

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



157

FROM: Executive Office

SUBMITTAL DATE:
September 2, 2010

SUBJECT: FY 2010-11 Teeter Notes

RECOMMENDED MOTION: That the Board approve Resolution 2010-281 supplementing its Master Teeter Resolution, and providing for the terms and conditions of additional series B Teeter Plan obligations and Series C Teeter Plan obligations.

BACKGROUND: Riverside County adopted the Teeter Plan in 1993. The Teeter Program provides participating agencies advance funding for uncollected property taxes. This occurs after the close of the fiscal year in exchange for assuming ultimate collection risk of the delinquent taxes along with any penalties and interest.

Participation in the Teeter Program is voluntary; in addition to the county general fund, approximately 350 cities, County Service Areas, and water, lighting, redevelopment, community service, cemetery and flood control zones or districts within Riverside County are members. Participating entities benefit by receiving cash for delinquent taxes. The county is responsible for issuing debt, collecting back taxes, and covering program expenses. Penalties and interest go to the county – these exceed expenses by \$20-50 million per year. The excess revenue is moved to the general fund.

Christopher Hans

Continued on page 2

Christopher Hans
Deputy County Executive Officer

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 2,000,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	10-11

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

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

BY:

Jan E. Ort

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Stone, Benoit and Ashley
Nays: None
Absent: Buster and Tavaglione
Date: September 14, 2010
xc: EO, Treasurer

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

3.5

FORM APPROVED COUNTY COUNSEL
BY: *DALE A. GARDNER* DATE: 9/1/10
Departmental Concurrence

Policy Policy

Dep. ATTORNEY GENERAL'S COMMENTS FILED WITH THE CLERK OF THE BOARD
Per Exec. Off. Consent Consent

Approval of Resolution No. 2010-281 provides for the financing of the FY 2010-11 Teeter Obligations, estimated at approximately \$207 million, utilizing the existing Commercial Paper (CP) Offering Program (Series B) and the supplemental fixed rate notes (Series C). This amount includes \$102 million in FY 2009-10 delinquencies and the refunding of approximately \$105 million of prior years' property taxes that remain delinquent.

The Teeter CP Offering Program (Series B) is enhanced by a letter of credit (LOC) provided by the Bank of Nova Scotia. This LOC has a total capacity to fund approximately \$186 million of delinquencies. The FY 2010-11 Teeter Plan exceeds the LOC amount by approximately \$21 million. It is recommended that \$21 million be sold as Series C Notes on the open market with no enhancements. This assumes the notes will receive favorable ratings, otherwise it is anticipated that the Treasurer's Pooled Investment Fund would purchase the notes.

RESOLUTION NO. 2010-281

OF

THE COUNTY OF RIVERSIDE

**SUPPLEMENTING ITS
MASTER TEETER RESOLUTION, AND
PROVIDING FOR THE TERMS AND CONDITIONS OF
ADDITIONAL SERIES B TEETER PLAN OBLIGATIONS
AND SERIES C TEETER PLAN OBLIGATIONS**

ADOPTED ON SEPTEMBER 14, 2010

TABLE OF CONTENTS

	Page
ARTICLE I AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS.....	3
1.01 Authority For This Resolution.....	3
1.02 Definitions.....	3
ARTICLE II AUTHORIZATION OF DEMAND OBLIGATION	4
2.01 Authorization of Demand Obligation	4
ARTICLE III EXTENSION OF SERIES B TEETER OBLIGATION PLEDGE	4
3.01 Pledge of Series B Taxes	4
ARTICLE IV AUTHORIZATION AND ISSUANCE OF ADDITIONAL SERIES B NOTES	5
4.01 Authorization of Additional Series B Notes	5
4.02 Dealers	5
ARTICLE V AUTHORIZATION AND ISSUANCE OF ADDITIONAL SERIES C NOTES.....	5
5.01 Authorization and Issuance of Series C Teeter Plan Obligation Notes; Application of Proceeds	5
5.02 Denominations, Medium, Method and Place of Payment and Dating of Series C Notes.....	5
5.03 Sale of Notes	6
5.04 Payment of Principal of and Interest on the Notes from General Fund	6
5.05 Form of Note.....	6
5.06 Execution and Authentication of Notes	6
5.07 Registration, Exchange and Transfer.....	6
5.08 Defeasance of Series C Notes	9
5.09 Fiscal Agent	10
5.10 Official Statement for Series C Notes.....	10
5.11 Continuing Disclosure	10
ARTICLE VI MISCELLANEOUS	11
6.01 Accounting.....	11
6.02 Additional Actions	11

TABLE OF CONTENTS
(continued)

	Page
6.03 Effectiveness; Master Teeter Resolution to Remain in Effect.....	11
6.04 Partial Invalidity.....	11
6.05 Law Governing	12
EXHIBIT A FORM OF SERIES C NOTE	A-1

RESOLUTION NO. 2010-281

**RESOLUTION OF THE COUNTY OF RIVERSIDE
SUPPLEMENTING ITS MASTER TEETER RESOLUTION,
AND PROVIDING FOR THE TERMS AND CONDITIONS OF
ADDITIONAL SERIES B TEETER PLAN OBLIGATIONS
AND SERIES C TEETER PLAN OBLIGATIONS**

WHEREAS, the Board of Supervisors (the "Board") of the County of Riverside (the "County") has adopted a resolution pursuant to Section 4702 of the California Revenue and Taxation Code, and has thereby elected to follow the procedure for distributing Property Tax levies set forth in Chapter 3 of Part 8 of Division 1 of the California Revenue and Taxation Code, consisting of Sections 4701 through 4717 (the "Law"); and

WHEREAS, the Board elected, pursuant to Section 4702.5 of the Law, to include certain assessments in the procedures authorized under the Law; and

WHEREAS, pursuant to Section 4705 of the Law, for each year in which allocations of taxes and assessments are to be made in accordance with the Law, the amount of taxes and assessments for each fund for which the tax levy has been included is to be apportioned to the credit of each such fund, and the Board shall provide moneys in the County Treasury which shall be available to be drawn on to the extent of the amount of uncollected taxes and assessments credited to each such fund for which a tax levy or an assessment has been included; and

WHEREAS, on July 29, 1997, pursuant to Resolution No. 97-203, as ratified, confirmed and modified by Resolution No. 97-298 adopted on November 4, 1997 (together, the "Master Teeter Resolution") the Board authorized an issuance of Series A Obligations and Series B Obligations in the form of Series A Notes and Series B Notes, respectively; and

WHEREAS, the Master Teeter Resolution contemplated that Series A Obligations and Series B Obligations could be increased to include an amount sufficient to refund any Demand Obligation relating to any fiscal year ending after June 30, 1997, as specified in a Supplemental Resolution; and

WHEREAS, pursuant to Resolution No. 98-283, adopted on August 18, 1998, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1998; and

WHEREAS, pursuant to Resolution No. 99-385, adopted on September 7, 1999, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1999; and

WHEREAS, pursuant to Resolution No. 2000-277, adopted September 26, 2000, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2000; and

FORM APPROVED, COUNTY COUNSEL
BY DALE A. GARDNER 9/17/10 DATE

WHEREAS, pursuant to Resolution No. 2001-290, adopted September 11, 2001, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2001; and

WHEREAS, pursuant to Resolution No. 2002-363, adopted October 8, 2002, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2002; and

WHEREAS, pursuant to Resolution No. 2003-495, adopted October 21, 2003, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2003; and

WHEREAS, pursuant to Resolution No. 2004-496, adopted October 26, 2004, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2004; and

WHEREAS, pursuant to Resolution No. 2005-493, adopted November 29, 2005, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2005 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2006-405 adopted October 17, 2006, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2006 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2007-479, adopted October 30, 2007, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2007 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2008-486, adopted November 18, 2008, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2008 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2009-310, adopted November 24, 2009, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2009 and to refund Outstanding Series B Notes and Series C Notes; and

WHEREAS, the County wishes to include within the definition of Series B Taxes all uncollected property taxes and assessments attributable to the fiscal year ending June 30, 2010; and

WHEREAS, the County wishes to issue a Demand Obligation relating to delinquencies in property taxes and assessments attributable to the fiscal year ending June 30, 2010 and to issue Series B Notes (the "Additional Series B Notes"), the proceeds of which are to be used to refund the Demand Obligation and to refund Outstanding Series B Notes and Series C Notes; and

WHEREAS, the County wishes to confirm that the security interest and pledge granted in favor of Holders of Series B Notes and the Bank pursuant to Section 302 of the Master Teeter Resolution extends to such Series B Taxes and secures the Additional Series B Notes;

WHEREAS, the County wishes to issue additional Series C Notes (the "Series C Notes"), payable solely from the General Fund, the proceeds of which are to be used to refund Outstanding Series C Notes; and

WHEREAS, Citigroup Global Markets Inc. and Barclays Capital Inc. (the "Underwriters") have agreed to submit an offer to purchase the Series C Notes pursuant to the terms and provisions of a purchase contract, which shall be substantially in the form of the contract of purchase presented to this meeting (the "Purchase Contract"); and

WHEREAS, a preliminary official statement (the "Preliminary Official Statement") describing the Series C Notes will be distributed to potential purchasers of the Notes; and

WHEREAS, this Board has been presented with the form of the Purchase Contract, Preliminary Official Statement and Continuing Disclosure Certificate, hereinafter referred to, relating to the Series C Notes, and the Board has examined and desires to approve, authorize and direct the execution of such documents and the issuance of the Series C Notes; and

NOW, THEREFORE, IT IS RESOLVED and ordered by the Board as follows:

ARTICLE I

AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS

1.01 Authority For This Resolution. This resolution supplements and amends the Master Teeter Resolution and is entered into pursuant to Article VII of the Master Teeter Resolution.

1.02 Definitions.

(a) Except as otherwise provided herein all terms defined in the Master Teeter Resolution shall have the same meanings when used in this Supplemental Resolution as are given in Section 101 of the Master Teeter Resolution, except for the following terms which are used in the Master Teeter Resolution, which shall be amended to read as follows:

"Prior Series C Notes" means the notes issued pursuant to Article V of Resolution No. 2009-310, adopted on November 24, 2009.

"Series B Taxes" means (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 and such other fiscal years, if any, as may be specified in a Supplemental Resolution, (ii) all amounts received by the County upon the sale of property to recover such property taxes or

assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled, including as a consequence of electing to being governed by the Law, and in each case following the allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County which have not agreed that the Law shall apply to them; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an Independent District for all fiscal years prior to the fiscal year in which the respective Independent District agreed (pursuant to Section 4715 of the Law) that the Law shall apply to it, (ii) Default Penalties, (iii) interest or Redemption Penalties, (iv) costs and fees paid pursuant to Section 4102(d) and 4112 of the Taxation Code and (v) installment payments made pursuant to Section 4217 et. seq. of the Taxation Code with respect to properties otherwise subject to Series A/B Taxes. Series B Taxes shall not include Series A Taxes or Other Taxes.

“Series C Notes” means the notes issued pursuant to Article V of this Supplemental Resolution.

ARTICLE II

AUTHORIZATION OF DEMAND OBLIGATION

2.01 Authorization of Demand Obligation. The County shall evidence its obligation to make distributions to Revenue Districts pursuant to the Law in respect of property taxes and assessments attributable to the fiscal year ending June 30, 2010, through the issuance of a Demand Obligation in the principal amount of such distributions. In all respects, the terms and conditions of issuance of such Demand Obligation shall be governed by Article II of the Master Teeter Resolution to the extent the same relates to the Series B Obligations.

ARTICLE III

EXTENSION OF SERIES B TEETER OBLIGATION PLEDGE

3.01 Pledge of Series B Taxes. All Series B Taxes as defined in this Supplemental Resolution shall be governed by the provisions of Section 302 of the Master Teeter Resolution, the security interest and pledge created pursuant to said Section 302 shall hereby extend to Series B Taxes as defined in this Supplemental Resolution, and such security interest and pledge shall hereby extend in favor of Holders of (a) the Demand Obligation referred to in Section 2.01 hereof and issued hereunder, (b) Series B Notes authorized and issued hereunder, and (c) any Credit Provider Obligations relating to Obligations referred to in clauses (a) and (b) above, in all cases on a parity with each other and with the security interest and pledge in favor of Holders of other Series B Obligations. The foregoing pledge shall not apply to the Holders of Series C Notes.

ARTICLE IV

AUTHORIZATION AND ISSUANCE OF ADDITIONAL SERIES B NOTES

4.01 Authorization of Additional Series B Notes. The Board hereby determines that the County shall issue, as Series B Obligations, Additional Series B Notes, provided that the aggregate principal amount (as described in Section 203(1)(a) of the Master Teeter Resolution) of Series B Notes to be issued hereunder and outstanding shall not exceed an aggregate principal amount of \$186,000,000, and the proceeds shall be applied to the refunding, in whole or in part, of the Demand Obligation and Outstanding Series B Notes and Prior Series C Notes. The Additional Series B Notes shall be issued in accordance with, and subject to the conditions and limitations for Additional Series B Notes set forth in, the Master Teeter Resolution. The Additional Series B Notes shall be Tax-Exempt Notes, and any additional terms and provisions of the Series B Notes shall be set forth in a written certificate of the Treasurer or County Executive Officer.

4.02 Dealers. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to negotiate with Citigroup Global Markets Inc. and Barclays Capital Inc. (the "Dealers") with respect to the Additional Series B Notes and to amend the existing Dealer Agreement with each Dealer to cover the Additional Series B Notes.

ARTICLE V

AUTHORIZATION AND ISSUANCE OF ADDITIONAL SERIES C NOTES

5.01 Authorization and Issuance of Series C Teeter Plan Obligation Notes; Application of Proceeds. (a) The Board of Supervisors hereby determines that the County shall issue additional Series C Notes in an aggregate principal amount of not to exceed \$22,000,000.

(b) Pursuant to the Master Teeter Resolution, the proceeds of the sale of the Series C Notes shall be applied to pay Initial Costs of Issuance of the Series C Notes and to refund Outstanding Prior Series C Notes.

5.02 Denominations, Medium, Method and Place of Payment and Dating of Series C Notes. (a) The Series C Notes shall be initially issued and registered as provided in Section 5.08 of this Supplemental Resolution and otherwise shall be in the denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of issuance thereof, shall mature no later than October 14, 2011, and shall bear interest, payable at maturity and computed on the basis of a 360-day year composed of twelve 30-day months, at the rate per annum determined in accordance with this Supplemental Resolution.

(b) Both the principal of the Series C Notes and interest due on the Series C Notes at maturity shall be payable in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the principal office of the Fiscal Agent upon the maturity thereof. No interest shall be payable on any Series C Note for any period after

maturity during which the registered owner thereof fails to properly present such Series C Note for payment.

5.03 Sale of Notes. The Purchase Contract, in substantially the form presented to this meeting, is hereby approved. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to execute and deliver such Purchase Contract, with such changes, additions, completions and corrections therein as such officers shall require or approve, including specifying the principal amount of the Series C Notes (not to exceed the amount authorized under Section 5.02(a) hereof), the term of the term of the Series C Notes (not to exceed the maturity date set forth in Section 5.02(a) hereof), the interest rate on the Series C Notes and the purchase price of the Series C Notes, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the true interest cost of the Series C Notes shall not exceed 1.5% per annum, and that the underwriters' discount on the Series C Notes shall not exceed 0.35% of the principal amount of the Series C Notes.

5.04 Payment of Principal of and Interest on the Notes from General Fund. The principal of and interest on the Series C Notes shall be payable from amounts in the General Fund. Notwithstanding any other provision of the Master Teeter Resolution (including but not limited to Article XIII thereof) and this Supplemental Resolution, the Series C Notes shall not be payable from, and shall not be secured by, Series B Taxes, the Series B Letter of Credit or Other Taxes, but shall be payable solely from other amounts in the General Fund.

5.05 Form of Note. The Series C Notes and the assignment to appear thereon each shall be in substantially the form set forth in Exhibit A attached hereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

5.06 Execution and Authentication of Notes. The County Executive Officer is hereby authorized to sign the Series C Notes by use of his manual or facsimile signature, and the Clerk of the Board of Supervisors is hereby authorized to countersign the Series C Notes by use of his/her manual signature and to affix the seal of the Board of Supervisors thereto by facsimile impression thereon. Said officers are hereby authorized to cause the blank spaces in the Notes to be filled in as may be appropriate and to deliver the Series C Notes to the Underwriters in accordance with the terms and provisions of the Purchase Contract. In the case of Series C Notes executed by facsimile signature of both the County Executive Officer and the Clerk of the Board of Supervisors, the Series C Notes shall not be valid unless and until the Fiscal Agent or his or her designee shall have manually authenticated such Notes.

In case any officer whose signature appears on the Series C Notes shall cease to be such officer before the delivery of the Series C Notes to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Notes.

5.07 Registration, Exchange and Transfer. (a) The Depository Trust Company, New York, New York, is hereby appointed depository for the Series C Notes. The Series C Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York and shall be evidenced by a single

Note. Registered ownership of each Series C Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 5.08(b).

(b) The Series C Notes shall be initially issued and registered as provided in Section 5.07(a) hereof. Registered ownership of the Series C Notes, or any portions thereof, may not thereafter be transferred except:

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

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

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

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section 5.07, upon receipt of all outstanding Series C Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County pursuant to Section 5.08 hereof, with a written request of the County Executive Officer to such successor fiscal agent designating the Substitute Depository), a single new Series C Note, which the County shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of any such successor to Cede & Co. or such Substitute Depository, or their respective nominees, as the case may be, all as specified by the County Executive Officer or, in the case of a successor fiscal agent appointed by the County pursuant to Section 5.08 hereof, as specified in the written request of the County Executive Officer. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section 5.07 upon receipt of all outstanding Series C Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County pursuant to Section 5.08 hereof, with a written request of the County Executive Officer to such successor fiscal agent), new Series C Notes, which the County shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as specified by the County Executive Officer or, in the case of a successor fiscal agent appointed by the County pursuant to Section 5.08 hereof, as are requested in such written request of the County Executive Officer, subject to the limitations of Section 5.07 hereof, provided that the Fiscal Agent shall deliver such new Series C Notes as soon as practicable.

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

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

(f) In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section 5.07, any Series C Note may, in accordance with its terms, be transferred or exchanged for a Series C Note of like aggregate principal amount and series in authorized denominations, upon the books required to be kept by the Fiscal Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series C Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed and in form approved by the Fiscal Agent.

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

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

(h) If any Series C Note shall become mutilated, the County, at the expense of the owner of such Series C Note, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new Series C Note of like Series, tenor and number in exchange and substitution for the Series C Note so mutilated, but only upon surrender to the

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

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

5.08 Defeasance of Series C Notes. (a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Series C Notes the interest and principal thereof at the times and in the manner stipulated herein and therein, then all agreements and covenants of the County to such Holders hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Series C Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section 5.08 if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said Series C Notes on the maturity date thereof. Neither the securities nor moneys deposited with the Fiscal Agent pursuant to this Section 5.08(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Series C Notes. The Fiscal Agent shall have

no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Section.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Series C Notes as provided in this Section and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the interest and principal represented by such Series C Notes. Owners of Series C Notes shall thereafter be entitled to payments due under the Series C Notes only from amounts deposited pursuant to this Section and from no other source.

5.09 Fiscal Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Fiscal Agent for the Series C Notes. The County hereby directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the Series C Notes when such become due and payable. The County hereby covenants to transfer from the General Fund to the Fiscal Agent sufficient moneys to pay the principal of and interest on the Series C Notes when due.

The Fiscal Agent is also appointed as registrar and upon the request of any registered owner, is authorized to record the transfer or exchange of Series C Notes in accordance with the provisions hereof.

5.10 Official Statement for Series C Notes. The proposed form of official statement relating to the Series C Notes, in substantially the form presented to this meeting, is hereby approved with such additions, changes and corrections as the Treasurer and the County Executive Officer and their designees, jointly and severally, may from time to time approve. The Underwriters are hereby authorized to distribute such official statement in preliminary form (the "Preliminary Official Statement") to the potential purchasers of the Series C Notes and are hereby authorized and directed to deliver such official statement in final form to all purchasers of the Series C Notes. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to certify on behalf of the County that the preliminary form of the official statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the County, to sign a copy of such Official Statement in final form.

5.11 Continuing Disclosure. The County hereby agrees and covenants that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the County and dated the date of issuance and delivery of the Series C Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided, that any registered owner of the Series C Notes may take such actions as may be necessary and appropriate, including seeking mandate or

specific performance by court order, to cause the County to comply with its obligations under this Section.

ARTICLE VI

MISCELLANEOUS

6.01 Accounting. The Board hereby determines that earnings on amounts held in the Teeter Debt Service Fund and the Teeter Tax Loss Reserve Fund, respectively, shall be deposited in such fund or funds as shall be directed by the County Executive Officer.

6.02 Additional Actions. All actions heretofore taken by the officers and agents of the County or the Board of Supervisors with respect to the issuance and sale of the Additional Series B Notes and Series C Notes are hereby approved, confirmed and ratified, and the officers, employees and agents of the County and the Board of Supervisors are hereby authorized and directed, for and in the name and on behalf thereof, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale from time to time of the Additional Series B Notes and Series C Notes thereof in accordance with the Master Teeter Resolution and this Supplemental Resolution, including, but not limited to, entering into amendments, if any, to the Dealer Agreements, Fiscal Agent Agreement (including amendments necessary for the Fiscal Agent to serve as Fiscal Agent for the Series C Notes), Certificate Agreement, DTC Representation Letter and Reimbursement Agreement and substituting, if needed, a new Master Note or Notes for the Additional Series B Notes thereof.

6.03 Effectiveness; Master Teeter Resolution to Remain in Effect.

(a) This Supplemental Resolution shall become effective immediately upon its adoption. Except as expressly provided in this Supplemental Resolution, every term and condition contained in the Master Teeter Resolution shall apply to this Supplemental Resolution and to the additional Demand Obligation, Series B Notes and Series C Notes authorized hereby, with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Resolution.

(b) This Supplemental Resolution and all of the terms and provisions herein contained shall form part of the Master Teeter Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the Master Teeter Resolution. The Master Teeter Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented and as amended and supplemented hereby.

6.04 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and

covenants or portions thereof and shall in no way affect the validity hereof or of any of the Demand Obligations or any of the Series B Notes or Series C Notes authorized hereby , and the Holders shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law.

6.05 Law Governing. This Supplemental Resolution shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

PASSED and ADOPTED by the Board of Supervisors on September 14, 2010.

ROLL CALL:

Ayes: Stone, Benoit and Ashley
Nays: None
Absent: Buster & Tavaglione

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

KECIA HARPER-IHEM, Clerk of said Board

By: _____
Deputy

EXHIBIT A

FORM OF SERIES C NOTE

No. _____

\$ _____

COUNTY OF RIVERSIDE TEETER PLAN OBLIGATION NOTE, SERIES C

NOTE DATE	MATURITY DATE	INTEREST RATE	CUSIP
----------------------	--------------------------	--------------------------	--------------

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The County of Riverside (the "County") acknowledges itself indebted to, and for value received, hereby promises to pay from amounts on deposit in the General Fund, as defined in the Resolution No. 97-203 of the County, as amended and supplemented (the "Resolution"), to the registered owner specified above (the "Holder"), at the office of The Bank of New York Mellon Trust Company, NA, the principal amount specified above on the Maturity Date specified above, together with interest thereon at the Interest Rate per annum set forth above (computed on the basis of a 360-day year composed of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. The principal of and interest payable at maturity on this Note shall be payable only to the registered owner hereof upon surrender of this Note at the office of the Fiscal Agent as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

This Note is one of a duly authorized issue of Teeter Plan Obligation Notes, Series C of the County issued under and pursuant to the Resolution. The Series C Notes are payable from General Fund and are not payable from, and are not secured by, Series B Taxes, the Series B Letter of Credit or Other Taxes as defined in the Resolution. By acceptance of this Note, the Holder consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the County.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been

performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the County of Riverside has caused this Note to be executed in its name by the manual or facsimile signature of its County Executive Officer and countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors, and caused its official seal or a facsimile thereof to be affixed hereto.

COUNTY OF RIVERSIDE

By _____

(SEAL)

COUNTERSIGNED:

Clerk of the Board of Supervisors

Offering Memorandum

[insert County seal]

**County of Riverside
Teeter Obligation
Tax-Exempt Commercial Paper Notes, Series B**

Letter of Credit Securing Payment of Principal and Interest Provided by

**The Bank of Nova Scotia
acting through its New York Agency**

Citi

Barclays Capital

Dated: October __, 2010

INTRODUCTION

The County of Riverside, California (the "County") has issued its Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "Notes") under and pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997 and ratified, confirmed and modified on November 4, 1997, as amended and supplemented on August 18, 1998, on September 7, 1999, on September 26, 2000, on September 11, 2001, on October 8, 2002, on October 21, 2003, on October 26, 2004, on December 6, 2005, on October 17, 2006, on October 30, 2007, on November 18, 2008, on November 24, 2009 and on September 14, 2010 (the "Resolution"), and a Fiscal Agent Agreement, dated as of November 1, 1997, as amended, between The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor to U.S. Trust Company of California, N.A. (the "Fiscal Agent"), and the County (the "Fiscal Agent Agreement"). Capitalized terms that are not defined herein shall have the respective meanings ascribed to them in the Resolution or the Fiscal Agent Agreement as the case may be.

The Notes are being offered as obligations the interest on which is intended to be excluded from the gross income of the recipients thereof as and to the extent described in "TAX MATTERS" below.

The Notes are being issued for the purposes of refunding certain obligations of the County and financing the County's obligations to make distributions to certain local governmental agencies pursuant to a tax distribution procedure provided for in Sections 4701 through 4717 of the California Revenue and Taxation Code (the "Law") and known as the "Teeter Plan." Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to participating taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. Taxing entities that maintain funds in the County Treasury are included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. The taxing entities that are participating in the Teeter Plan represented approximately 54% of all secured roll taxes and assessments collected in the County in Fiscal Year 2009-10.

The principal of and interest on the Notes on their respective maturity dates shall be paid with amounts drawn upon an irrevocable transferable direct-pay letter of credit (the "Letter of Credit") issued by The Bank of Nova Scotia, acting through its New York Agency (the "Bank") on November 6, 2007, under and pursuant to a Reimbursement Agreement, dated as of November 1, 2007, between the County and the Bank (the "Reimbursement Agreement"). Unless extended or terminated earlier in accordance with its provisions, the Letter of Credit will expire on November 5, 2012.

Pursuant to the Resolution and the Fiscal Agent Agreement, the Notes are being issued in an aggregate principal amount of \$186,000,000. The stated amount of the Letter of Credit is equal to \$199,759,000 (which is the sum of (i) \$186,000,000, the principal amount of the Notes, (ii) plus interest thereon at an assumed rate of 10% per annum for a period of 270 days based upon a year of 365 days). The maximum stated amount authorized to be drawn under the Letter of Credit at any time is \$200,000,000, which amount may be reduced as provided for in the Reimbursement Agreement. See "BANK AND LETTER OF CREDIT INFORMATION — Letter of Credit."

Timely payment of principal of and interest on the Notes is dependent upon the availability of proceeds of drawings under the Letter of Credit. In making an investment decision regarding a purchase of the Notes, prospective purchasers should rely solely on the creditworthiness of the Bank. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay the principal of or interest on the Notes.

Concurrently with the issuance of the Notes and pursuant to the Resolution, the County intends to issue its 2010 Teeter Obligation Notes, Series C (the "Series C Notes") in the aggregate principal amount not to exceed \$22,000,000. The Series C Notes are payable from the County's General Fund but are not payable from, and are not secured by, Series B Taxes (as defined herein) or the Letter of Credit. The Series C Notes are being sold to refund all of the outstanding County of Riverside 2009 Teeter Obligation Notes, Series C (the "2009 Series C Notes") originally issued in the aggregate principal amount of \$71,300,000. The Series C Notes are not the subject of this Offering Memorandum.

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 27 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 1.5% 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, serving staggered four year terms. The Chair of the Board is elected by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

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

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

The County will make available, upon request, copies of its most recent audited financial statements. Requests for such statements should be directed to the following:

County of Riverside
Executive Office, 4th Floor
4080 Lemon Street
Riverside, California 92501
Attention: County Finance Director
Telephone No. (951) 955-1100

The County maintains a website at www.countyofriverside.us. Certain information, including the County's current year budget and the County's most recent financial statements are available on the County's website. However, the County's website address is included for reference purposes only, and the information on this internet site is not part of this Offering Memorandum and is not incorporated by reference herein. None of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Notes.

THE NOTES

General Terms

The Notes shall be dated the dates of their respective authentication and shall be issued in denominations of \$100,000 and integrals of \$1,000 in excess thereof. The Notes will be issued from time to time to mature on a business day that is not later than the earlier of 270 days from their respective dates of issuance or five days prior to the termination date of the Letter of Credit which secures them. The principal of and interest (if applicable) on the Notes are payable in lawful money of the United States of America on the applicable maturity date upon surrender of the Notes at the office of the Fiscal Agent; and the Fiscal Agent serves as issuing agent, paying agent and registrar for the Notes.

Except as otherwise provided in the Fiscal Agent Agreement, the Notes will be in registered form and initially will be issued in the book-entry system of The Depository Trust Company ("DTC"). They will be registered in the name of Cede & Co., as nominee of DTC. As long as the Notes are in book-entry form, the owners thereof will not be entitled to receive physical delivery of the Notes in certificates form. (See Appendix B — "INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY.")

If an Event of Default under the Resolution occurs, the Bank or the Holders of at least 25% in aggregate principal amount of the Outstanding Notes, with the consent of the Bank, may declare the principal of and interest on the Notes to be due and payable immediately by giving notice thereof to the County and a copy to the Fiscal Agent. Upon any such declaration, the principal of and accrued interest on the Notes shall be due and payable immediately. In addition to the failure to pay principal of or interest on Notes when due, Events of Default under the Resolution include (i) default by the County in the performance or observance of any of its other covenants, agreements or conditions in the Resolution, a Supplemental Resolution or a Note and the continuance thereof for a period of sixty days after written notice thereof by the Holders of not less than 25% in aggregate principal amount of the Outstanding Notes, (ii) the filing of a petition or answer by the County, or the approval by a court of competent jurisdiction of the filing of a petition, seeking arrangement or reorganization under the

federal bankruptcy laws or other applicable federal or state law, or (iii) a notice from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing. See "BANK AND LETTER OF CREDIT INFORMATION — Reimbursement Agreement."

The Notes are issued with the intent that the interest thereon is to be excluded from the gross income of the recipient thereof for federal income tax purposes and that such interest is to be exempt from State of California personal income taxes. See "TAX MATTERS." Interest on the Notes will be payable, along with the principal amounts thereof, on their respective maturity dates.

No Note may be issued if after (a) the issuance of such Note, (b) the deposit of the proceeds of any drawing made by the Fiscal Agent on the Letter of Credit securing such Note on such day to the Series B Credit Facility Account established by the Resolution and (c) giving effect to the provisions in the Letter of Credit relating to the automatic reinstatement under specified circumstances of the stated amount thereof and the permanent reduction under specified circumstances of such stated amount, the aggregate principal amount of outstanding Notes, plus the aggregate amount of interest to accrue thereon to the date of maturity thereof, would exceed such stated amount as then in effect. No Note may bear interest at an interest rate or cost higher than 10% per annum. Interest on Notes shall be computed on the basis of a 365/366-day year and the actual number of days elapsed.

Security and Sources of Payment

Principal of and interest on the Notes are payable from the proceeds of drawings under the Letter of Credit and are also secured by the County's General Fund. If the Bank fails to honor any drawing under the Letter of Credit, principal of and interest on the Notes will be payable from the County's General Fund, to the extent monies are lawfully available therefor, on a parity with other amounts payable from the County's General Fund (including the obligation to reimburse the Bank for draws on the Letter of Credit). **However, timely payment of principal of and interest on the Notes is dependent upon the availability of proceeds of drawings under the Letter of Credit. In making an investment decision regarding a purchase of the Notes, prospective purchasers should rely solely on the creditworthiness of the Bank. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay the principal of or interest on the Notes.**

The County has pledged the Series B Taxes (as hereinafter defined) to the payment of the Notes and reimbursement obligations to the Bank relating thereto. "Series B Taxes" means (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2010 and such other fiscal years, if any, as may be specified in a supplemental resolution, for which the County actually provides funding pursuant to the Law, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled as a consequence of electing to be governed by the Law, and in each case following an allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County that are not participating in the Teeter Plan; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an Independent District for all fiscal years prior to the fiscal year in which the respective Independent District agreed with the County that the Law shall apply to such independent district, (ii) Default Penalties, (iii) interest or Redemption Penalties,

(iv) certain costs and fees paid pursuant to the Law and (v) the right to receive installment payments made pursuant to Section 4217 *et seq.* of the California Revenue and Taxation Code.

The office of the County Treasurer-Tax Collector serves as billing and collection agent for the basic 1% ad valorem property tax, voter approved ad valorem taxes and most additional special assessments and charges. The County Treasurer-Tax Collector bills property owners bi-annually, and payments not made by December 10 and April 10 are subject to a 10% delinquency penalty. Unpaid taxes begin accruing a 1½% per month additional charge if unpaid at the end of the fiscal year (each June 30). Property owners are subject to foreclosure if delinquent taxes and penalties are not paid within five years.

Upon the collection of taxes and penalties the funds are deposited in a secured prior year trust account within the County's General Fund. Throughout the year the Auditor-Controller separates collected Teeter and non-Teeter taxes and penalties. Collected non-Teeter taxes are distributed to the non-Teeter taxing entities. The Teeter portion is separated between taxes and penalties and interest.

Receipts of the Series B Taxes are deposited into a Teeter Tax Account within the County's General Fund for debt service on the Notes. Penalties and interest are deposited into a Tax Losses Reserve Fund maintained by the County. In the event of a property sale at foreclosure which results in a loss, amounts to offset those losses are transferred from the Tax Losses Reserve Fund to the Teeter Tax Account. At the election of the County, the Tax Losses Reserve Fund is maintained at an amount equal to one of two methods: (1) 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan, or (2) 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for taxing entities participating in the Teeter Plan. Any excess over the required balance in the Tax Losses Reserve Fund is transferred to the County's General Fund. The County has always elected to maintain the Tax Losses Reserve Fund at an amount equal 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan.

The County has pledged the Series B Taxes to the payment of the Notes and reimbursement obligations to the Bank relating thereto. The payment of the Notes and reimbursement obligations to the Bank relating thereto are also secured by the County's General Fund.

Holders of the Notes shall receive at least 15 days' notice of any substitution of the Letter of Credit and such substitution may only occur on a date on which all Notes mature or are no longer Outstanding.

BANK AND LETTER OF CREDIT INFORMATION

The following summarizes certain provisions of the Letter of Credit and the Reimbursement Agreement, to which documents reference is made for the complete provisions thereof. The provisions of any substitute letter of credit and related reimbursement agreement may be different from those summarized below.

Letter of Credit

The Notes are secured by the Letter of Credit issued by the Bank pursuant to the Reimbursement Agreement. The maximum amount authorized to be drawn under the Letter of

Credit at any time is \$200,000,000, which amount may be reduced as provided for in the Reimbursement Agreement. Unless extended or otherwise terminated, the Letter of Credit Expiration Date (as defined below) is November 5, 2012. On each day on which the principal of and interest on any of the Notes is due and payable, the Fiscal Agent shall draw upon the Letter of Credit in an amount equal to the principal of and interest on the Notes coming due on their respective maturity dates.

Demands for payment under the Letter of Credit honored by the Bank shall not at the time of any drawing exceed the Stated Amount (as defined in the Letter of Credit), as the Stated Amount may have been reduced, increased or reinstated by the Bank. Subject to the preceding sentence, each drawing honored by the Bank pursuant to the terms of the Letter of Credit shall pro tanto reduce, by the amount of such drawing, the Stated Amount and the amount available to be drawn under the Letter of Credit by the Fiscal Agent pursuant to any subsequent drawing, except to the extent the Stated Amount has been reinstated. After any drawing, the Stated Amount will be automatically and immediately reinstated by and to the extent of amounts received by the Bank of reimbursement by the County of any amounts of such drawing and the Bank's written notice of such receipt to the Fiscal Agent (subject to any reduction in said Stated Amount as provided in the Letter of Credit), unless the Fiscal Agent shall have received notice from the Bank that an Event of Default under the Reimbursement Agreement has occurred and is continuing.

The Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the "Termination Date") which is the earliest to occur of: (i) November 5, 2012 (the "Letter of Credit Expiration Date"), as such date may be extended in a Notice of Extension from the Bank to the Fiscal Agent and the County pursuant to the terms of the Letter of Credit, (ii) the date of payment of a drawing, not subject to reinstatement, which when added to all other drawings honored under the Letter of Credit which were not subject to reinstatement as provided in the Letter of Credit, in the aggregate equals the Stated Amount of the Letter of Credit as adjusted pursuant to the terms and conditions of the Letter of Credit, (iii) the Bank's receipt of a certificate relating to the termination of the Letter of Credit signed by a duly authorized officer of the Fiscal Agent, or (iv) the date when the Fiscal Agent surrenders the Letter of Credit to the Bank for cancellation.

Reimbursement Agreement

If any of the following events shall occur and be continuing, each such event shall be an "Event of Default" under the Reimbursement Agreement:

- (a) The County shall fail to pay when due (i) any amount payable by the County to the Bank under the Reimbursement Agreement or (ii) any principal of or interest on any Note; or
- (b) The County shall fail to make any required deposit into the Series B Payment Fund; or
- (c) The County shall default in the performance of certain covenants set forth in the Reimbursement Agreement; or
- (d) The County shall default in the performance of certain other covenants or agreements contained in the Reimbursement Agreement or the Resolution and such default shall continue for 30 days after written notice of such default shall have been given to the

County; provided that this Event of Default shall not apply to any default that is described in any other Event of Default under this subheading "Reimbursement Agreement"; or

(e) Any representation or warranty on the part of the County contained in the Reimbursement Agreement, any other Related Document (as defined in the Reimbursement Agreement) or any certificate, letter or other writing or instrument furnished or delivered by the County to the Bank, shall at any time prove to be incorrect in any material respect when made or deemed made; or

(f) Any provision of the Reimbursement Agreement, the Resolution or the Notes, or any provision of either of the Dealer Agreements or the Fiscal Agent Agreement (each as defined in the Reimbursement Agreement) which shall have an adverse effect on (i) the ability of the County to pay principal or interest on the Notes or (ii) the security interest created by the Resolution or the Reimbursement Agreement shall, in each case, at any time for any reason cease to be valid and binding or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the County, or the validity or the enforceability thereof shall be contested by the County or the Fiscal Agent in a judicial or administrative proceeding; or

(g) Any Pledged Revenues or Permitted Investments (as each is defined in the Reimbursement Agreement) on deposit in, or otherwise to the credit of, any of the funds or accounts established under the Resolution shall become subject to any writ, judgment, warrant or attachment, execution or similar process which shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or

(h) (1) The County shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the County shall make a general assignment for the benefit of its creditors; or (2) there shall be commenced against the County any case, proceeding or other action of a nature referred to in clause (1) and the same shall remain undismissed; or (3) there shall be commenced against the County any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal, within 60 days from the entry thereof; or (4) the County shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (1), (2) or (3) above; or (5) the County shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due or (6) a moratorium on the payment of Debt (as defined in the Reimbursement Agreement) of the County shall have been announced or declared;

(i) Any pledge or security interest created by the Resolution or the Reimbursement Agreement to secure any amount due under the Reimbursement Agreement shall fail to be fully enforceable with the priority required under the Reimbursement Agreement or the Resolution as determined by a final, non appealable judgment; or

(j) The County shall default in the due performance or observance of any term, covenant or agreement contained in either of the Dealer Agreements or the Fiscal Agent Agreement if such default has or may have an adverse effect on the Bank, or in the due performance or observance of any term, covenant or agreement contained in the Resolution or the Notes and same shall not have been cured within any applicable cure period; or

(k) The County shall fail to pay when due and payable (whether by scheduled maturity, required payment, acceleration, demand or otherwise) principal or interest on any Debt outstanding and payable in whole or in part from the General Fund of the County, and after the giving of such notice by the related obligor of such Debt (if notice is required by such underlying indenture, contract or instrument providing for the creation of or concerning such Debt) and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Debt; or any other default under any indenture, contract or instrument providing for the creation of or concerning such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or pursuant to the provisions of any such indenture, contract or instrument the maturity of any such Debt of the County shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof; or

(l) One or more judgments or court orders for the payment of money exceeding any applicable insurance coverage by more than \$5 million shall be rendered against the County and which is payable in whole or in part from the General Fund of the County, and such judgment or court order shall continue unsatisfied and in effect for a period of 90 consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

(m) The Law is repealed, reenacted, amended or otherwise modified (whether directly or indirectly, and including, without limitation, by legislative or judicial action) or any other legislation is enacted, repealed, reenacted, amended or otherwise modified, in a manner that has a material adverse effect on the ability of the County to enforce collection of the delinquent property taxes or assessments, if such property taxes or assessments are necessary in order to pay the principal and interest on the Notes or to pay the Obligations under the Reimbursement Agreement;

(n) Either of Moody's or S&P shall have downgraded the Issuer Rating (as defined in the Reimbursement Agreement) to below "Baa3" (or its equivalent), or BBB- (or its equivalent), respectively, or suspended or withdrawn its rating of the same;

then, (A) the Bank may automatically reduce the Unutilized Amount (as defined in the Reimbursement Agreement) to zero (0) and the Stated Amount to an amount equal to the Utilized Amount (as defined in the Reimbursement Agreement), (B) the Bank may pursue any other rights or remedies under the Reimbursement Agreement or applicable law, including, without limitation, declaring an acceleration of the Notes pursuant to the terms of the Resolution and instruct the County and the Fiscal Agent to immediately cease issuing, delivering and selling additional Notes by delivering to the Fiscal Agent a Notice of No Issuance (as defined in the Reimbursement Agreement), (C) the County shall not issue any debentures, Demand Obligations (as defined in the Reimbursement Agreement) or Notes or incur any other Obligations pursuant to the Resolution

unless the proceeds thereof are used to pay off other Notes or Obligations pursuant to the terms of the Reimbursement Agreement, and (D) the County, in accordance with the Resolution, shall immediately apply amounts on deposit in the Series B Payment Fund and all Pledged Revenues immediately upon receipt thereof to the payment of the County's Obligations (as defined in the Reimbursement Agreement) under the Reimbursement Agreement. Except as expressly provided above, presentment, demand, protest and all other notices of any kind are expressly waived. The Bank shall promptly give telephonic notice, followed by written confirmation, of an Event of Default to the County, the Dealers and the Fiscal Agent.

The Bank

The Bank of Nova Scotia ("Scotiabank" or the "Bank"), founded in 1832, is a Canadian chartered bank with its principal office located in Toronto, Ontario. Scotiabank is one of North America's premier financial institutions and Canada's most international bank. With over 67,000 employees, Scotiabank and its affiliates serve over 14 million customers throughout the world.

Scotiabank provides a full range of personal, commercial, corporate and investment banking services through its network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and associated banks, trust companies and other financial firms.

For the fiscal year ended October 31, 2009, Scotiabank recorded total assets of CDN\$496.5 billion (US\$460.9 billion) and total deposits of CDN\$350.4 billion (US\$325.3 billion). Net income for the fiscal year ended October 31, 2009 equaled CDN\$3.547 billion (US\$3.292 billion), compared to CDN\$3.140 billion (US\$2.915 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 30, 2009 (1.0000 United States dollar equals 1.0774 Canadian dollars).

For the quarter ended April 30, 2010, Scotiabank recorded total assets of CDN\$526.1 billion (US\$520.1 billion) and total deposits of CDN\$371.2 billion (US\$366.9 billion). Net income for the quarter ended April 30, 2010 equaled CDN\$1,097 million (US\$1,084 million), compared to CDN\$872 million (US\$862 million) for the same period of the prior year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of April 30, 2010 (1.0000 United States dollar equals 1.0116 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, New York Agency, One Liberty Plaza, 26th Floor, New York, NY, 10006. Attention: Public Finance Department.

The information concerning the Bank contained herein is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery of this disclosure information by the Bank shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this disclosure information is correct as of any time subsequent to its date.

VALIDATION

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution and the Obligations issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County. The period allowed for appeal of such judgment by Sections 860 *et seq.* expired on October 14, 1997 without an appeal having been filed. In issuing its opinions as to the validity of the Notes, Bond Counsel relied, and will rely, upon the foregoing default judgment.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance by the County of the Notes were subject to the approval of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), which delivered approving legal opinions in connection therewith. In connection with the issuance of Notes under and pursuant to the Resolution as it was amended and supplemented by the Board of Supervisors of the County, Bond Counsel will deliver an opinion in substantially the form contained in Appendix A hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Offering Memorandum. Certain legal matters were passed upon for the Dealers by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, for the Bank by its counsel, Chapman and Cutler LLP, and for the County by the Office of County Counsel.

TAX MATTERS

The form of the opinion to be delivered by Bond Counsel is set forth in Appendix A hereto.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), 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 Notes, when issued in accordance with the Resolution and the Tax Certificate, 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. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is such interest included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix A hereto.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the 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. Noteholders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) 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 short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations 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 with respect to tax-exempt short-term debt obligations, 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 short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the prospective purchaser elects original issue discount treatment.

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 Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes 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 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond 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 Bond 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 Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the Notes 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 Notes may otherwise affect a Noteholder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals (if enacted into law), clarification of the Code, or court decisions may cause interest on the Notes 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, clarification of the Code, or court decisions may also affect the

market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations, and litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond 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.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond 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 or notes is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds or notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the County or the Noteholders to incur significant expense.

CONCLUDING INFORMATION

Ratings

Moody's Investors Service, Inc. and Fitch Ratings have assigned ratings of ["___"] and ["___"] respectively to the Notes, based primarily on the understanding that the Letter of Credit will be in effect upon the delivery of the Notes. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the rating companies. Such ratings may be changed, suspended or withdrawn as a result of, among other things, changes in or the lack of availability of information. Any such downward change, suspension and/or withdrawal of either rating may have an adverse effect on the secondary market price of the Notes.

Miscellaneous

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Offering Memorandum in connection with the offering of the Notes described herein; and, if given or made, such other information or representation must not be relied upon as having been authorized. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Notes, nor shall there be any offer of or any solicitation of an offer to buy the Notes in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer, solicitation or sale. Neither the delivery of this Offering Memorandum nor the sale of Notes implies that the information herein is correct as of any time subsequent to the date hereof.

Additional Information

Additional information with respect to the Notes may be obtained from:

Citigroup Global Markets Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Manager, Short-Term Finance Group
Telephone: (212) 723-5594
Facsimile: (212) 723-8939

Barclays Capital Inc.
745 Seventh Ave, 2nd Floor
New York, New York 10019
ATTN: Short Term Municipal Trading
Phone: (212) 528-1011
Fax: (646) 758-1870
Email: MuniCP@barclayscapital.com

APPENDIX A

FORM OF BOND COUNSEL OPINION

[closing date]

County of Riverside
Riverside, California

Re: County of Riverside Teeter Obligation
Tax-Exempt Commercial Paper Notes, Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Riverside, California (the "Issuer") in connection with the authorization of issuance of up to \$_____ aggregate principal amount (at any time Outstanding) of commercial paper notes by the Issuer pursuant to and by authority of Resolution No. 97-203 of the Board of Supervisors of the Issuer adopted on July 29, 1997, as heretofore supplemented and as further supplemented by Resolution No. 2010-___ of the Board of Supervisors of the Issuer adopted on _____, 2010 (collectively, the "Resolution"), and designated County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "Notes"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Issuer, certificates of the Issuer, the Fiscal Agent and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and before or after Notes are issued. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to and may not, be relied upon in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy (as of the date hereof and as of the date of issuance from time to time of the Notes) of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes, possibly retroactive to the date on which the first Notes were issued. We call attention to the fact that the rights and obligations under the Notes, the Resolution and the Tax Certificate and their enforceability

may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitation on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Memorandum or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and the default judgment entered on September 12, 1997 by the Superior Court of the State of California for the County of Riverside in the action entitled County of Riverside v. All Persons, No. 299847, filed July 31, 1997, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer.

2. The Notes, including any Notes issued to refund such Notes, when duly issued in the form authorized by and otherwise in compliance with the Resolution, executed by a duly authorized official of the Issuer and authenticated by the Fiscal Agent against payment therefor, will constitute the valid and binding obligations of the Issuer.

3. Interest on the Notes, when issued in accordance with the Resolution and the Tax Certificate, will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the Notes 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. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX B

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Fiscal Agent, on the 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 its nominee, the Fiscal Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Fiscal 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 securities depository with respect to the Notes at any time by giving reasonable notice to the County or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Notes are required to be printed and delivered.

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

The County and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal or interest with respect to the Notes paid to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Offering Memorandum. The County and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or

give any notice to a Beneficial Owner with respect to the Notes or any error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Note and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters; and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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 them 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 the 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.

Stradling Yocca Carlson & Rauth
Draft Dated September 2, 2010

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2010

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: ["____"]
Fitch: ["____"]
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond 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 Notes 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 Notes and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

\$21,800,000*

COUNTY OF RIVERSIDE
2010 TEETER OBLIGATION NOTES, SERIES C

Dated: Date of Delivery

Due: October __, 2011

The County of Riverside 2010 Teeter Obligation Notes, Series C (the "Notes") are being issued to (i) refund a portion of the outstanding 2009 County of Riverside Teeter Obligation Notes, Series C (the "2009 Series C Notes"), and (ii) pay the costs of issuance with respect to the Notes. The Notes will be issued bearing interest at a fixed rate as set forth below.

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of their delivery and will bear interest at the interest rate shown below. The principal of and interest on the Notes will be due on the maturity date thereof. Principal of and interest on the Notes will be payable in lawful money of the United States of America by Bank of New York Mellon Trust Company, N.A., as Fiscal Agent.

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive Notes representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in "THE NOTES — Book Entry Only System."

The principal of and interest on the Notes will be payable solely from lawfully available moneys in the County's General Fund. No taxes are pledged to the repayment of the Notes. For a description of the County and its finances, see APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Notes.

MATURITY SCHEDULE

Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP No. [†]
---------------	------------------	---------------	-------	------------------------

[†] Copyright 2010, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in anyway as a substitute for the CUSIP Services Bureau. CUSIP numbers have assigned by an independent company not affiliated with the County and are included solely for the convenience of the registered owners of the Notes. Neither the County nor the Underwriters take any responsibility for the accuracy of such numbers.

This cover page contains information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement in considering the investment quality of the Notes.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of Orrick Herrington & Sutcliffe, LLP, San Francisco, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the County by Pamela J. Walls, County Counsel, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Notes will be available for delivery to The Depository Trust Company or its agent on or about October __, 2010.

Barclays Capital

Citi

Dated: October __, 2010

* Preliminary, subject to change.

COUNTY OF RIVERSIDE

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

Board of Supervisors

Marion Ashley, Fifth District, Chairman
Bob Buster, First District, Vice Chairman
Jeff Stone, Third District
John Tavaglione, Second 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, County Finance Director

SPECIAL SERVICES

Bond Counsel

Orrick Herrington & Sutcliffe, LLP
San Francisco, California

Underwriters' Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Financial Advisor

C.M. de Crinis & Co., Inc.
Los Angeles, California

Fiscal Agent

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

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations in connection with the offer or sale of the Notes other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. 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 Notes 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 or owners of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the County and other sources which the County believes to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the 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 or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

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

In connection with the offering of the Notes, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of such notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Notes to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Notes have not been registered or qualified under the securities laws of any state.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

TABLE OF CONTENTS

	<i>Page</i>
INTRODUCTION.....	1
THE NOTES	2
Authority for Issuance	2
Purpose of Issue.....	2
Description of the Notes	2
Redemption.....	3
Security for the Notes	3
Fiscal Agent.....	3
Defeasance of the Notes	3
Book-Entry Only System.....	5
ESTIMATED SOURCES AND USES OF FUNDS	7
THE COUNTY	8
The Teeter Plan.....	8
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS	10
Article XIII A of the State Constitution	10
Article XIII B of the State Constitution.....	11
Article XIII C and Article XIII D of the State Constitution	11
Proposition 62.....	12
Right To Vote on Taxes Initiative; Proposition 218.....	13
Proposition 1A.....	14
Assessment Appeals and Assessor Reductions	15
Future Initiatives.....	16
STATE OF CALIFORNIA BUDGET INFORMATION	16
SPECIAL RISK FACTORS	22
Limitations on Remedies; Bankruptcy	22
Federal Income Tax Consequences	23
Loss of Tax Exemption.....	23
Economy of the County and the State	23
Not a Pledge of Taxes.....	24
VALIDATION.....	24
LITIGATION	24
TAX MATTERS.....	24
RATINGS	26
FINANCIAL ADVISOR	26
UNDERWRITING.....	27

TABLE OF CONTENTS
(continued)

	<i>Page</i>
FINANCIAL STATEMENTS	27
CONTINUING DISCLOSURE	27
CERTAIN LEGAL MATTERS.....	28
MISCELLANEOUS	28
APPENDIX A INFORMATION REGARDING THE COUNTY OF RIVERSIDE.....	A-1
APPENDIX B AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2009.....	B-1
APPENDIX C FORM OF BOND COUNSEL OPINION.....	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	D-1

\$21,800,000*
COUNTY OF RIVERSIDE
2010 TEETER OBLIGATION NOTES, SERIES C

INTRODUCTION

This Official Statement, including the cover page, the table of contents and appendices, has been prepared in connection with the issuance by the County of Riverside, California (the "County") of its 2010 Teeter Obligation Notes, Series C (the "Notes"), and contains certain information relating to the Notes and the County.

With respect to collection of property taxes, the County adopted its Teeter plan in 1993 (the "Teeter Plan"), which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan," for distribution of certain property tax and assessment levies on the secured roll. See "THE COUNTY — The Teeter Plan."

The Notes are being issued to (i) refund a portion of the County's 2009 Teeter Obligation Notes, Series C, issued in the aggregate principal amount of \$71,300,000 (the "2009 Series C Notes"), and (ii) pay the costs of issuance with respect to the Notes.

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of their delivery and will bear interest at the interest rate shown on the cover page. The principal of and interest on the Notes will be due on the maturity date thereof.

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive Notes representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in "THE NOTES — Book-Entry Only System."

The Notes will not be subject to redemption prior to maturity.

The County first adopted its Teeter Plan in 1993. From 1993 to 1997, the County Treasurer's Pooled Investment Fund purchased notes backed by a pledge of the outstanding delinquent taxes, assessments, penalties and interest from taxing entities within the County that participate in the Teeter Plan (the "Revenue Districts"). The County first issued taxable and tax exempt commercial paper to finance the annual cash requirements of its Teeter Plan in 1997.

Since 1997, the County has issued taxable and tax exempt notes from time to time to finance the County's obligations to make distributions to the Revenue Districts, and to refund certain obligations of the County related to such obligations.

The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997, as supplemented from time to time (the "Master Teeter Resolution").

* Preliminary, subject to change.

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution and the Obligations issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County. The appeal period for the default judgment expired October 14, 1997. See "VALIDATION" herein.

Each year since 1997 the existing notes issued pursuant to the Master Teeter Resolution are paid down from collected delinquent taxes from the prior fiscal year, and subsequent additional notes issued pursuant to the Master Teeter Resolution to finance that year's obligations under the Teeter Plan. See "THE COUNTY — The Teeter Plan."

The County has agreed, in a Continuing Disclosure Certificate executed by the County in connection with the issuance of the Notes, to report the occurrence of specified "Material Events" to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA"). See "CONTINUING DISCLOSURE."

All quotations from, and summaries and explanations of, provisions of the laws of the State of California (the "State") and acts and proceedings of the County contained herein, do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the County relating thereto are qualified in their entirety by reference to the Notes and such proceedings.

THE NOTES

Authority for Issuance

The Notes are authorized to be issued pursuant to the Master Teeter Resolution, as amended and supplemented thereafter, including as supplemented on September 14, 2010 (collectively, the "Resolution"), and a Fiscal Agent Agreement, dated as of November 1, 1997, as amended, between The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor to U.S. Trust Company of California, N.A. (the "Fiscal Agent"), and the County (the "Fiscal Agent Agreement").

Purpose of Issue

Pursuant to the Resolution, the proceeds of the sale of the Notes will be applied to the refunding of a portion of the outstanding 2009 Series C Notes and to pay costs of issuance.

Description of the Notes

The Notes will be registered in the name of Cede & Company, as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000. Beneficial Owners (as defined below) of the Notes will not receive physical Notes representing the Notes purchased. The principal of, and interest on, the Notes will be paid on the maturity date of the Notes. The principal of and interest on the Notes will be paid by the County Treasurer-Tax Collector

to the Fiscal Agent which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes. See “— Book-Entry Only System” below.

The Notes will be dated, will mature, and will bear interest at the rate per annum as shown on the cover page hereof computed on the basis of a 360-day year composed of twelve 30 day months. Interest on the Notes will be paid on the maturity date of the Notes. The Notes may be sold in Authorized Denominations of \$5,000 or any multiple thereof.

Redemption

The Notes are not subject to redemption prior to their maturity date.

Security for the Notes

The principal of and interest on the Notes will be payable solely from lawfully available moneys in the County's General Fund. The Notes may be paid with lawfully available moneys in the County's General Fund from available revenues generated in prior, the current or any subsequent fiscal year. **Notwithstanding any other provision of the Resolution, the Notes shall not be payable from, and shall not be secured by, Series B Taxes (as defined herein), the Series B Letter of Credit (as defined herein) or other taxes, but shall be payable solely from lawfully available moneys in the County's General Fund.** For a description of the County and its finances, see APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

Fiscal Agent

The Bank of New York Mellon Trust Company, N.A. is appointed as Fiscal Agent for the Notes. The County directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the Notes when such become due and payable. Under the Resolution, the County has covenanted to transfer from the General Fund to the Fiscal Agent sufficient moneys to pay the principal of and interest on the Notes when due.

Defeasance of the Notes

If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all outstanding Notes the interest and principal thereof at the times and in the manner stipulated under the Resolution and described below in this Official Statement, then all agreements and covenants of the County to such Holders under the Resolution shall thereupon cease, terminate and become void and shall be discharged and satisfied.

Any Outstanding Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Resolution if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said Notes on the maturity date thereof. Neither the securities nor moneys deposited with the

Fiscal Agent pursuant to the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Notes. The Fiscal Agent shall have no right, title or interest in, or lien on, any moneys or securities deposited as described in this paragraph.

After the payment or deemed payment of all the interest and principal of all Outstanding Notes as provided in the Resolution and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the County all moneys or securities held by it pursuant to the Resolution which are not required for the payment of the interest and principal represented by such Notes. Owners of Notes shall thereafter be entitled to payments due under the Notes only from amounts deposited with the Fiscal Agent as described under this heading "Defeasance of the Notes" and from no other source.

For the purposes described above, "Defeasance Securities" means any of the following:

- (i) Cash;
- (ii) United States Treasury Bonds, Notes and Certificates (including State and Local Government Series - "SLGS");
- (iii) Direct obligations of the United States Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;
- (iv) The interest component of Resolution Funding Corp strips which have been stripped by request to the Federal Reserve Bank of New York, in book entry form;
- (v) Obligations issued by the following agencies which are backed by the full faith and credit of the United States of America:
 - (a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
 - (b) Farmers Home Administration
Certificates of beneficial ownership
 - (c) Federal Financing Bank
 - (d) General Services Administration
Participation certificates
 - (e) United States Maritime Administration
Guaranteed Title XI financing
 - (f) United States Department of Housing and Urban Development
Project notes
Local Authority Certificates
New Communities Pool Notes - United States government guaranteed debentures
United States Public Housing Notes and Certificates - United States government guaranteed public housing notes and bonds.

Book-Entry Only System

The information herein describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and accredited by DTC while the Notes are registered in its nominee name. The information herein concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes 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 will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Fiscal Agent, on the 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 its nominee, the Fiscal Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is

the responsibility of the County or the Fiscal 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 securities depository with respect to the Notes at any time by giving reasonable notice to the County or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Notes are required to be printed and delivered.

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

The County and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal or interest with respect to the Notes paid to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The County and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or any error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Note and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters; and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Notes, together with other moneys, are anticipated to be applied as follows:

Sources:	
Principal Amount of Notes	\$
Original Issue Premium	
Other Sources of Funds	
Total Sources	<u>\$</u>
Uses:	
Redemption of 2009 Series C Notes	\$
Costs of Issuance ⁽¹⁾	
Total Uses	<u>\$</u>

⁽¹⁾ Includes Underwriters' discount, Bond Counsel fees, underwriters' counsel fees, rating agencies' fees, financial advisor fees, printing costs and other costs of issuing the Notes.

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 27 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 1.5% 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 to serve staggered four year terms. The Chair of the Board is elected annually by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

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

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

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

The Teeter Plan

With respect to collection of property taxes, the County has adopted the Teeter Plan which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan" for distribution of certain property tax and assessment levies on the secured roll.

Pursuant to the Law the County adopted the Teeter Plan in 1993. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes and 100% of the then-current year's secured roll levy. Supplemental taxes are currently excluded from the Teeter Plan.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two thirds of the participating districts in the county. An electing county may, however, determine to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

Taxing entities that are required to maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2009-10, approximately 54%, as a percentage of taxes levied, of all taxing entities participated in the Teeter Plan.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The appropriate amount in the fund is determined by one of two methods: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. Any amount in excess of the 1% or 25% level determined pursuant to either method of calculation may be credited to the County's General Fund. The County is currently governed by the first alternative, and this amount has consistently been sufficient to provide for any delinquencies.

Since 1997, the County has issued taxable and tax exempt notes from time to time, such as the Notes, to finance the County's obligations to make distributions to the Revenue Districts pursuant to the Teeter Plan, and to refund certain obligations of the County related to such obligations. From fiscal year 1997-98 through fiscal year 2006-07, the size of the Teeter Plan fluctuated between approximately \$24 million and \$90 million, producing annual net revenue to the County's General Fund of approximately \$14 million to \$25 million. In fiscal year 2006-07 and 2007-08, the Teeter Plan grew to approximately \$168.4 million and approximately \$266.6 million, respectively. The Teeter Plan was approximately \$163 million in fiscal year 2008-09. The Teeter Plan was approximately \$257.8 million in fiscal year 2009-10. The County estimates the Teeter Plan will be approximately \$208 million in fiscal year 2010-11.

In fiscal year 2007-08, the County and The Bank of Nova Scotia, acting through its New York Agency (the "Series B Bank") entered into a Reimbursement Agreement (the "Series B Reimbursement Agreement") pursuant to which the Series B Bank issued an irrevocable transferable direct-pay letter of credit (the "Series B Letter of Credit") to pay the principal of and interest on the County's Teeter Obligation Taxable Notes, Series B (the "Series B Notes") in the aggregate principal amount not to exceed \$186,000,000, which is equal to \$200,000,000 less interest at the maximum rate of 12%. The term of the Series B Letter of Credit ends November 5, 2012, unless extended or terminated earlier in accordance with its terms. The County has pledged the Series B Taxes to the payment of the Series B Notes and reimbursement obligations to the Series B Bank relating thereto.

“Series B Taxes” includes (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2010 and such other fiscal years, if any, as may be specified in a supplemental resolution, for which the County actually provides funding pursuant to the Law.

Concurrently with the issuance of the Notes and pursuant to the Resolution, the County issued its 2010 Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the “2010 Series B Notes”) in the aggregate principal amount of \$186,000,000. The 2010 Series B Notes are secured by Series B Taxes (as defined in the Resolution, described above) and are also payable from the County’s General Fund. The principal of and interest on the Series B Notes on their respective maturity dates are paid with amounts drawn upon the Series B Letter of Credit.

The Notes are not secured by the Series B Taxes or the Series B Letter of Credit. The Series B Notes are not the subject of this Official Statement.

In fiscal year 2008-09, since the initial cash flow requirement for the Teeter Plan exceeded the capacity of the Series B Letter of Credit, in addition to the Series B Notes, the County issued its 2008 Teeter Obligation Notes, Series C, in the aggregate principal amount of \$80,629,000 (the “2008 Series C Notes”). The 2009 Series C Notes were issued to refund the outstanding 2008 Series C Notes in the aggregate principal amount of \$71,300,000.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

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

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

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

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

Article XIII B of the State Constitution

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

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

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

The County's appropriations limit for the fiscal year 2009-10 was \$2,022,935,264 and the amount shown in its budget for that year as the appropriations subject to limitation was \$924,759,013. The County's appropriations limit for fiscal year 2010-11 is \$2,057,820,378 and the amount subject to the limitation is \$971,645,571.

Article XIII C and Article XIII D of the State Constitution

Articles XIII C and XIII D of the California Constitution were added in 1996. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific

purposes require a two-thirds vote. In addition, Article XIIC removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

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

Proposition 62

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

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

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

Right To Vote on Taxes Initiative; Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles 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 XIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund.

On September 20, 2006, an action was filed against the County challenging the validity of certain annual assessments imposed by the County. The action was entitled *Beutz v. County of Riverside* (RIC 457351) and challenged an annual assessment on certain residential property in the Wildomar area of the County within Wildomar Landscape Maintenance District 2006-1 (the "District"). 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 Articles XIIC and XIID 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. On May 26, 2010, the Court of Appeals reversed the judgment of the Superior Court, ruling that the assessment was invalid, and remanded the matter back to the Superior Court with directions to enter judgment in favor of the plaintiff and against the County. A rehearing was subsequently denied on June 24, 2010. The County does not believe that the adverse ruling in *Beutz* will have a material impact on the County's finances. On July 1, 2008 the Wildomar Landscape Maintenance District 2006-1 and the four associated parks became part of the newly incorporated City of Wildomar. Any future assessments will be imposed by the City of Wildomar on behalf of the District.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 fiscal year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may not enact such a shift more than once in any three year period and more than twice in any 10 year period. 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.

For fiscal year 2009-10, the State passed a property tax revenues shift pursuant to Proposition 1A. See "STATE OF CALIFORNIA BUDGET INFORMATION — State Budget Finances — Revised State Budget for 2009-10."

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

Assessment Appeals and Assessor Reductions

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In fiscal year 2009-10 the secured property tax roll declined by 10.5% from the prior year, and in fiscal year 2010-11 the secured tax roll declined by an additional 4.6% from fiscal year 2009-10. 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 the early fall and have the ability to file an appeal. The deadline for appeals in the County is November 30th. Current year appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. For fiscal year 2010-11 _____ properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the roll in the summer. See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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 and fiscal year 2010-11 proposed budget 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 consisted of payments from the State and 20% consisted 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 fiscal year 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.

2008-09 Mid-Year Cuts and 2009-10 State Budget. On February 19, 2009, Governor Schwarzenegger signed the State Budget for fiscal year 2009-10 (the "2009-10 Budget Act") as well as legislation implementing mid-year budget cuts for fiscal year 2008-09 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 caused the State's 2009-10 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 2009-10” 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) 0.25 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 would 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. On November 19, 2009, the California Statewide Communities Development Authority issued the \$1,895,000,000 California Statewide Communities Development Authority Revenue Bonds (State of California Proposition 1A Receivables Program) Series 2009 (the "Proposition 1A Bonds"). The County opted to sell its General Fund portion of Proposition 1A receivable from the State and received approximately \$38 million in Proposition 1A Bond proceeds. An estimate of the impact of Proposition 1A 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 2010-11 State Budget and May Revision. In May 2010, Governor Schwarzenegger released his May Revision to the proposed budget for fiscal year 2010-11 (as revised, the “2010-11 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 2010-11 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 2010-11 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 2010-11 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 2010-11 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 2010-11 Proposed Budget and May Revision. The LAO’s Overview of the 2010-11 Proposed State Budget released on January 12, 2010, and its Overview of the May Revision was released on May 19, 2010 (together, the “LAO 2010-11 Budget Overview”). The LAO

2010-11 Budget Overview highlights major components of the 2010-11 Proposed State Budget, including considerations for the Legislature as it moves forward. The LAO 2010-11 Budget Overview recognizes that, with billions of dollars of temporary budget solutions from fiscal year 2009-10 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 2010-11 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 rebenchs 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.

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes.

Limitations on Remedies; Bankruptcy

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the County, may become subject to the

following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Federal Income Tax Consequences

Certain federal income tax consequences of an investment in the Notes are discussed under "TAX MATTERS." Each prospective purchaser of the Notes should consult with his or her own tax advisor to determine the specific effects of an investment in the Notes based upon such prospective investor's particular tax situation.

Loss of Tax Exemption

Bond Counsel's form of opinion regarding the exclusion from gross income for federal income tax purposes of interest on the Notes appears as APPENDIX C herein. The County has covenanted in the Resolution to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, and has executed a Tax Certificate prepared by Bond Counsel and delivered by the County concurrently with the original delivery of the Notes as guidance for compliance with such provisions. The interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes as a result of acts or omissions of the County in violation of such covenants in the Tax Certificate. Should such an event of taxability occur, the Notes are not subject to redemption and will remain outstanding until maturity. See "TAX MATTERS" herein.

Economy of the County and the State

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

Not a Pledge of Taxes

The Notes are payable from the County's General Fund. The obligation of the County to pay the principal of and interest on the Notes does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation.

VALIDATION

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution and the Obligations issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County (the "Default Judgment"). The period allowed for appeal of such judgment by Sections 860 et seq. expired on October 14, 1997 without an appeal having been filed.

LITIGATION

As of the date of this Official Statement, to the best knowledge of the County, no litigation is pending or threatened (either in state or federal courts): (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Notes, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Notes or the adoption of the resolution, (C) in any way contesting the existence or powers of the County, or (D) which would have a material adverse affect on the ability of the County to make payments with respect to the Notes.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), 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 Notes 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. Bond Counsel is of the further opinion that interest on the Notes 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 opinion of Bond Counsel is set forth in Appendix C hereto.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the 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. Noteholders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) 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 short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations 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 with respect to tax-exempt short-term debt obligations, 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 short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the prospective purchaser elects original issue discount treatment.

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 Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes 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 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond 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 Bond 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 Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the Notes 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 Notes may otherwise affect a Noteholder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals (if enacted into law), clarification of the Code, or court decisions may cause interest on the Notes 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, clarification of the Code, or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations, and litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond 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.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond 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 or notes is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds or notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the County or the Noteholders to incur significant expense.

In issuing its opinions as to the validity of the Notes, Bond Counsel relied, and will rely, upon the Default Judgment.

RATINGS

[Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch")] have assigned ratings of ["___"] and ["___"], respectively, to the Notes. Such ratings reflect only the views of such rating organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Fitch, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes. The County undertakes no responsibility either to bring to the attention of the owners of the Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal.

FINANCIAL ADVISOR

C.M. deCrisis & Co., Inc., Los Angeles, California, has served as the Financial Advisor to the County in connection with the execution and delivery of the Notes. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

The Notes are being purchased by Barclays Capital Inc. and Citigroup Global Markets Inc., as underwriters (collectively, the "Underwriters"), pursuant to a Purchase Contract with the County (the "Purchase Contract"). The Underwriters have agreed, subject to certain conditions, to purchase the Notes at a purchase price equal to \$ _____ (representing the par amount of the Notes, plus an original issue premium of \$ _____, and less an Underwriters' discount of \$ _____). The Purchase Contract relating to the Notes provides that the Underwriters will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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 — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2009" attached hereto.

CONTINUING DISCLOSURE

The County has agreed, in a Continuing Disclosure Certificate executed by the County in connection with the issuance of the Notes, to report the occurrence of specified "Material Events" to the Municipal Securities Rulemaking Board through EMMA, its Electronic Municipal Market Access System. Material Events include any of the following events: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) adverse tax opinions or events affecting the tax-exempt status of the security; (4) modifications to rights of security holders; (5) certain security prepayments; (6) defeasances; and (7) rating changes.

The County's obligations under the Certificate terminate upon (i) payment in full of all of the Notes or (ii) in the event that the County receives an opinion of nationally recognized bond counsel, to the effect that those portions of SEC Rule 15c2-12(b)(5) (the "Rule") which require the Certificate do not or no longer apply to the Notes.

These covenants have been made in order to assist the Underwriters in complying with the Rule. The County has not failed in the last five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

CERTAIN LEGAL MATTERS

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick Herrington & Sutcliffe, LLP, San Francisco, California, Bond Counsel. The opinion of Bond Counsel will be delivered with the Notes in substantially the form set forth in APPENDIX C hereto. Bond Counsel takes no responsibility for the fairness, accuracy or completeness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, Newport Beach, California, and for the County by County Counsel.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. 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 affairs in the County since the date hereof. Copies of the Resolution are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Finance Director.

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 A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

DEMOGRAPHIC AND ECONOMIC INFORMATION.....2
Population2
Effective Buying Income4

INDUSTRY AND EMPLOYMENT5
Commercial Activity6
Building and Real Estate Activity8
Agriculture9
Transportation10
Education11
Environmental Control Services11

FINANCIAL INFORMATION12
Budgetary Process and Budget.....12
Fiscal Year 2009-10 Adopted Budget.....12
Mid-Year Developments and Adjustments13
Fiscal Year 2010-11 Proposed Budget.....14
Impacts of State Budget14
Final Budget Comparison16
Riverside County Treasurer’s Pooled Investment Fund17
Ad Valorem Property Taxes.....19
Teeter Plan24
Largest Taxpayers25
Other Taxing Entities25
Redevelopment Agencies.....26
Financial Statements and Related Issues.....28
Long-Term Obligations of County30
Lease Obligations.....32
Interest Rate Swap Agreements34
Employees.....35
Retirement Program36
Medical Center44
Insurance45
Litigation46

GENERAL INFORMATION

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,139,535 as of January 1, 2010, representing a 38.4% increase since the 2000 Census or a simple annual average increase of 3.8%.

Numerically, the County's population grew by over one-half million, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 57,000 to its population. This is followed by Riverside (48,885), Temecula (47,313), Moreno Valley (46,156), Indio (34,559), Corona (25,450), Beaumont (22,833), Lake Elsinore (22,055) and La Quinta (20,727). The city of Beaumont experienced the most rapid growth rate with a population increase of 200.6%. Several areas in the unincorporated County also grew rapidly. These include Eastvale, Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. The Cities of Menifee and Wildomar incorporated October 1, 2008 and July 1, 2008, respectively. On June 8, 2010 voters approved "Measure A," which was a measure for incorporation of the new City of Eastvale. Eastvale will incorporate effective October 1, 2010 and become Riverside County's 27th incorporated city. Currently, the growth in the County has tempered due to the economy. Between January 1, 2009 and January 1, 2010, the County population increased by 1.4%. Although this rate is far below the average for this decade, it is above the statewide average.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

**COUNTY OF RIVERSIDE
POPULATION OF CITIES WITHIN THE COUNTY
(As of January 1)**

<u>CITY</u>	<u>2000</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Banning	23,562	28,234	28,193	28,551	28,751
Beaumont	11,384	28,216	31,308	32,448	34,217
Blythe	20,465	22,609	21,621	21,346	21,812
Calimesa	7,139	7,433	7,417	7,504	7,555
Canyon Lake	9,952	10,957	10,990	11,143	11,225
Cathedral City	42,647	52,046	51,945	52,508	52,841
Coachella	22,724	38,434	40,292	41,043	42,591
Corona	124,966	145,848	146,620	148,770	150,416
Desert Hot Springs	16,582	24,857	25,926	26,584	26,811
Hemet	58,812	73,011	73,644	74,931	75,820
Indian Wells	3,816	4,934	4,997	5,099	5,144
Indio	49,116	77,047	80,920	82,325	83,675
Lake Elsinore	28,928	47,567	49,528	50,324	50,983
La Quinta	23,694	41,040	42,721	43,830	44,421
Menifee	-	0	0	67,819	68,905
Moreno Valley	142,381	180,227	182,845	186,515	188,537
Murrieta	44,282	97,034	99,527	100,835	101,487
Norco	24,157	27,333	27,134	27,189	27,370
Palm Desert	41,155	49,718	50,660	51,570	52,067
Palm Springs	42,807	46,795	46,992	47,653	48,040
Perris	36,189	50,598	53,312	54,387	55,133
Rancho Mirage	13,249	16,736	16,741	16,938	17,008
Riverside	255,166	291,814	296,038	300,769	304,051
San Jacinto	23,779	34,300	35,475	36,521	36,933
Temecula	57,716	97,131	99,809	102,713	105,029
Wildomar	-	-	-	31,374	31,907
TOTALS					
Incorporated	1,116,358	1,493,561	1,493,919	1,524,655	1,672,729
Unincorporated	<u>429,029</u>	<u>536,754</u>	<u>536,135</u>	<u>552,528</u>	<u>466,806⁽¹⁾</u>
County-Wide	<u>1,545,387</u>	<u>2,030,315</u>	<u>2,030,054</u>	<u>2,077,183</u>	<u>2,139,535</u>
California	33,871,648	37,472,074	37,463,609	37,871,509	38,648,090

⁽¹⁾ Includes the City of Eastvale, which was approved to be incorporated in June, 2010 and is roughly squared between Interstate 15 and California State Routes 91, 60 and 71. The initial population of the City of Eastvale is approximately 47,600.

Source: U.S. Census Bureau for 2000, State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark) for 2007-2010.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2004 through 2008.

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

	Total Effective Buying Income⁽²⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
2004			
Riverside County	\$ 29,468,208	\$40,275	37.1%
California	\$705,108,410	\$43,915	42.5%
2005			
Riverside County	\$ 32,004,418	\$41,326	38.9%
California	\$720,798,122	\$44,681	43.7%
2006			
Riverside County	\$ 35,656,620	\$43,490	41.8%
California	\$764,120,082	\$46,275	45.6%
2007			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%
2008			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: “Survey of Buying Power,” Sales & Marketing Management Magazine, 2004, 2005, 2007 and 2008 and Demographics USA, Trade Dimensions for 2006. 2009 not yet available.

INDUSTRY AND EMPLOYMENT

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY⁽¹⁾ (IN THOUSANDS)

<u>INDUSTRY</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agriculture	18.3	17.3	16.4	15.9	15.2
Construction	123.3	127.5	112.5	90.7	67.4
Finance Activities	49.0	51.6	50.2	46.7	43.6
Government	220.4	222.5	225.3	229.9	227.3
Manufacturing:	121.0	123.4	118.5	106.9	88.5
Nondurables	35.0	36.5	36.5	34.3	30.4
Durables	86.1	86.9	82.1	72.5	58.1
Natural Resources and Mining	1.4	1.4	1.3	1.2	1.2
Retail Trade	165.7	173.2	175.6	168.6	154.9
Professional, Educational and other Services	416.5	435.0	445.8	440.7	419.6
Transportation, Warehousing and Utilities	60.2	63.8	69.5	70.2	66.5
Wholesale Trade	49.9	54.2	56.8	54.1	48.3
Information, Publishing and Telecommunications	<u>14.5</u>	<u>15.3</u>	<u>15.4</u>	<u>14.9</u>	<u>14.8</u>
Total, All Industries	1,240.3	1,285.0	1,287.3	1,239.7	1,147.1

⁽¹⁾ The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.

Source: State Employment Development Department, Labor Market Information Division.

The following table sets forth the major employers located in the County as of 2010:

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

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees⁽²⁾</u>
County of Riverside	County Government	17,467 ⁽³⁾
March Air Reserve Base	Government/Military	8,600
University of California, Riverside	Educational Institution	7,321
Stater Bros. Markets	Supermarket Retailer	6,900
Wal-Mart	Retail Store	6,550
Riverside Unified School District	School District	5,099
Abbott Vascular	Medical & Biotech Manufacturer	4,500
Pechanga Resort & Casino	Casino/Resort	4,000
Kaiser Permanente Riverside Medical Center	Healthcare	3,600
Temecula Valley Unified School District	School District	2,752

⁽¹⁾ Certain major employers in the County may have been excluded because of the data collection methodology used by The Business Press.

⁽²⁾ Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

⁽³⁾ As of August 30, 2010. See "— Employees" herein.

Source: The Business Press 2010 Book of Lists

Unemployment statistics for the County, the State and the United States are set forth in the following table.

**COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>July 2010</u>
County ⁽¹⁾	6.0%	5.4%	5.0%	6.0%	8.5%	13.6%	15.3% ⁽²⁾
California ⁽¹⁾	6.2	5.4	4.9	5.3	7.2	11.4	12.8 ⁽²⁾
United States	5.5	5.1	4.6	4.6	5.8	9.3	9.5 ⁽³⁾

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

⁽²⁾ Preliminary.

⁽³⁾ Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the

Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2004 through 2008 (information for 2009 is not yet available):

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Apparel Stores	\$ 867,276	\$ 990,129	\$ 1,080,385	\$ 1,171,013	\$ 1,121,543
General Merchandise Stores	2,756,019	3,021,908	3,250,377	3,272,665	3,081,989
Drug Stores	270,316	282,566	303,177	320,469	307,947
Food Stores	1,079,972	1,197,438	1,309,782	1,352,609	1,254,366
Packaged Liquor Stores Eating and Drinking Places	66,728 1,940,610	74,828 2,157,801	78,895 2,316,422	84,397 2,388,039	98,338 2,340,554
Home Furnishing and Appliances	862,551	964,629	948,217	843,945	816,379
Building Materials & Farm Implements	2,476,092	2,756,280	2,738,153	1,961,911	1,435,337
Auto Dealers & Supplies	4,179,940	4,474,566	4,326,040	4,301,385	3,115,036
Service Stations	1,855,263	2,277,082	2,630,716	2,835,690	3,011,476
Other Retail Stores	<u>2,361,182</u>	<u>2,641,985</u>	<u>2,860,181</u>	<u>2,710,393</u>	<u>2,106,283</u>
Retail Stores Total	\$18,715,949	\$20,839,212	\$21,842,345	\$21,242,516	\$18,689,249
All Other Outlets	<u>6,521,199</u>	<u>7,417,279</u>	<u>7,973,892</u>	<u>7,781,093</u>	<u>7,314,346</u>
Total All Outlets	<u>\$25,237,148</u>	<u>\$28,256,491</u>	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$26,003,595</u>

Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2005.

COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS (IN THOUSANDS)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
RESIDENTIAL					
New Single-Family	\$6,243,790	\$4,412,257	\$2,207,320	\$1,214,752	\$ 892,790
New Multi-Family	407,429	431,579	238,316	243,741	75,756
Alterations and Adjustments	<u>164,312</u>	<u>158,098</u>	<u>141,996</u>	<u>118,490</u>	<u>85,148</u>
Total Residential	\$6,815,531	\$5,001,934	\$2,587,832	\$1,576,983	\$1,053,694
NON-RESIDENTIAL					
New Commercial	\$ 552,665	\$ 648,068	\$ 682,331	\$ 539,944	\$ 94,651
New Industry	120,366	288,353	184,506	70,411	12,278
New Other ⁽¹⁾	344,702	290,010	240,765	138,766	107,332
Alterations & Adjustments	<u>274,339</u>	<u>303,407</u>	<u>350,539</u>	<u>292,694</u>	<u>162,558</u>
Total Nonresidential	\$1,292,072	\$1,529,838	\$1,458,141	\$1,041,815	\$ 376,819
TOTAL ALL BUILDING	<u>\$8,107,603</u>	<u>\$6,531,772</u>	<u>\$4,045,973</u>	<u>\$2,618,798</u>	<u>\$1,430,513</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and no-residential alterations and additions.

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Single Family	29,994	20,692	9,763	3,815	3,431
Multi-Family	<u>4,140</u>	<u>4,519</u>	<u>2,690</u>	<u>2,104</u>	<u>759</u>
TOTAL	<u>34,134</u>	<u>25,211</u>	<u>12,453</u>	<u>5,919</u>	<u>4,190</u>

Source: Construction Industry Research Board.

The following table sets forth a comparison of median housing prices for Los Angeles County, Riverside County and Southern California as of July 2009 and July 2010.

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

	<u>July 2009</u>	<u>July 2010</u>	<u>Percent change</u>
County of Riverside	\$185,000	\$200,000	8.1%
Los Angeles County	321,000	339,000	5.6
Southern California ⁽¹⁾	268,000	295,000	10.1

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years and quarters indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California⁽¹⁾</u>
2004	901	348	697	2,221
2005	585	304	402	1,702
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,423	23,557	125,056
2009	30,285	25,500	19,714	100,970

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains a leading source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2005 through 2009 is presented in the following table.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

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

Source: Riverside County Agricultural Commissioner

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Anaheim. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm

Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronio Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District also provide supplemental water to cities and agencies within the County.

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

Due to the ongoing drought conditions and water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of

water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

Flood Control. Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method of sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under State law, the County must approve a recommended budget by June 30 and an adopted budget by October 2, which must be balanced. Subsequent to the approval of the adopted budget, the County makes adjustments during the course of the fiscal year to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in the end of the first, second and third quarters.

Fiscal Year 2009-10 Adopted Budget

The County adopted its fiscal year 2009-10 budget on June 30, 2009. This budget approved total general fund appropriations of \$2.5 billion. Such appropriations were for primary County services including public protection, health and sanitation, and public assistance. These three areas comprised approximately 90% of the County's total anticipated general fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For fiscal year 2009-10, approximately 40% of the County's general fund revenue consisted of payments from the State and 21% consisted of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 26% of the County's general fund revenue consisted of wholly discretionary revenue. The County generally uses discretionary revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection that are not otherwise funded by trial court funding from the State or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were estimated at \$110.5 million in fiscal year 2009-10. General sales tax receipts for the County were estimated at \$25.6 million in fiscal year 2009-10. Preliminary, unaudited final receipts for sales tax equal \$258 million and for Proposition 172 equal approximately \$110.2. million.

As of June 30, 2010, preliminary, unaudited final general fund figures will have a balance of approximately \$361 million or 14% of the total general fund expenditures. This amount includes \$80 million of reserved fund balance, approximately \$212 million of designated fund balance, and approximately \$69 million of unreserved fund balance. The Board recognizes the need to increase or at least preserve these reserves, and is exploring options to boost reserves.

Final figures for the 2009-10 fiscal year are preliminary and unaudited but reflect an approximate 13.3% reduction in discretionary revenue compared to the prior fiscal year, mainly due to decreased property tax revenue. The County's general fund expenses for fiscal year 2009-10 decreased by approximately 8.1% from the prior fiscal year, supported in part by reserves and designations. The County planned to and used reserves to compensate for revenue shortfalls in fiscal year 2009-10. The County's approved budget for fiscal year 2010-11 includes the further use of approximately \$62 million in discretionary reserves. The County preliminarily expects to restore a structurally balanced budget during fiscal year 2011-12.

Fiscal Year 2009-10 Mid-Year Developments and Adjustments

The County's financial condition has been negatively impacted since June 30, 2009 due to the continued economic downturn. The County's discretionary revenue estimates decreased by \$20 million between July 1, 2009 and September 30, 2009, as reported in the fiscal year 2009-10 First Quarter Budget Report. The County responded by making a downward adjustment to its projected property tax, sales tax and public safety sales tax estimates, which was offset by a draw on general-fund contingency. The County also estimated approximately \$633,000 in reductions in cash receipts from the state from various proposals, in addition to loss of revenues due to Proposition 1A (2004) (see "—Impacts of State Budget" below).

The Board of Supervisors has issued quarterly reports monitoring developments impacting revenues and expenditures in the 2009-10 budget, and adjusted the budget as necessary. On May 4, 2010, the County Executive Officer released the fiscal year 2009-10 Third Quarter Budget Report (the "Budget Report"). Unlike the first two quarters of fiscal year 2009-10, the County did not report any new significant revenue declines. County departments continued to implement cost-cutting efforts to meet fiscal year 2009-10 spending targets. The County reports preliminary, unaudited final discretionary revenue for fiscal year 2009-10 to be \$625 million, reflecting a \$24.2 million decline from the original 2009-10 final budget. Estimates in the approved fiscal year 2010-11 budget are that discretionary revenue will decrease by approximately \$33 million to \$592 million in fiscal year 2010-11.

To offset the additional current year declines in revenue, the County used a combination of reserves and general-fund contingency. Funds remaining in the contingency budget at the end of each fiscal year are utilized to reestablish contingency in the following fiscal year's budget. The County's contingency fund was funded at \$30 million in the original fiscal year 2009-10 budget, and is funded at \$20 million in the 2010-11 budget.

Fiscal Year 2010-11 Adopted Budget

The County's Board approved the fiscal year 2010-11 Budget on August 10, 2010. The fiscal year 2010-11 Adopted Budget includes total general fund appropriations of approximately \$2.4 billion. Such appropriations are for primary County services including public protection, health

and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy to begin to stabilize in fiscal year 2010-11 but does not expect additional revenue to be available to expand services. However, the County believes additional revenue losses are likely, especially with respect to property taxes. For fiscal year 2010-11, approximately 39% of the County's general fund revenue is expected to consist of payments from the State and 19% will consist of payments from the Federal government. The County expects that approximately 24% of the County's general fund revenue will consist of discretionary revenue. The County projects that discretionary revenue will decrease by \$17 million to \$592 million for fiscal year 2010-11.

The assessed valuation of taxable property is expected to decrease by approximately 4.5%, leading to a decrease of approximately \$18 million of property tax revenue, in fiscal year 2010-11. Sales tax receipts in fiscal year 2010-11 for the County from the 1/2 cent levy pursuant to Proposition 172 are estimated to stabilize at approximately \$110 million. General sales tax receipts for the County are expected to be approximately \$23 million, a reduction of more than \$2.6 million from the prior year.

The County's budget estimates for fiscal year 2010-11 anticipate a structural deficit of approximately \$62 million. The 2010-11 budget solution incorporates budget cuts of \$68 million and the use of reserves in the amount of approximately \$62 million.

Impacts of State Budget

The State is currently facing an expanding deficit. Developments to the State budget may also significantly impact the County's finances. Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. The State budget included this shift for fiscal year 2009-10 as allowed by Proposition 1A. The County experienced a reduction in its revenues of approximately \$45 million in fiscal year 2009-10 as a result of this shift, as discussed below.

**COUNTY OF RIVERSIDE
FISCAL YEAR 2009-10 REVENUES WERE
SUBJECT TO STATE SUSPENSION PURSUANT TO PROPOSITION 1A**

<u>Component</u>	<u>Amount</u>
8% Property Tax	\$26,200,000
Sales Tax Triple Flip	800,000
Property Tax in Lieu of VLF	<u>17,800,000</u>
Total	\$44,800,000

Approximately \$44.8 million in fiscal year 2009-10 revenues subject to Proposition 1A includes approximately \$38 million in General Fund revenues of the County. On November 19, 2009, the California Statewide Communities Development Authority issued the \$1,895,000,000 California Statewide Communities Development Authority Revenue Bonds (State of California Proposition 1A Receivables Program) Series 2009 (the "Proposition 1A Bonds"). The County opted to sell its General Fund portion of Proposition 1A receivable from the State and received

approximately \$38 million in Proposition 1A Bond proceeds. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Proposition 1A” and “STATE OF CALIFORNIA FINANCIAL INFORMATION– State Budget Finances — Revised State Budget for 2009-10.”

It is not known at this time what steps the State will take with respect to the 2010-11 State budget that will affect the County’s finances. Deferrals of payments and shifting other costs to local governments are always under consideration, and could negatively impact the County’s revenue requiring additional changes to the budget.

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2010-11 budget. Deferrals in State payments may jeopardize the County’s ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

Beginning July 2, 2009, the State Controller began issuing registered warrants (“IOUs”) to local governments for social services, private contractors, State vendors, taxpayers entitled to income and corporate tax refunds, and for payment for other State operations. The County had received approximately \$7.6 million in IOU’s from the State. As of October 15, 2009, the IOUs have been repaid in full. The State may issue additional IOUs to the County in the future; however, the County cannot determine the amounts of these additional IOUs at this time.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2010-11 Adopted Budget from time to time.

Final Budget Comparison

The following table compares the final general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, the budget is amended to reflect actual receipts and expenditures.

**COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2005-06, 2006-07, 2007-08, 2008-09 AND 2009-10
(IN MILLIONS)**

	2005-06	2006-07	2007-08	2008-09	2009-10
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
<u>REQUIREMENTS</u>					
General Government	\$ 175.5	\$ 217.58	\$ 279.30	\$ 238.6	\$ 239.2
Public Protection	815.5	947.66	1,032.48	1,132.0	1,055.2
Public Ways and Facilities	4.5	6.62	6.79	2.1	2.2
Health and Sanitation	394.3	381.17	410.68	392.3	295.2
Public Assistance	640.7	663.05	721.38	791.1	815.5
Education	.3	0.39	0.49	0.6	0.4
Recreation and Cultural	.2	0.31	0.29	0.3	0.3
Debt Retirement-Capital Leases	34.9	10.87	14.82	22.3	6.8
Contingencies	20.0	32.08	32.15	34.8	30.0
Increase (Decrease) Reserves	23.8	6.15	8.92	5.0	(12.8)
Total Requirements ⁽⁴⁾	<u>\$2,109.7</u>	<u>\$2,265.88</u>	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>
<u>AVAILABLE FUNDS</u>					
Use of Fund Balance and Reserves	\$ 62.1	\$ 22.66	\$ 33.43	\$ 107.1	\$ 112.8
Estimated Revenues:					
Property Taxes ⁽²⁾	165.6	214.16	262.61	287.2	244.9
Other Taxes ⁽²⁾	58.6	77.54	71.06	49.1	46.1
Licenses, Permits and Franchises	23.1	29.71	31.63	24.9	20.7
Fines, Forfeitures and Penalties	46.1	48.26	51.99	60.6	55.7
Use of Money and Properties	24.3	53.51	53.16	29.7	13.5
Aid from Other Governmental Agencies:					
State	755.1	842.83	938.46	991.8	962.0
Federal	418.9	415.25	444.70	465.4	511.1
Charges for Current Services	361.0	424.61	462.26	385.1	452.7
Other Revenues	194.9	137.33	158.01	217.9	112.5
Total Available Funds ⁽³⁾	<u>\$2,109.7</u>	<u>\$2,265.86</u>	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>

(1) Excludes mid-year amendments or adjustments.

(2) Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2005-06 Budget, the 2008-09 Budget and the 2009-10 Budget, and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.

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

Source: County Auditor-Controller.

Riverside County Treasurer's Pooled Investment Fund

The following information concerning the Riverside County Treasurer's Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the County or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of August 31, 2010, the portfolio assets comprising the PIF had a market value of \$_____.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2009, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, mandatory deposits constituted approximately 83.02% of the funds on deposit in the County Treasury, while approximately 16.98% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2009 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of August 31, 2010, were as follows:

	<u>Market Value</u>	<u>% of Pool</u>
Federal Agency Securities	\$	%
Cash Equivalents & Money Market Funds		
Commercial Paper		
Negotiable Certificates of Deposit		
Medium Term Notes		
Municipal Bonds		
Certificates of Deposit		
U.S. Treasury Bonds		
Local Agency Obligations ⁽¹⁾		
Total	\$	
Weighted Average Yield:		%
Weighted Average Maturity:		years

⁽¹⁾ Represents County obligations issued by the Riverside District Court Financing Corporation and the County of Riverside Asset Leasing Corporation, and bond anticipation notes issued by the Redevelopment Agency of the County of Riverside.

Source: County Treasurer-Tax Collector.

As of August 31, 2010, the market value of the PIF was ____% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was organized to conform to California Government Code Section 27310 requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa/MR1" from Moody's Investors Service and "AAA/V1+" rating from Fitch Ratings. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

General. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A \$31 cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the \$31 cost, a \$30 per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer – Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 1998-99 through fiscal year 2010-11.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 1998-99 THROUGH 2010-11
SECURED PROPERTY TAX ROLL⁽¹⁾**

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30⁽²⁾	Total Collections⁽³⁾	Percentage of Total Collections to Current Levy
1998-99	\$ 964,844,205	\$ 39,123,776	4.05%	\$1,015,412,511	105.24%
1999-00	1,020,377,070	34,509,599	3.38	1,076,947,278	105.54
2000-01	1,106,323,882	40,719,497	3.68	1,132,998,817	102.41
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,663,512,167	N/A	N/A	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

⁽³⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

<u>Fiscal Year</u>	<u>Unsecured Property Tax Levy</u>	<u>Total Collections⁽²⁾</u>	<u>Percentage of Total Collections to Original Levy</u>
1998-99	\$ 34,146,467	\$ 34,811,411	101.95%
1999-00	37,937,325	38,540,297	101.59
2000-01	44,069,979	42,217,300	95.80
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.33
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,578,154	95.35
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527 ⁽³⁾	100.33
2010-11	86,326,418	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Includes current and prior years' redemptions, penalties and interest.

Source: County Auditor-Controller

State legislation enacted in 1984 established the "supplemental roll," which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following table describes the supplemental tax roll of the County for fiscal year 1999-2000 through fiscal year 2010-11.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1999-2000 THROUGH 2010-11**

<u>Fiscal Year</u>	<u>Tax Levy for Increased Assessments^{(1),(2)}</u>	<u>Refunds for Decreased Assessments⁽¹⁾⁽³⁾</u>	<u>Net Tax Levy</u>	<u>Collections^{(1),(2)}</u>
1999-00	\$ 48,702,588	\$ 4,387,767	\$ 44,314,821	\$ 49,125,986
2000-01	54,057,911	3,282,783	50,775,128	40,942,746
2001-02	68,229,225	2,080,315	66,148,910	58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 ⁽⁴⁾	60,817,712	46,478,150	14,339,562	74,316,444
2009-10 ⁽⁵⁾	27,019,730	35,212,651	(8,192,922)	19,632,809

(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.

(2) Includes current and prior years' taxes, redemption penalties and interest collected.

(3) Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.

(4) Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.

(5) Net tax levy resulted in a negative amount as Refunds on Negative Extensions exceeded the Tax Levy for increased assessments.

Source: County Auditor-Controller/County Treasurer and Tax Collector.

The following table sets forth the assessed valuation by category and property type for fiscal year 2005-2006 through fiscal year 2010-11.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2005-06 THROUGH 2010-11
(IN MILLIONS)

Category	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
SECURED PROPERTY:						
Land	\$ 52,819	\$ 66,302	\$ 77,403	\$ 82,908	\$ 70,165	\$ 65,877
Structures	107,234	130,830	155,847	152,908	140,608	132,431
Personal Property	783	803	1,476	1,510	1,349	819
Utilities	<u>2,286</u>	<u>2,614</u>	<u>2,807</u>	<u>3,154</u>	<u>2,907</u>	<u>3,019</u>
Total Secured	\$163,122	\$200,549	\$237,533	\$240,480	\$215,029	\$202,146
UNSECURED PROPERTY:						
Land	\$ 4	\$ 3	\$ 9	\$ 16	\$ 2	\$ 14
Improvements	2,709	2,839	3,199	3,866	3,761	3,748
Personal Property	<u>3,308</u>	<u>3,571</u>	<u>3,996</u>	<u>4,426</u>	<u>4,145</u>	<u>4,049</u>
Total Unsecured ⁽²⁾	\$ 6,021	\$ 6,413	\$ 7,204	\$ 8,308	\$ 7,908	\$ 7,811
Grand Total	\$169,143	\$206,962	\$244,737	\$248,788	\$222,937	\$209,957

⁽¹⁾ Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

⁽²⁾ Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor.

Housing prices in the County declined in 2007 and 2008 and stabilized in 2009. See "Demographic and Economic Information-Building and Real Estate Activities" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in market values call for such reductions.

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The

fiscal year 2008-09 and 2009-10 budgets incorporate these Prop 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In addition, in fiscal year 2010-11, the Assessor plans to proactively review all residential properties purchased after January 1, 1999 and estimates that such review will encompass approximately 400,000 properties.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2009-10 totaling approximately \$11.8 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$1.2 billion of assessed value, representing \$10.2 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2008-09 and fiscal year 2009-10. The majority of appeals applicable to fiscal year 2008-09 have been completed. The remainder of the fiscal year 2008-09 and the fiscal year 2009-10 assessment appeals are expected to be completed by November 30, 2010.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2010-11 budget will be determined primarily by three components: (i) the remainder of the fiscal year 2008-09 and fiscal year 2009-10 assessment appeals still to be completed; and (ii) a portion of the fiscal year 2010-11 appeals being completed during fiscal year 2010-11.

Teeter Plan

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County. See "THE COUNTY — The Teeter Plan" for more information regarding the Teeter Plan.

Largest Taxpayers

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

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

<u>Taxpayer</u>	<u>Total Taxes Levied</u>	<u>Percentage of Total Tax Charge</u>
Deutsche Bank National Trust Company	\$7,609,656.58	0.27%
U.S. Bank National Association	5,420,268.68	0.19
Centex Homes	4,586,374.30	0.16
Bank of New York	3,744,285.96	0.13
Tyler Mall Ltd Partnership	3,269,642.00	0.12
Federal National Mortgage Assn	3,138,056.80	0.11
HSBC Bank USA	3,016,516.04	0.11
Wells Fargo Bank	3,003,731.26	0.11
KB Home Coastal Inc	2,787,685.88	0.10
Federal Home Loan Mortgage Corp.	2,780,201.86	0.10
Lowes HIW Inc	2,718,321.62	0.10
Standard Pacific Corp	2,697,067.00	0.10
Walgreen Co	2,531,508.62	0.09
Ashby USA	2,520,493.08	0.09
KSL Desert Resort	2,421,064.60	0.09
BRE Prop Inc	2,322,109.38	0.08
Palm Desert Funding Co	2,285,401.90	0.08
Costco Wholesale Corp	2,283,373.62	0.08
Pardee Homes	2,262,596.34	0.08
Target Corp	2,224,647.46	0.08
DS Hotel	2,132,301.46	0.08
Worldmark The Club	1,977,363.96	0.07
Wal Mart Real Estate Business Trust	1,941,915.94	0.07
Watson Laboratories Inc.	1,896,075.04	0.07
Dos Lagos Lifestyle Center	<u>1,884,992.38</u>	<u>0.07</u>
<u>TOTAL</u>	<u>\$73,455,651.76</u>	<u>2.63%</u>

Source: County Treasurer and Tax Collector.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2008-09, the County retained approximately 12.7% of the total amount collected (and is budgeted to retain 12.5% in fiscal

year 2009-10). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies.

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 1998-99 THROUGH 2009-10**

<u>Fiscal Year</u>	<u>Frozen Base Value</u>	<u>Full Cash Value Increments⁽¹⁾</u>	<u>Total Tax Allocations⁽²⁾</u>
1998-99	\$ 9,198,183,768	\$15,066,118,043	\$152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171
2000-01	10,966,072,778	20,127,612,843	203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,197
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,899,706 ⁽³⁾	57,165,641,149	589,514,878 ⁽⁴⁾

(1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.

(2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.

(3) County report of increment of assessed district value for fiscal year 2010-11.

(4) Includes general purpose and debt.

Source: County Auditor-Controller.

The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency. In the early years of redevelopment the amount "passed through" by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County has formed a redevelopment agency with project areas in 41 unincorporated communities. As of June 30, 2009, the County Redevelopment Agency had a total land area of 76,386 acres and a base year assessed value, including State-owned land, of \$3,264,708,812. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2009-10 is estimated at approximately \$9,342,039 (based on average county share of 13% of the 1% general property tax).