the TRANs, and will be dictated by a detailed cost/benefit analysis.

The FY 2010-11 resolution authorizes the issuance of tax and revenue anticipation notes in an amount not-to-exceed \$350,000,000, though the actual amount will most likely be less. The large authorization provides the flexibility to issue an additional series of notes in the event the County and State budgets change substantially. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe as bond counsel to the County.

1 COUNTY OF RIVERSIDE

2 RESOLUTION NO. 2010-168

3 RESOLUTION AUTHORIZING AND APPROVING THE BORROWING  
4 OF FUNDS FOR FISCAL YEAR 2010-2011; THE ISSUANCE AND SALE  
5 OF A 2010-2011 TAX AND REVENUE ANTICIPATION NOTE; AND THE  
6 EXECUTION AND DELIVERY OF RELATED DOCUMENTS

7 WHEREAS, the County of Riverside (the "County") is authorized by Section  
8 53850 to 53858, both inclusive, of the Government Code of the State of California (the "Act")  
9 (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow  
10 money by the issuance of temporary notes;

11 WHEREAS, the Board of Supervisors of the County (the "Board") has  
12 determined that a sum (the "Principal Amount") not to exceed a maximum principal amount of  
13 \$500,000,000, is needed for the requirements of the County, to satisfy obligations of the County,  
14 and that it is necessary that said Principal Amount be borrowed for such purpose at this time by  
15 the issuance of a note or notes therefore in anticipation of the receipt of taxes, income, revenue,  
16 cash receipts and other moneys to be received or accrued by the County for the general fund of  
17 the County, and provided for or attributable to its fiscal year ending June 30, 2011 ("Repayment  
18 Fiscal Year");

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

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

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

1 anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts  
2 or other moneys for the Repayment Fiscal Year;

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

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

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

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

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

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

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

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

25           **Section 2. Authorization of Issuance.** This Board hereby determines to borrow  
26 solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to  
27 be received or accrued by the County for the general fund of the County and provided for or  
28 attributable to the Repayment Fiscal Year, by the issuance of a note or notes, pursuant to the

1 provisions of the Act, designated the County's "2010 Tax and Revenue Anticipation Note," with  
2 an appropriate series designation if more than one note is issued (collectively, the "Note"), to be  
3 issued in the form of a fully registered note or notes, in denominations of \$5,000 or integral  
4 multiples thereof, in the in a combined amount not to exceed the Principal Amount thereof, to be  
5 dated the date of delivery to the initial purchaser thereof, to mature on a date or dates, if more  
6 than one note is issued, with or without option of prior redemption at the election of the County,  
7 not more than 15 months thereafter on a date indicated on the face thereof and determined in the  
8 Purchase Agreement (the "Maturity Date"), and to bear interest, payable on its Maturity Date  
9 (and if the Maturity Date is more than 12 months from the date of issuance, payable on the  
10 interim interest payment date set forth in the Purchase Agreement) and computed upon the basis  
11 of a 360-day year consisting of twelve 30-day months, or a 365- or 366-day year, as the case may  
12 be, and actual days elapsed, at a rate or rates, if more than one Note is issued, not to exceed 12%  
13 per annum as determined in the Purchase Agreement and indicated on the face of the Note (the  
14 "Note Rate"). If the Note is not fully paid at maturity, the unpaid portion thereof shall be deemed  
15 outstanding and shall continue to bear interest thereafter until paid. In each case set forth in the  
16 preceding two sentences, the obligation of the County with respect to such unpaid Note shall not  
17 be a debt or liability of the County prohibited by Article XVI, Section 18 of the California  
18 Constitution, and the County shall not be liable thereon except to the extent of any available  
19 revenues provided for or attributable to the Repayment Fiscal Year, as provided in Section 7  
20 hereof. Both the principal of and interest on the Note shall be payable in lawful money of the  
21 United States of America.

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

26           **Section 4. Sale of Note; Purchase Agreement; Continuing Disclosure.** The  
27 form of the Purchase Agreement presented to this meeting is hereby approved. The County  
28 Executive Officer, or in the absence of such officer, his or her assistant, the County Treasurer-Tax

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

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

16 **Section 5. Official Statement.** The proposed form of preliminary official  
17 statement (the "Preliminary Official Statement") relating to the Note, in substantially the form  
18 presented to this meeting, is hereby approved with such changes, additions, completion and  
19 corrections as any County Officer may approve, and the Underwriter is hereby authorized and  
20 directed to cause to be mailed to prospective bidders the Preliminary Official Statement in  
21 connection with the offering and sale of the Note. Such Preliminary Official Statement, together  
22 with any supplements thereto, shall be in form "deemed final" by the County for purposes of Rule  
23 15c2-12, promulgated by the Securities and Exchange Commission (the "Rule"), unless otherwise  
24 exempt, but is subject to revision, amendment and completion in a final official statement (the  
25 "Official Statement"). The Official Statement in substantially said form is hereby authorized and  
26 approved, with such changes therein as any County Officer may approve. The County Officer is  
27 hereby authorized and directed, at or after the time of the sale of the Note, for and in the name  
28 and on behalf of the County, to execute a final Official Statement in substantially the form of the

1 Preliminary Official Statement presented to this meeting, with such additions thereto or changes  
2 therein as the County Officer may approve, such approval to be conclusively evidenced by the  
3 execution and delivery thereof.

4 Any one of the County Officers is hereby authorized and directed to provide the  
5 Financial Advisor or the Underwriter with such information relating to the County as they shall  
6 reasonably request for inclusion in the Preliminary Official Statement and Official Statement of  
7 the County. Upon inclusion of the information relating to the County therein, the Preliminary  
8 Official Statement is, except for certain omissions permitted by the Rule, hereby deemed final  
9 within the meaning of the Rule. If, at any time prior to the end of the underwriting period, as  
10 defined in the Rule, any event occurs as a result of which the information contained in the  
11 Preliminary Official Statement might include an untrue statement of a material fact or omit to  
12 state any material fact necessary to make the statements therein, in light of the circumstances  
13 under which they were made, not misleading, the County shall promptly notify the Underwriter  
14 and the Financial Advisor.

15 **Section 6. Disposition of Proceeds of Note; Investment.** The moneys received  
16 from the sale of the Note shall be deposited in the County's "2010 Note Proceeds Account"  
17 (herein called the "Proceeds Account") which Account is hereby established and maintained with  
18 the County Treasure-Tax Collector. The moneys received from the sale of the Note deposited in  
19 the County's Proceeds Account may be used and expended by the County for any purpose for  
20 which it is authorized to expend funds.

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

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

- 26 (a) Direct obligations (other than an obligation subject to variation in principal  
27 repayment) of the United States of America ("United States Treasury Obligations"),  
28 (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest

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

9 Obligations of instrumentalities or agencies of the United States of America.

10 These are specifically limited to:

11 -- Federal Home Loan Mortgage Corporation (FHLMC)

12 Participation certificates (excluded are stripped mortgage securities which  
13 are purchased at prices exceeding their principal amounts)

14 Debt Obligations

15 -- Federal Home Loan Banks (FHL Banks)

16 Consolidated debt obligation

17 -- Federal National Mortgage Association (FNMA)

18 Debt obligations

19 Mortgage backed securities (Excluded are stripped mortgage  
20 securities-which are purchased at prices exceeding their principal  
21 amounts).

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

25 Federal Housing Administration debentures.

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

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



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

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

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

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

24 Investment Trust of California, doing business as CalTRUST.

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

26 **Section 7. Source of Payment; Parity Note.** The principal amount of the Note,  
27 together with the interest thereon, shall be payable from taxes, income, revenue (including, but  
28 not limited to, revenue from the state and federal governments), cash receipts and other moneys

1 which are accrued, received or held by the County for the general fund of the County and are  
2 provided for or attributable to the Repayment Fiscal Year and which are available for payment of  
3 current expenses and other obligations of the County (“Unrestricted Revenues”). As security for  
4 the payment of the principal of and interest on the Note, the County hereby pledges all  
5 Unrestricted Revenues (the “Pledged Revenues”), and the principal of the Note and the interest  
6 thereon shall constitute a first lien and charge thereon and shall be payable from the moneys  
7 received by the County from such Pledged Revenues and, to the extent not so paid, shall be paid  
8 from any other taxes, income, revenue, cash receipts and other moneys of the County lawfully  
9 available therefore (all as provided for in Sections 53856 and 53857 of the Act). Anything herein  
10 to the contrary notwithstanding, Unrestricted Revenues pledged to the payment of the Note as  
11 Pledged Revenues shall not include any amounts heretofore pledged by the County to the  
12 payment of County of Riverside Teeter Plan obligations issued pursuant to Resolution No. 97-  
13 203, as such resolution may be amended and supplemented from time to time. The County may  
14 incur indebtedness secured by a pledge of its Pledged Revenues subordinate to the pledge of  
15 Pledged Revenues hereunder and may issue subordinate tax and revenue anticipation notes.

16 In order to effect the pledge referenced in the preceding paragraph, the County  
17 hereby agrees to the establishment and maintenance of a “2010 Note Payment Account” (herein  
18 called the “Payment Account”) by the Paying Agent as the responsible agent to maintain such an  
19 account until the payment of the principal of the Note and the interest thereon, and the County  
20 further agrees to cause to be deposited in the Payment Account from amounts received in the  
21 months specified in the Purchase Agreement as Repayment Months (each individual month a  
22 “Repayment Month” and collectively “Repayment Months”) (and any amounts received  
23 thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit  
24 in the Payment Account, is equal in the respective Repayment Months identified in the Purchase  
25 Agreement to the percentage of the principal and interest due on the Note specified in the  
26 Purchase Agreement. Any such deposit may take into consideration anticipated investment  
27 earnings on amounts deposited in an Investment Agreement, that is a Permitted Investment  
28 through the Maturity Date.

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

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

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

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

27 Anything herein to the contrary notwithstanding, the County may at any time  
28 during the Repayment Fiscal Year issue a Parity Note secured by a first lien and charge on

1 Pledged Revenues on a parity with the Note; provided that (i) the issuance of any such Parity  
2 Note shall not, in and of itself, reduce or impair the rating on the Note, (ii) the maturity date of  
3 any such Parity Note shall be later than the outstanding Note and (iii) the Note and Parity Note  
4 shall have the same paying agent. In the event that the County issues a Parity Note, the County  
5 shall make appropriate deposits into the Payment Account with respect to such Parity Note, and  
6 in such event, the Payment Account shall also be held for the benefit of the holders of the Parity  
7 Note.

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

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

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

24 (B) The Notes shall be initially issued and registered as provided in Section  
25 9(A) hereof. Registered ownership of the Notes, or any portions thereof, may not thereafter be  
26 transferred except:

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

1 subsection (B) (“Substitute Depository”); provided, that, any successor of Cede &  
2 Co., as nominee of DTC or Substitute Depository, shall be qualified under any  
3 applicable laws to provide the service proposed to be provided by it;

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

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

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

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

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

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

26 Whenever any Note shall be surrendered for transfer or exchange, the County shall  
27 execute and the Paying Agent shall authenticate and deliver a new Note or Notes of authorized  
28 denominations of the same series, for a like aggregate principal amount of the same interest rate.

1 The Paying Agent shall require the owner requesting such transfer or exchange to pay any tax or  
2 other governmental charge required to be paid with respect to such transfer or exchange.

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

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

27 All Notes surrendered for payment or registration of transfer, if surrendered to any  
28 person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly

1 cancelled by it. The County may at any time deliver to the Paying Agent for cancellation any  
2 Notes previously authenticated and delivered hereunder which the County may have acquired in  
3 any manner whatsoever, and all Notes so delivered shall promptly be cancelled by the Paying  
4 Agent. No Note shall be authenticated in lieu of or in exchange for any Notes cancelled as  
5 provided herein, except as expressly permitted hereunder. All cancelled Notes held by the Paying  
6 Agent shall be disposed of as directed by the County.

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

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

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

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

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

27 (E) The County has (or will have prior to the issuance of the Note) duly,  
28 regularly and properly adopted a preliminary budget for the Repayment Fiscal Year setting forth



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

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

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

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

1 adversely affect the validity or enforceability of, or the authority or ability of the County to  
2 perform its obligations under, the Note, the Purchase Agreement or this Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

1 deposit or other payment is due and payable;

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

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

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

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

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

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

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

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

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

24           **Section 14. Paying Agent.** The Bank of New York Mellon Trust Company, N.A.  
25 is hereby appointed as paying agent and registrar for the Note. The County hereby directs and  
26 authorizes the payment by the Paying Agent of the interest on and principal of the Note when  
27 such become due and payable, from the Payment Account held by the Paying Agent in the name  
28 of the County in the manner set forth herein. The County hereby covenants to deposit funds in

1 such account at the time and in the amount specified herein to provide sufficient moneys to pay  
2 the principal of and interest on the Note on the day on which it matures. Payment of the Note  
3 shall be in accordance with the terms of the Note and this Resolution.

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

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

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

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

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

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

1 Resolution as theretofore in effect;

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

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

7 (e) to amend or supplement this Resolution in any other respect;  
8 provided, however, that any such Supplemental Resolution does not adversely affect the interests  
9 of the holders of the Note.

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

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

26 **Section 20. Appointment of Bond Counsel and Disclosure Counsel.** The  
27 County approves and consents to the appointment of the law firm of Orrick, Herrington &  
28 Sutcliffe LLP, Los Angeles, California as Bond Counsel for the Note. The County acknowledges

1 that Bond Counsel regularly performs legal services for many private and public entities in  
2 connection with a wide variety of matters, and that Bond Counsel has represented, is representing  
3 or may in the future represent other public entities, underwriters, trustees, rating agencies,  
4 insurers, credit enhancement providers, lenders, financial and other consultants who may have a  
5 role or interest in the proposed financing or that may be involved with or adverse to County in  
6 this or some other matter. Given the special, limited role of Bond Counsel described above, the  
7 County acknowledges that no conflict of interest exists or would exist, waives any conflict of  
8 interest that might appear to exist, and consents to any and all such relationships.

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

11 **Section 21. Appointment of Financial Advisor and Underwriter.** The County  
12 approves the appointment of Fieldman Rolapp & Associates as financial advisor for the County  
13 for the Note (the "Financial Advisor") pursuant to its existing contract to provide financial  
14 advisory services for the County. The County approves and consents to the appointment of E.J.  
15 De La Rosa & Co., Inc., as senior manager, together with J.P. Morgan Securities Inc. and  
16 Wedbush Securities Inc., as co-managers, (collectively, the "Underwriter") for the Note.

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

19 ROLL CALL:

20 Ayes: Buster, Tavaglione, Stone, Benoit, and Ashley  
21 Nays: None  
22 Absent: None

23 The foregoing is certified to be a true copy of a resolution duly  
24 adopted by said Board of Supervisors on the date therein set forth.

25 KECIA HARPER-IHEM, Clerk of said Board

26 By: \_\_\_\_\_  
27 Deputy



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**EXHIBIT A**  
**FORM OF NOTE**  
COUNTY OF RIVERSIDE

2010 TAX AND REVENUE ANTICIPATION NOTE, SERIES \_\_\_<sup>\*/</sup>

<u>Interest Rate</u> %  <u>First</u> <u>Repayment Month</u>  ___% (Total of principal and interest due on Note at maturity)	<u>Maturity Date</u>  <u>Second</u> <u>Repayment Month</u>  ___% (Total of principal and interest due on Note at maturity)	<u>Date of</u> <u>Original Issue</u> July __, 2010  <u>Third</u> <u>Repayment Month</u>  ___% (Total of principal and interest due on Note at maturity) <sup>**/</sup>
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**REGISTERED OWNER:**  
**PRINCIPAL AMOUNT:**

**FOR VALUE RECEIVED**, the County of Riverside (the "County") acknowledges itself indebted, and promises to pay, to the registered owner identified above, or registered assigns, on the maturity date set forth above, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon on [\_\_\_\_\_, 2011 and on the Maturity Date], at the Interest Rate specified above (the "Note Rate"). Principal of and interest on this Note are payable in such coin or currency of the United States as at the time of payment is legal tender for payment of private and public debts, such principal to be paid upon surrender hereof at the office of The Bank of New York Mellon Trust company, N.A., or its successor (the "Paying Agent"). Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months, in like lawful money from the date hereof until the maturity date specified above and, if funds are not provided for payment at maturity, thereafter on the basis of a 360-day year for actual days

<sup>\*/</sup> If more than one Series is issued in the Repayment Fiscal Year.  
<sup>\*\*/</sup> Number of Repayment Dates and percentages to be determined in Purchase Agreement (as defined in the Resolution).

1 elapsed until payment in full of said principal sum. Both the principal of and interest on this Note  
2 shall be payable only to the registered owner hereof upon surrender of this Note as the same shall  
3 fall due; *provided, however*, no interest shall be payable for any period after maturity during  
4 which the holder hereof fails to properly present this Note for payment.

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

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

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

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

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

COUNTY OF RIVERSIDE

By: Marion Ashley  
Title: Chairman  
Marion Ashley

Countersigned

By: Kezia Harper-Ihem, Deputy  
Title: Clerk Kezia Harper-Ihem

**NEW ISSUE—BOOK-ENTRY ONLY**

**Moody's: [MIG-1]  
S+P: [SP-1+]**

**See "RATINGS" herein.**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Note Counsel to the County of Riverside, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Note is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Note and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Note Counsel, interest with respect to the Note is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Note Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Note. See "TAX MATTERS" herein.*

**\$343,000,000\***

**COUNTY OF RIVERSIDE**

**2010-2011 TAX AND REVENUE ANTICIPATION NOTE**

**CUSIP: \_\_\_\_\_**

**Dated: Date of Delivery**

**Due: As shown on the inside front cover**

The County of Riverside 2010-2011 Tax and Revenue Anticipation Note, Series A and Series B (collectively, the "Note") will be issued in fully registered book-entry form only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to the beneficial owners thereof in the denomination of \$5,000 or any multiple thereof under the book-entry system maintained by DTC. Purchasers of the Note will not receive certificates representing their interests in the Note. Principal of and interest on the Note will be payable only at maturity at the principal office of The Bank of New York Mellon Trust Company, N.A., as paying agent ("the Paying Agent"), by wire transfer to DTC, which will in turn remit such principal and interest to its Participants, which in turn will remit such principal and interest to the Indirect Participants or to the Beneficial Owners of the Note, as more fully described herein.

The Note, in accordance with California law, is a general obligation of the County of Riverside (the "County"), and is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2010-11 Fiscal Year commencing July 1, 2010 which are legally available for payment thereof. The Note shall constitute a first lien and charge on such revenues and shall be payable from the first moneys received by the County from such pledged revenues. To the extent not so paid, the Note shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the County lawfully available therefor. The Note Resolution requires the County to set aside and deposit in a special fund (the "Payment Account") to be established by the Paying Agent certain amounts from the first such pledged revenues received by the County in those months described herein so that the amount on deposit in such fund on such dates as described herein, taking into consideration anticipated investment earnings thereon to be received by the maturity date, will be, following all such deposits, equal to all of the principal of and interest due on the Note, as more fully described herein.

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

THE NOTE IS A LIMITED OBLIGATION OF THE COUNTY, PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE NOTE RESOLUTION. THE OBLIGATION OF THE COUNTY TO PAY THE PRINCIPAL AND INTEREST ON THE NOTE DOES NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

**The Note is offered when, as and if issued and delivered, subject to the approval as to its legality of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Note Counsel. Certain additional legal matters will be passed upon for the County by the County Counsel, and for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Note, in definitive form, will be available for delivery through the facilities of DTC on or about July 1, 2010.**

**DE LA ROSA & CO.**

**J.P. Morgan Securities Inc.**

**Wedbush Securities, Inc.**

Dated: June \_\_, 2010

\* Preliminary, subject to change.

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 any such jurisdiction.

**MATURITY SCHEDULE**

**\$343,000,000\***

**COUNTY OF RIVERSIDE**

**2010-2011 TAX AND REVENUE ANTICIPATION NOTE**

**CUSIP: \_\_\_\_\_**

	<b><u>Maturity Date</u></b>	<b><u>Principal Amount</u></b>	<b><u>Yield</u></b>
<b>Series A</b>	March 31, 2011		
<b>Series B</b>	June 30, 2011		

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\* Preliminary, subject to change.

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

This Official Statement is not to be construed as a contract with the purchasers of the Note. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements."

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is submitted in connection with the sale of the Note referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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

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

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

**COUNTY OF RIVERSIDE**

County Executive Office  
4<sup>th</sup> Floor  
4080 Lemon Street  
Riverside, California 92501

**Board of Supervisors**

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

**County Officials**

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

**SPECIAL SERVICES**

**Note Counsel**

Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

**Disclosure Counsel**

Kutak Rock LLP  
Los Angeles, California

**Financial Advisor**

Fieldman Rolapp & Associates  
Irvine, California

**Paying Agent**

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



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## OFFICIAL STATEMENT

\$343,000,000\*

### COUNTY OF RIVERSIDE

### 2010-2011 TAX AND REVENUE ANTICIPATION NOTE

#### INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the Note being offered, and a brief description of this Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolution. See APPENDIX F—“FORM OF RESOLUTION” attached hereto.*

This Official Statement, including the Appendices hereto, has been prepared under the direction of the County of Riverside (the “County”), in order to furnish information with respect to its sale of certain tax and revenue anticipation note designated, “County of Riverside, 2010-2011 Tax and Revenue Anticipation Note, Series A” and “County of Riverside, 2010-2011 Tax and Revenue Anticipation Note, Series B” (collectively, the “Note”) in the aggregate principal amount of \$343,000,000\*. The Note was authorized pursuant to the resolution of the County adopted May 25, 2010 (the “Resolution”), and will be issued in full conformity with the constitution and laws of the State of California (the “State”), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the “Act”). The Note is a general obligation of the County payable solely from taxes, income, revenue, cash receipts and other moneys of the County attributable to its fiscal year commencing on July 1, 2010 (the “2010-11 Fiscal Year” or “Fiscal Year 2010-11”) and legally available for payment thereof. Proceeds from the sale of the Note will be used for current General Fund expenditures, including current expenses and capital expenditures and to prepay the County’s current year pension contributions. The California Government Code (the “Government Code”) provides that the County may issue the Note only if the principal of and interest on the Note will not exceed 85% of the estimated moneys legally available for the payment of the Note and the interest thereon.

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

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

#### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “projection,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such

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\* Preliminary, subject to change.

forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

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

The State is experiencing significant financial and budgetary stress. The State's financial condition and budget policies affect communities and local public agencies throughout California, including the County. The State's Fiscal Year 2008-09 and Fiscal Year 2009-10 budgets contained a number of measures which adversely impact the County's finances. There can be no assurances that, as a result of the current State financial stress, the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. In addition, there can be no assurances that State actions in response to the State's financial difficulties will not adversely affect the financial condition of the County. See APPENDIX A—INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Impacts of State Budget.”

## **THE NOTE**

### **Authority for Issuance**

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

### **Purpose of Issue**

Issuance of the Note will provide moneys to meet the County's 2010-11 Fiscal Year General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions, and the discharge of other obligations or indebtedness of the County.

### **Description of the Note**

The Note will be issued in the aggregate principal amount of \$343,000,000\* and will be issued in denominations of \$5,000 or integral multiples thereof. The Note shall bear interest at the rate and will mature on the dates set forth on the inside cover page hereof. Each series of the Note is payable at maturity and interest thereon will be computed on a [30-day month/360-day] year basis. The Note is to be delivered as a fully registered Note, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Note. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof.

### **Security for the Note**

The Note and the interest thereon are payable from taxes, income, revenue, cash receipts and other moneys of the County attributable to the 2010-11 Fiscal Year and legally available for payment thereof, and are secured by a pledge of certain of said moneys, excluding amounts heretofore pledged by the County to the payment of its Teeter Plan obligations issued pursuant to Resolution No. 97-203 (the “Pledged Revenues”). As security for the payment of the Note including the interest thereon, the County has pledged pursuant to the Resolution: (a) an amount equal to 40% of the principal amount of and

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\* Preliminary, subject to change.

interest on the Note at maturity from unrestricted revenues received by the County in the month of January 2011; (b) an amount equal to 30% of the principal amount of and interest on the Note at maturity from unrestricted revenues received by the County in the month of April 2011; and (c) an amount equal to 30% of the principal amount of and interest on the Note at maturity, from unrestricted revenues received by the County in the month of May 2011. Certain deposits may take into consideration anticipated investment earnings on amounts deposited in Permitted Investments through the Maturity Date. See APPENDIX F—"FORM OF RESOLUTION" attached hereto.

The Pledged Revenues shall be deposited by the County and held by the Paying Agent, in a special account (the "Payment Account") and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Payment Account shall be for the benefit of the holders of the Note and, until the Note and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Note at maturity, the moneys in the Payment Account shall be applied solely for the purpose of paying the principal of and interest on the Note, although such amounts shall be invested by the County in Permitted Investments. In the event investment losses cause amounts on deposit in the Payment Account to be insufficient to pay principal and interest on the Note at maturity, the County is required to use any available Unrestricted Revenues (as defined below) from Fiscal Year 2010-11 for the payment of principal and interest on the Note, but there is no guarantee that the County will have sufficient Unrestricted Revenues to pay the principal of and interest on the Note as the same becomes due. Moneys in the Payment Account may not be withdrawn to pay operating expenses.

The Resolution requires that the Pledged Revenues be deposited and held in the Payment Account until maturity, at which time the moneys in such fund will be used to repay the Note. If during the foregoing period there are insufficient sources of Pledged Revenues to permit deposit of the full amount of Pledged Revenues, then the amount of any deficiency shall be satisfied from any Unrestricted Revenues lawfully available for the repayment of the Note.

### **Available Sources of Repayment**

The Note, in accordance with the Act, is a general obligation of the County but are payable only out of Unrestricted Revenues, which include the taxes, income, revenue, cash receipts and other moneys of the County which are accrued, received or held by the County for the General Fund of the County and are provided for or attributable to the 2010-11 Fiscal Year and which are generally available for the payment of current expenses and other obligations of the County ("Unrestricted Revenues"). The Constitution of the State substantially limits the County's ability to levy ad valorem taxes (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The County may, under the Act, issue the Note only if the principal of, and interest on, the Note plus interest thereof will not exceed 85% of the estimated amounts of the County's uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts, and other moneys to be received or accrued by the County for the general fund of the County and provided for or attributable to the Repayment Fiscal Year, all of which will be legally available to pay principal of and interest on the Note. The County has reserved the right to issue additional notes during Fiscal Year 2010-11 having a parity or subordinate lien on the Pledged Revenues, so long as the principal of and interest on the Note and such additional notes will not exceed 85% of the estimated moneys legally available for the payment of the Note and the interest thereon. See "Additional Note Obligations" below and APPENDIX F—"FORM OF RESOLUTION" attached hereto. Further detail as to the estimated Unrestricted Revenues available for repayment can be found in Table I, "County of Riverside Fiscal Year 2010-11 Estimated Unrestricted Revenues Available for Note Repayment (in Thousands)", Table II "County of Riverside Fiscal Year 2009-10 Actual/Projected General Fund Cash Flow (in Thousands)," and Table III, "County of Riverside Fiscal Year 2010-11 Projected General Fund Cash Flow (in Thousands)."

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

**TABLE I**  
**County of Riverside**  
**Fiscal Year 2010-11 Estimated Unrestricted Revenues**  
**Available for Note Repayment**  
**(in Thousands)**

<u>Revenue Source</u>	<u>Fiscal Year 2010-11 Amount</u>
Property Taxes	\$ 222,485
Sales Taxes	22,998
Other Taxes	11,015
Licenses and Permits	16,019
Fines, Forfeitures and Penalties	39,241
Use of Money and Property	11,020
State Aid	825,988
Federal Aid	567,525
Charges for Current Services	423,229
Miscellaneous Revenue	16,382
Other Financing Sources	61,967
Repayment of Advances to Other Funds	65,900
Reimbursement from Depts	<u>97,112</u>
Total	\$ 2,312,250

**Estimated and Projected General Fund Cash Flows**

Set forth below are summaries of the County's actual and projected Fiscal Year 2009-10 General Fund cash flows, the County's projected Fiscal Year 2010-11 General Fund cash flow projections, and the County's alternative cash resources as of June 30, 2009 and projected alternative cash resources as of June 30, 2010 and 2011.

The projected Fiscal Year 2010-11 cash flows, as prepared by the County Auditor's Office, reflect the best currently available estimates and judgments of the County Auditor's Office as to the County's revenues and expenditures and the expected financial condition of the County for Fiscal Year 2010-11. The presented projected cash flows assume that all of the County's cash flow requirements are externally funded, but, based on market conditions, the County may determine to borrow internally for a portion of its cash flow needs.

Neither the County's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected Fiscal Year 2010-11 cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and such parties assume no responsibility for, and disclaim any association with, the projected Fiscal Year 2010-11 cash flows.

*The assumptions and estimates underlying the projected cash flows are uncertain and, though considered reasonable by the management of the County as of the date hereof, are subject to a wide*

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

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

	Jul-09 Actual	Aug-09 Actual	Sep-09 Actual	Oct-09 Actual	Nov-09 Actual	Dec-09 Actual	Jan-10 Actual	Feb-10 Actual	Mar-10 Actual	Apr-10 Projected	May-10 Projected	Jun-10 Projected	TOTALS
Beginning General Fund Cash Balance	150,728	(107,511)	(180,139)	(238,816)	(294,149)	(295,411)	(226,031)	(96,983)	(176,080)	(165,912)	(86,670)	2,431	150,728
<b>Receipts</b>													
Property Taxes	91	-	6,377	-	259	73,416	33,964	96	20,094	18,849	51,728	38,023	244,897
Sales and Use Taxes	1,312	1,555	2,283	1,608	1,349	2,344	3,501	2,085	1,674	1,431	4,653	1,885	25,680
Other Taxes	728	1,027	947	900	962	1,141	1,219	926	772	731	1,028	851	11,232
Licenses & Permits	921	1,581	768	921	846	520	1,253	1,315	919	9,377	1,012	890	20,323
Fines, Forfeitures & Penalties	3,196	2,688	2,613	2,512	2,456	2,265	2,511	3,690	2,515	3,162	3,330	6,875	37,813
Rev for Use of Money and Property	400	170	3,555	1,039	313	2,204	1,493	327	2,491	1,586	402	1,574	15,564
State Aid	26,882	27,581	50,598	65,145	30,703	75,704	146,419	31,366	62,899	47,445	151,440	114,521	830,703
Federal Aid	10,083	18,482	19,213	13,416	33,069	68,702	80,594	15,556	78,404	29,553	53,966	147,365	567,403
Charges for Current Services	24,277	32,929	21,460	31,071	27,612	50,939	36,917	42,147	28,561	17,926	44,847	73,825	432,511
Miscellaneous Revenue	189	1,175	441	1,024	415	3,364	808	500	592	896	1,739	5,239	16,382
Other Financing Sources	-	514	5	40	556	201	218	-	413	-	60,000	20	61,967
Intrafund Transfers	-	-	-	-	47,000	-	-	10,000	-	123,000	-	-	180,000
Repayment of Advances to Other Funds	-	-	-	9,000	-	-	-	-	9,000	-	-	38,900	56,900
Reimbursement from Depts (CalPERS)	10,855	7,173	7,433	6,824	6,785	10,632	7,206	7,358	7,268	7,308	7,308	10,962	97,112
<b>Total Receipts</b>	78,934	94,875	116,693	133,500	152,325	291,432	316,103	115,366	215,602	261,274	381,453	440,830	2,598,487
<b>Disbursements</b>													
Salaries and Benefits	135,679	93,707	94,860	89,547	90,068	132,840	90,308	88,444	92,990	90,260	90,260	134,890	1,223,653
Services and Supplies	20,983	26,319	31,143	23,620	23,399	38,790	51,554	63,573	58,981	49,970	62,693	52,987	504,012
Other Charges	31,900	47,386	47,727	45,290	36,925	48,938	44,515	40,550	52,870	41,556	39,018	37,932	516,608
Fixed Assets and Capital Outlay	419	77	181	521	412	24	86	20	73	116	251	1,971	4,151
Advances to Other Funds	55,900	-	-	1,000	-	-	-	-	0	-	-	-	56,900
Other Financing Uses	97	14	1,459	28,855	783	1,659	592	1,876	520	130	130	18,371	54,486
Intrafund Transfer Repayments	-	-	-	-	-	-	-	-	-	-	100,000	80,000	180,000
CalPERS Prepayment	92,195	-	-	-	-	-	-	-	-	-	-	-	92,195
<b>Total Disbursements</b>	337,173	167,503	175,370	188,833	153,587	222,052	187,055	194,463	205,434	182,032	292,352	326,151	2,632,005
<b>Ending Balance WITHOUT TRANS Borrowing</b>	(107,511)	(180,139)	(238,816)	(294,149)	(295,411)	(226,031)	(86,983)	(176,080)	(165,912)	(86,670)	2,431	117,210	117,210
<b>TRANS Borrowing</b>	-	295,666	295,666	295,666	295,666	295,666	295,666	176,304	176,304	176,304	86,976	(2,352)	-
Proceeds of Notes	293,000						(117,200)			(87,900)	(87,900)		293,000
Principal Payment on Note	3,052												(293,000)
Premium	(396)												3,052
Interest Expense							(2,162)			(1,428)	(1,428)		(5,404)
<b>Total TRANS Borrowing</b>	295,666	295,666	295,666	295,666	295,666	295,666	176,304	176,304	176,304	86,976	(2,352)	(2,352)	(2,352)
<b>Ending Balance WITH TRANS Borrowing</b>	188,155	115,527	56,850	1,517	255	69,635	79,321	224	10,392	306	79	114,858	114,858

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

	PERIOD 1 Jul-10 Projected	PERIOD 2 Aug-10 Projected	PERIOD 3 Sep-10 Projected	PERIOD 4 Oct-10 Projected	PERIOD 5 Nov-10 Projected	PERIOD 6 Dec-10 Projected	PERIOD 7 Jan-11 Projected	PERIOD 8 Feb-11 Projected	PERIOD 9 Mar-11 Projected	PERIOD 10 Apr-11 Projected	PERIOD 11 May-11 Projected	PERIOD 12 Jun-11 Projected	FY 2010-11 TOTALS
<b>Beginning General Fund Cash Balance</b>	114,858	(112,706)	(181,123)	(233,241)	(284,597)	(314,855)	(324,716)	(206,897)	(144,790)	(199,662)	(102,470)	2,489	114,858
<b>Receipts</b>													
Property Taxes	38	578	6,277	548	1,848	48,916	26,133	419	-	35,933	46,970	52,825	222,485
Sales Taxes	1,221	1,637	1,665	1,179	1,858	1,457	4,446	1,129	2,043	839	4,391	1,135	23,000
Other Taxes	929	1,145	904	1,052	1,258	820	859	705	740	750	891	962	11,015
Licenses and Permits	793	1,166	877	864	674	507	902	2,603	624	7,999	1,374	996	19,377
Fines, Forfeitures and Penalties	1,584	3,417	2,979	3,110	2,791	2,630	3,709	2,723	3,022	3,119	3,471	6,686	39,241
Use of Money and Property	320	574	1,958	497	285	1,184	469	288	1,261	506	429	3,249	11,020
State Aid	29,842	27,782	42,750	60,295	74,987	48,602	139,134	85,535	37,289	39,660	134,479	105,823	825,988
Federal Aid	7,657	7,409	18,986	15,345	70,616	15,802	53,133	87,222	16,577	32,171	66,267	176,340	567,525
Charges for Current Services	7,717	19,234	28,797	25,366	19,378	42,861	25,353	51,926	49,503	45,890	36,802	70,382	423,229
Miscellaneous Revenue	283	492	414	1,143	488	548	1,243	282	1,073	938	894	6,696	14,494
Other Financing Sources	-	21,000	-	10,000	371	-	-	371	-	-	-	89	21,831
Repayment of Advances	-	-	-	10,000	-	-	-	-	10,000	-	28,000	14,700	62,700
Intrafund Transfers	-	-	-	-	-	-	47,000	-	-	116,000	10,000	-	173,000
Reimbursement from Depts (CalPERS)	6,936	6,936	6,936	6,936	6,936	10,404	6,936	6,936	6,936	6,936	10,404	6,936	90,168
<b>Total Receipts</b>	57,120	91,370	114,543	126,355	181,490	173,731	309,317	240,139	129,078	290,741	344,372	448,819	2,505,073
<b>Disbursements</b>													
Salaries and Benefits	93,104	93,104	93,104	93,104	139,656	93,104	93,104	93,104	93,104	93,104	139,656	93,104	1,210,352
Services and Supplies	12,510	22,368	27,963	35,066	30,026	47,324	53,560	42,676	37,106	52,989	43,318	62,132	467,048
Other Charges	29,307	43,249	44,737	48,886	41,558	39,635	43,507	41,789	52,760	46,701	47,859	49,635	527,623
Fixed Assets and Capital Outlay	103	275	311	152	272	293	121	249	219	119	190	1,519	3,623
Advances to Other Funds	62,700	-	-	-	-	-	-	-	-	-	-	-	62,700
Other Financing Uses	-	790	547	2,503	235	3,236	1,206	215	760	626	8,390	23,221	41,729
Intrafund Transfer Repayments	-	-	-	-	-	-	-	-	-	-	-	-	173,000
CalPERS Prepayment	86,960	-	-	-	-	-	-	-	-	-	-	-	86,960
<b>Total Disbursements</b>	284,684	159,786	166,662	177,711	211,747	183,592	191,498	178,033	183,949	193,549	239,413	402,611	2,573,235
<b>Ending Balance WITHOUT TRANS Borrowing</b>	(112,706)	(181,123)	(233,241)	(284,597)	(314,855)	(324,716)	(206,897)	(144,790)	(199,662)	(102,470)	2,489	46,696	46,696
<b>TRANS Borrowing</b>													
Proceeds of Notes	343,000	-	-	-	-	-	-	-	-	-	-	-	343,000
Principal Payment on Note	-	-	-	-	-	-	(137,200)	-	-	(102,900)	-	-	(343,000)
Premium	4,537	-	-	-	-	-	(2,744)	-	-	(2,058)	-	-	4,537
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	(6,860)
<b>Total TRANS Borrowing</b>	347,537	347,537	347,537	347,537	347,537	347,537	207,593	207,593	207,593	102,635	(2,323)	(2,323)	(2,323)
<b>Ending Balance WITH TRANS Borrowing</b>	234,831	166,414	114,296	62,940	32,662	22,821	696	62,803	7,931	165	166	44,373	44,373
<b>General Fund Restricted Cash</b>													
Total General Fund Restricted Cash	54,000	33,000	(13,000)	79,000	56,000	(56,000)	(50,000)	46,000	(39,000)	(90,000)	(12,000)	48,000	56,000
Total General Fund Cash	288,831	253,414	188,296	215,940	241,662	175,821	103,686	211,803	117,931	20,165	8,166	100,373	100,373



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

Fund Type	Fund Purpose	Actual Balance 06/30/09	Projected Balance 06/30/10
Special Revenue	Transportation	130,069	95,983
Special Revenue	Flood Control	226,297	188,605
Special Revenue	Community Services	40,323	34,714
Special Revenue	Redevelopment	44,621	57,576
Special Revenue	County Service Areas	14,491	16,541
Special Revenue	Regional Park and Open-Space	11,424	11,787
Special Revenue	Other Special Revenue	24,883	20,789
Capital Project	Public Facilities	374,084	351,163
Capital Project	Crest	2,738	2,003
Capital Project	Redevelopment	256,469	317,247
Enterprise	County Service Areas	307	372
Enterprise	Flood Control	2,168	1,701
Enterprise	Regional Medical Center	77,755	76,582
Enterprise	Waste Management	45,344	42,501
Internal Service	Records Management and Archive	885	995
Internal Service	Fleet Service	10,956	8,444
Internal Service	Information Service	16,555	16,015
Internal Service	Printing Service	2,754	2,348
Internal Service	Supply Services	4,236	3,976
Internal Service	OASIS Project	6,913	8,363
Internal Service	Risk Management	194,250	189,047
Internal Service	Temporary Assistance Pool	4,127	3,359
Internal Service	Flood Control Equipment	5,068	5,834
<b>Total Alternative Cash Resources</b>		<b>1,496,717</b>	<b>1,455,945</b>

The County projects that alternative cash resources will total \$1,190,182,428 as of March 31, 2011 and \$1,381,194,941 as of June 30, 2011.

### Additional Note Obligations

Under the Resolution, the County has reserved the right to issue additional notes during Fiscal Year 2010-11 having a lien on the Pledged Revenues that is on parity or subordinate to the lien on the Pledged Revenues securing the Note, so long as the principal of and interest on the Note and such additional notes will not exceed 85% of the estimated moneys legally available for the payment of the Note and the interest thereon. A parity obligation (“Parity Note”) may be issued provided that (i) the issuance of any such Parity Note shall not in and of itself reduce or impair the rating on the Note, (ii) the maturity date of any such Parity Note shall be later than the outstanding Note, and (iii) the Note and Parity Note shall have the same paying agent. In the event that the County issues a Parity Note, the County shall make appropriate deposits into the Payment Account with respect to such Parity Note, and in such event, the Payment Account shall also be held for the benefit of the holders of the Parity Note. The County may incur indebtedness secured by a pledge of its Pledged Revenues subordinate to the pledge of Pledged Revenues with respect to the Note and may issue subordinate tax and revenue anticipation notes. See APPENDIX F— “FORM OF RESOLUTION” attached hereto. The County currently expects that, other than the Note, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2010-11 Fiscal Year.

### Sources and Uses of Funds

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

<b>Sources</b>	
Principal Amount of Note	\$343,000,000*
Original Issue Premium	
Total Sources	\$
<b>Uses</b>	
Deposit to General Fund	\$
Costs of Issuance <sup>1</sup>	
Total Uses	\$

<sup>1</sup>Includes legal fees, underwriters’ discount, printing expenses and other costs of issuance.

### Book-Entry-Only System

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

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

\* Preliminary, subject to change.

(D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE NOTE; OR (E) ANY OTHER MATTER REGARDING DTC.

DTC will act as securities depository for the Note. The Note will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each issue of the Note each in the aggregate principal amount of such issue, and will be deposited with DTC. Individual purchases of participation in the Note will be made in book-entry form only. Purchasers of the Note will not receive certificates representing their ownership interest in the Note purchased. Principal and interest payments represented by the Note are payable directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its participants who are responsible for distributing such payments to the beneficial owners of the Note. See APPENDIX E—"BOOK-ENTRY ONLY SYSTEM" attached hereto.

### **THE COUNTY**

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 26 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,139,535 as of January 1, 2010, reflecting a 1.4% increase over January 1, 2009.

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

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

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

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

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

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

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

### **Article XIII B of the State Constitution**

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

Appropriations subject to limitation of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes

include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

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

The County's appropriations limit for the Fiscal Year 2008-09 was \$1,977,836,053 and the amount shown in its budget for that year as the appropriations subject to limitation was \$903,395,447. The County's appropriations limit for Fiscal Year 2009-10 is \$2,022,935,264 and the amount subject to the limitation is \$924,759,013.

### **Right To Vote on Taxes Initiative-Proposition 218**

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

Proposition 218 (Article XIII D) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

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

On September 20, 2006, an action was filed against the County challenging the validity of certain annual assessments imposed by the County. The action was entitled *Beutz v. County of Riverside* (RIC 457351) and challenged an annual assessment on certain residential property in the Wildomar area of the County within Wildomar Landscape Maintenance District 2006-1. The annual assessment of approximately \$195,000 was levied to pay, in part, the costs of maintenance of four county parks in the Wildomar area of the County. The plaintiff in the *Beutz* action was challenging the engineer's report supporting the assessment and claiming that the challenged assessment levy was void due to procedural violations of California's Landscape and Lighting Act (California Government Code Sections 22500 et seq.) and Prop 218 (Articles XIII C and XIII D of the California Constitution). On March 11, 2008 the Superior Court granted summary judgment in favor of the County. Judgment was entered against plaintiff Beutz on May 6, 2008. On July 25, 2008, plaintiff Beutz filed a Notice of Appeal. A decision on the appeal is expected in July 2010. The County does not believe that an adverse ruling would have a material impact on County finances. On July 1, 2008 the Wildomar Landscape Maintenance District 2006-1 and the four associated parks became part of the newly incorporated City of Wildomar. Any future assessments will be imposed by the City of Wildomar on behalf of the district.

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

### **Proposition 62**

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

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

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. County of La Habra, et al.* (“La Habra”). In this decision, the court held that a public agency’s continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. No such challenge against the County is currently pending, or to the knowledge of the County, proposed.

### **Proposition 1A**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 fiscal year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such shifting occurred in the 2009-10 fiscal year. See APPENDIX A—“INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget.” The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the County. For a discussion of such reductions in the 2009-10 fiscal year, see APPENDIX A—“INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget.”

### **Assessment Appeals and Assessor Reductions**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a “Proposition 8” appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer

establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor’s determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In fiscal year 2009-10, the secured property tax roll declined by 10.5% from the prior year, and is expected to further decline between 4% and 4.5% in fiscal year 2010-11. See APPENDIX A— “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

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

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

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. For fiscal year 2009-10 over 300,000 properties on the County’s tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the tax roll in the summer.

### **Future Initiatives**

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

### **STATE OF CALIFORNIA BUDGET INFORMATION**

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State’s financial condition and budget policies affect communities and local public agencies throughout California. The State’s Fiscal Year 2008-09 and Fiscal Year 2009-10 budgets contain a number of measures which impact the County’s finances. For a discussion of the County’s budget and finances, see APPENDIX A— “INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information.”

*The following information concerning the State’s budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guaranty*



*the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest due with respect to the Note is payable from any funds of the State.*

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2009-10, approximately 38% of the County's General Fund budget revenues consist of payments from the State and 20% consists of payments from the Federal government.

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

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

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

The Governor's economic forecasts for Fiscal Year 2008-09 reflected weaker economic performance throughout the country and the State. The 2008-09 Budget Act addressed a projected \$24.3 billion budget shortfall which was identified in the Governor's May Revision to the Proposed 2008-09 Budget with a combination of cuts in expenditures and projections of increased revenues. The 2008-09 Budget Act included vetoes on behalf of the Governor in the amount of \$510 million of spending approved by the State Legislature. The 2008-09 Budget Act included a proposal to increase the Budget Stabilization Account (the "BSA") from 5% of State General Fund expenditures to 12.5%. In addition, the 2008-09 Budget Act proposed an annual transfer to the BSA of 3% of the General Fund and the elimination of the ability to suspend such annual transfers. The State would only be permitted to transfer funds from the BSA if (a) actual revenues during such fiscal year are below a specified level, and (b) funds transferred from the BSA to the State General Fund are appropriated in a stand alone bill.

**2008-2009 Mid-Year Cuts and 2009-2010 State Budget.** On February 19, 2009, Governor Schwarzenegger signed the State Budget for Fiscal Year 2009-2010 (the "2009-2010 Budget Act") as well as legislation implementing mid-year budget cuts for Fiscal Year 2008-2009 in an effort to deal with

a projected \$41.6 billion budget deficit (together, the “Budget Package”). There were \$41.6 billion in budget measures incorporated into the Budget Package, including \$12.5 billion in tax and revenue increases (which included increases to the sales tax, the personal income tax and vehicle license fees and a reduction to the dependent tax credit), \$14.9 billion in spending reductions, \$7.8 billion in additional federal funds expected under the American Recovery and Reinvestment Act of 2009 (“ARRA”), and \$5.4 billion in borrowing. Some of the Budget Package proposals required voter approval at the special statewide election held on May 19, 2009. As indicated above, all of the proposals submitted to the voters at the special election failed to receive approval, and their failure has caused the State’s 2009-2010 budget to be further out of balance since the Budget Package assumed their passage. Accordingly, adjustments to the Budget Package were necessary. See “—Revised State Budget for 2009-2010” below for updated figures and proposed adjustments.

In addition, of the \$12.5 billion of tax and revenue increases contained in the Budget Package, \$5.8 billion is expected to be generated by a temporary (expires July 1, 2010) one-cent increase of sales taxes and \$3.7 billion is expected to be raised from a temporary (expires at the end of tax year 2010) .25 percent personal income tax surcharge. The other \$3.0 billion is due to increases in vehicle license fees and a reduction in the dependent tax credit.

The following are some of the major impacts of the 2009-10 Budget Act on the County:

(a) The 2009-10 Budget Act included deferrals of payments to counties for social services and transportation. For February, March and April 2009, monthly transfers of fuel excise tax allocations to cities and counties were deferred. Payments resumed and deferred payments were paid in May 2009. The 2009-10 Budget Act also authorized two-month deferrals of health and social services payments to counties from July and August to September 2009. Counties received deferred payments from the State by September 30, 2009. Counties with populations under 40,000 persons are exempt from the deferral of payments for social services.

(b) The 2009-10 Budget Act also included a number of reductions and revenues tied to the American Recovery and Reinvestment Act of 2009 (the “ARRA”). Certain reductions to CalWORKS grants, Medi-Cal benefits and reimbursements, SSI/SSP grants, IHSS, the judicial branch and higher education are scheduled to be enacted in statute and could be suspended if expected revenues from the ARRA are certified by the Department of Finance to equal \$10 billion, including revenues anticipated to be received by June 30, 2010. If revenues from the ARRA are not sufficient to meet the \$10 billion target, the reductions would be permanent. If revenues from the ARRA reach \$10 billion, the reductions would not go into effect. Future statutes would be required to enact the reductions should they become necessary. On March 4, 2009, the Department of Finance released a preliminary estimate that the State would receive approximately \$8 billion in federal economic stimulus funds, \$2 billion short of the amount required to prevent the cuts.

(c) The 2009-10 Budget Act increased personal income tax liability by 0.25% in each personal income tax bracket, although the rate will drop to 0.125% if revenues from the ARRA reach \$10 billion.

(d) The 2009-10 Budget Act increased the Vehicle License Fee (“VLF”) rate from 0.65% to 1.15%, 0.15% of which is dedicated to local public safety programs. The remaining 0.35% of the increase is deposited into the State’s General Fund. The 2009-10 Budget Act also imposed a 0.65% rate on commercial vehicles. The higher rates took effect on May 19, 2009 and will last until July 1, 2011, with a possible two-year extension under certain circumstances.

(e) Under the 2009-10 Budget Act, the State's portion of the sales and use taxes increased by 1%, beginning April 1, 2009 and lasting until July 1, 2011, with a possible one-year extension under certain circumstances.

(f) Generation of approximately \$6 billion in revenues for Fiscal Year 2009-10 based on voter approval of three propositions on the ballot for the May 19, 2009 special election, including a proposed \$5 billion borrowing from future lottery revenues (Proposition 1C), ultimately defeated by the voters.

***Legislative Analyst's Office Overview of the 2009-10 Budget Act.*** On February 25, 2009, the LAO released its Overview of the State Budget (the "LAO 2009-10 Budget Overview"). The LAO 2009-10 Budget Overview notes that the 2009-10 Budget Act proposes to balance the 2008-09 Budget Act and the 2009-10 Budget Act by raising approximately \$98 billion in revenues and spending approximately \$92 billion of these revenues. The \$6 billion difference is proposed to be used to cover a year end deficit in Fiscal Year 2008-09 and build up a reserve account. The LAO 2009-10 Budget Overview also notes that the 2009-10 Budget Act includes more than \$40 billion in solutions, including the following:

(a) *Spending Reductions.* The 2009-10 Budget Act included about \$15 billion in spending-related reductions. The largest reductions related to kindergarten through twelfth grade schools, which experienced both reductions to core program funding and the deferral of payments to future years. Reductions also included furloughing state workers, eliminating inflationary adjustments for many programs and making other reductions in services.

(b) *Tax Increases.* The 2009-10 Budget Act included about \$12.5 billion in tax increases. Most of these higher taxes are the result of increased rates for the sales and use tax, vehicle license fee and personal income tax.

(c) *Federal Funds.* The 2009-10 Budget Act also assumed receipt of more than \$8 billion in federal funds from the recent economic stimulus law to help balance the budget.

(d) *Borrowing.* The 2009-10 Budget Act counted on \$5 billion from the borrowing of future lottery profits.

Pursuant to the 2009-10 Budget Act, five propositions were presented before state voters on May 19, 2009 projected to result in billions of dollars in budget solutions. The voters rejected all of these ballot propositions. As a result, the LAO forecasted that the 2009-10 Budget Act would not be in balance under current revenue forecasts, and that the Legislature and the Governor will need to agree to billions of dollars of additional spending cuts, tax increases and/or other budgetary solutions to bring the budget back into balance.

The LAO expects the State to face multibillion dollar budget shortfalls in the coming years due to a number of reasons. The State's economic recovery from the recession is expected to be relatively slow. In addition, many of the solutions adopted as part of the 2009-10 Budget Act are short term in nature, meaning that they will not help balance the budget in future years. Consequently, based on current projections, the LAO projects that the State will need to adopt billions of dollars in additional spending reductions, tax increases, or other solutions in the coming years.

In addition, in the LAO's report dated May 7, 2009 concerning the State's cash flow crisis, the LAO cited a Department of Finance report estimating a June 30, 2009 General Fund balance of approximately \$6.9 billion, as compared to a balance of over \$12.0 billion, over \$15.0 billion and over

\$20.0 billion on June 30, 2008, 2007 and 2006, respectively. The LAO, citing forecasts from the Department of Finance, identified that the forecasted cash flow deficit of \$7.9 billion in July 2009 could require the Controller to delay state payments as was done in February 2009, or require the State to borrow between \$17 and \$23 billion to fund the State's cash flow needs during Fiscal Year 2009-10. The LAO projected that borrowing well over \$13.0 billion may be difficult or impossible.

**Revised State Budget for 2009-10.** On July 28, 2009, the Governor signed certain amendments to the 2009-10 Budget Act (as amended, the "Revised 2009-10 Budget Act") to address a projected \$24.16 billion shortfall in revenues. The Revised 2009-10 Budget Act estimates Fiscal Year 2008-09 revenues and transfers of \$84.1 billion, total expenditures of \$91.5 billion and year-end deficit of \$3.38 billion, which included a \$4.07 billion prior-year State General Fund balance, a \$4.46 billion withdrawal from the reserve for economic uncertainties and an allocation of \$1.08 billion to the reserve for the liquidation of encumbrances. The Revised 2009-10 Budget Act estimates Fiscal Year 2009-10 revenues and transfers of \$89.54 billion, total expenditures of \$84.58 billion and year-end surplus of \$1.58 billion (net of the \$3.38 billion deficit from Fiscal Year 2008-09), of which \$1.08 billion would be reserved for the liquidation of encumbrances and \$500 million would be deposited in a reserve for economic uncertainties.

Features of the Revised 2009-10 Budget Act affecting the counties in general include the following:

(a) The Revised 2009-10 Budget Act reduced program expenditures by approximately \$18 billion in Fiscal Year 2008-09 and Fiscal Year 2009-10, primarily through reductions in education funding and health and social services programs, including in-home support services, CalWORKS, immigrant assistance programs, child welfare services and SSI/SSP.

(b) The Revised 2009-10 Budget Act borrowed approximately 8.0% of property tax revenues from counties, cities and special districts for Fiscal Year 2009-10, totaling approximately \$1.9 billion, which amount will be repaid within three years, all in accordance with Proposition 1A (2004). The Revised 2009-10 Budget Act also creates a state-financed loan repayment securitization program, which allowed local agencies to issue bonds in order to offset local fiscal effects of the Proposition 1A borrowing. An estimate of the impact of the proposed Proposition 1A borrowing for the County is described in APPENDIX A.

(c) The Revised 2009-10 Budget Act assumed \$1 billion in reductions to the federal Medi-Cal program, subject to receipt of additional federal funds.

(d) The Revised 2009-10 Budget Act required redevelopment agencies to shift \$1.7 billion in Fiscal Year 2009-10 and \$350 million in Fiscal Year 2010-11 into a new fund which would be used to offset State General Fund spending for education and other programs, and allowed redevelopment agencies to extend the life of their projects by one year.

(e) The Revised 2009-10 Budget Act suspended \$34.7 million of reimbursement to local agencies for Williamson Act subventions.

(f) The Revised 2009-10 Budget Act used \$562 million of "spillover" from sales taxes on gasoline to reimburse the General Fund for transportation debt service costs.

**Proposed 2010-2011 State Budget and May Revision.** In May 2010, Governor Schwarzenegger released his May Revision to the proposed budget for Fiscal Year 2010-11 (as so revised, the "2010-2011

Proposed State Budget”), which includes cuts in education, healthcare, social services and transit in order to address a projected \$19.1 billion in budget shortfalls (which is comprised of a current year shortfall of \$7.7 billion, a budget year shortfall of \$10.2 billion and a reserve of \$1.2 billion). The 2010-2011 Proposed State Budget does not include any broad-based tax increases, but does propose deep reductions and program eliminations. The 2010-11 Proposed State Budget indicates that the recession is likely over and the State’s economic outlook for the near future is positive but sober, but due to the depth of the recession, the recovery will likely be moderate and prolonged compared to historical standards.

The 2010-2011 Proposed State Budget proposes a combination of spending reductions (\$12.4 billion), alternative funding and fund shifts (\$3.4 billion) and additional federal funds (\$3.4 billion) to close the \$19.1 billion deficit. Under the 2010-2011 Proposed State Budget, general fund revenues and transfers are projected to be \$91.5 billion and general fund appropriations are projected to be \$83.4 billion in 2010-11. The June 30, 2011 total reserve is expected to be \$1.2 billion.

Features of the 2010-2011 Proposed State Budget affecting counties in general include the following:

(a) Reductions in expenditures of approximately \$1.1 billion in Fiscal Year 2010-11 by eliminating the CalWORKs program effective October 1, 2010. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs. The elimination of CalWORKs would make most low income families in the County eligible for County general assistance programs.

(b) Reductions in In-Home Supportive Services expenditures of approximately \$637 million in Fiscal Year 2010-11.

(c) Reductions in food stamps and child welfare services expenditures of approximately \$602 million in Fiscal Year 2010-11 through a shift of county mental health realignment funding to county social services programs.

(d) Reductions in expenditures by approximately \$243.8 million in Fiscal Year 2010-11 by having non-sex offender, non-serious, non-violent offenders convicted with sentences of three years or less serve their felony sentences in local jails. The State would provide counties with block grants of approximately \$11,500 per offender for programs and services such as probation programming, drug courts and alternative custody.

***LAO’s Overview of 2010-2011 Proposed Budget and May Revision.*** The LAO’s Overview of the 2010-2011 Proposed State Budget released on January 12, 2010, and its Overview of the May Revision was released on May 19, 2010 (together, the “LAO 2010-2011 Budget Overview”). The LAO 2010-11 Budget Overview highlights major components of the 2010-2011 Proposed State Budget, including considerations for the Legislature as it moves forward. The LAO 2010-2011 Budget Overview recognizes that, with billions of dollars of temporary budget solutions from Fiscal Year 2009-2010 set to expire and the economy recovering slowly, the State once again faces an extremely severe budget problem. The LAO believes the estimates and revenue assumptions set forth in the 2010-2011 Proposed State Budget are reasonable, and notes that, although the revised proposal of \$3.4 billion of increased federal aid is more reasonable than earlier proposals, even that lower amount remains uncertain.

The May Revision rebench the State’s Proposition 98 minimum guaranty by eliminating child care services from the prior-year benchmark, resulting in a savings of \$1.5 billion. The LAO cautions that such rebenching was tenuous and legally uncertain and recommends that the Legislature forthrightly suspend Proposition 98 if the minimum guaranty is above the level of funding that the State can afford.

Further, the LAO notes that a portion of the State's proposed spending is dependent upon receipt of a waiver from the U.S. Department of Education regarding maintenance-of-effort requirements under ARRA (the LAO states that the State appears to qualify for the waiver).

The LAO has advised the Legislature to reject the most drastic spending cuts included in the 2010-11 Proposed State Budget, especially the elimination of CalWORKs and child care funding, and has proposed alternative budget actions, including increased fees and targeted tax rate increases, to attempt to sustain critical components of these programs. The LAO also cautions that, even if the Legislature approved all of the cuts included in the 2010-11 Proposed State Budget and realized the assumed savings, a multibillion dollar structural deficit would continue to exist in the State budget through 2014-15 (although the LAO estimates that the adoption of the 2010-11 Proposed State Budget would reduce such lingering budget gap from approximately \$20 billion per year to approximately \$4 billion to \$7 billion per year).

***Future State Budgets.*** No prediction can be made by the County as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of future state budget negotiations, the impact that such budgets will have on its finances and operations, the outcome or impact of future ballot measures and legislation, or what actions will be taken in the future by the State Legislature and governor to deal with changing state revenues and expenditures. Current and future state budgets will be affected by national and state economic conditions and other factors, including the current economic downturn, over which the County has no control.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Note Counsel"), Note Counsel to the County, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Note is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Note and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Note Counsel, interest on the Note is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Note Counsel is set forth in APPENDIX C—"PROPOSED FORM OF OPINION OF NOTE COUNSEL."

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

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

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

One of the covenants of the County referred to above requires the County to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Note is excluded from gross income for federal income tax purposes. Under the Code, if the County spends 100% of the proceeds of the Note within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Note to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The County expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during the 2010-11 Fiscal Year. To the extent that any rebate cannot be paid from such moneys, California law is unclear as to whether such covenant would require the County to pay any such rebate. This would be an issue only if it were determined that the County's calculation of expenditures of Note proceeds or of rebatable arbitrage profits, if any, was incorrect.

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

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Note to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Noteholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Note. Prospective purchasers of the Note should consult their own tax advisors

regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Note Counsel expresses no opinion.

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

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

### **LITIGATION**

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Note or the Resolution, or contesting the County's ability to appropriate or make the repayment of the Note, and an opinion of the Office of County Counsel to that effect will be furnished to the Underwriter at the time of the execution and delivery of the Note. See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information—Litigation" for a discussion of the County's pending general litigation.

### **LEGALITY FOR INVESTMENT**

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

### **UNDERWRITING**

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

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



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

J.P.Morgan Securities Inc. (“JPMSI”), one of the Underwriters of the Note, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Note, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase participations in the Note from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to the Note that such firm sells.

### **CONTINUING DISCLOSURE**

Pursuant to the Resolution, the County has covenanted for the benefit of the Owners and beneficial owners of the Note to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding material adverse events, if any such events should occur in connection with the following, to the owners of the Note and to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, or any successor thereto, during the term of the Note. In addition, the County has covenanted to provide updated quarterly cash flow information within 40 days of the end of each fiscal quarter, beginning with the fiscal quarter ending September 30, 2010. See APPENDIX D—“PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with the Rule. The County has not failed to comply with any prior such undertaking under the Rule.

### **RATINGS**

Moody’s Investors Service Inc. and Standard and Poor’s Rating Services, a division of the McGraw Hill Companies Inc. have assigned ratings of “[MIG-1]” and “[SP-1+,]” respectively, to the Note. Such ratings reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from each rating agency. Further, there is no assurance that any of the ratings will be retained for any given period of time or that any of the ratings will not be revised or withdrawn entirely by such rating agencies if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Note.

### **CERTAIN LEGAL MATTERS**

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

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

## **FINANCIAL ADVISOR**

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

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

## **FINANCIAL STATEMENTS**

The general purpose financial statements of the County, pertinent sections of which are included in APPENDIX B to this Official Statement, have been audited by Brown Armstrong Certified Public Accountants, independent certified public accountants, as stated in their report appearing in APPENDIX B. Brown Armstrong Certified Public Accountants, has not consented to the inclusion of its report as APPENDIX B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Brown Armstrong Certified Public Accountants, with respect to any event subsequent to its report dated December 9, 2009. See APPENDIX B— “THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009” attached hereto.

**MISCELLANEOUS**

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the County of Riverside, County Executive Office, 4<sup>th</sup> Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Finance Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of the Note.

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

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
County Executive Officer

**APPENDIX A**

**INFORMATION REGARDING THE COUNTY OF RIVERSIDE**

**APPENDIX B**

**THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**APPENDIX C**

**PROPOSED FORM OF OPINION OF NOTE COUNSEL**

## APPENDIX D

### PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the County of Riverside (the "County") in connection with the issuance by the County of Riverside of its \$343,000,000\* aggregate principal amount of County of Riverside 2010-2011 Tax and Revenue Anticipation Note (the "Note"). The Note is being issued pursuant to a Resolution adopted by the Board of Supervisors of the County on May 25, 2010 (the "Resolution"). The County covenants and agrees as follows:

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

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

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

*"Commission"* means the Securities and Exchange Commission.

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

*"Listed Event"* means any of the events listed in Section 4(a) of this Certificate.

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

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

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

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

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

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\* Preliminary, subject to change.

### **Section 3. Provision of Reports.**

(a) The County shall, or shall cause the Dissemination Agent to, not later than 40 days after the end of each fiscal quarter, commencing with the fiscal quarter ending September 30, 2010, provide to the Repository, in such format accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, copies of the Quarterly Report of the County, which is consistent with the requirements of subsection (b) below. Each Quarterly Report may include by reference other information as required by this Certificate. The County shall provide a written certification with each Quarterly Report filed with the Dissemination Agent to the effect that such Quarterly Report constitutes the Quarterly Report required to be submitted by the County hereunder. The Dissemination Agent may conclusively rely upon such certification of the County.

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

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

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

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

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

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

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax status of the Note;

(vii) modifications to the rights of Owners of the Note;

(viii) bond calls other than mandatory sinking fund redemptions;



- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Note; and
- (xi) rating changes.

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

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

**Section 5. Termination of Reporting Obligation.** The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Note or upon delivery to the County and to the Dissemination Agent (if any) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Note, the County shall give notice of such termination in the same manner as for a Listed Event under Subsection 4(c).

**Section 6. Dissemination Agent.** The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 60 days' written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

**Section 7. Amendment Waiver.** Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (i) is approved by the Owners of the Note in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with

the consent of Owners of the Note, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Note.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County.

**Section 8. Additional Information.** Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Certificate, the County shall have an obligation under this Certificate to update such information or include it in any future Quarterly Report or notice of occurrence of a Listed Event.

**Section 9. Default.** In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Note may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Resolution with respect to the Note, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

**Section 10. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Note.

**Section 11. Beneficiaries.** This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Note, and shall create no rights in any other person or entity.

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

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Authorized Officer

[Signature Page for Continuing Disclosure Certificate]

**EXHIBIT A**

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

Name of Issuer: County of Riverside, California  
Name of Bond Issue: \$343,000,000\* County of Riverside 2010-2011 Tax and Revenue  
Anticipation Note  
Issuance Date: \_\_\_\_\_, 2010

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Quarterly Report with respect to the above-named Note as required by Section 3 of the Continuing Disclosure Certificate, dated as of July 1, 2010, executed and delivered by the County. [The County anticipates that such report will be filed by \_\_\_\_\_].

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

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Authorized Officer

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\* Preliminary, subject to change.

## APPENDIX E

### BOOK-ENTRY-ONLY SYSTEM

*The information in this APPENDIX E concerning DTC and its book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Note, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX E. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

**APPENDIX F**  
**FORM OF RESOLUTION**