

Financial Statements and Related Issues

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2008-09 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2009, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2004-05 THROUGH 2008-09
(In Thousands)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
BEGINNING FUND BALANCE	\$ 249,053	\$ 339,321 ⁽¹⁾	\$ 446,918	\$ 570,964	\$ 481,776 ⁽¹⁾
REVENUES					
Taxes	219,420	273,493	301,573	309,295	274,480
Licenses, permits and franchises	22,157	21,569	25,803	24,525	19,840
Fines, forfeitures and penalties	70,023	62,305	81,148	90,788	107,147
Use of money and property – Interest	21,126	42,826	62,848	61,623	33,414
Use of money and property – Rents and concessions	4,253	4,131	2,805	2,578	3,157
Government Aid – State	660,761	785,390	893,390	905,998	908,334
Government Aid – Federal	395,655	395,105	430,606	473,731	472,210
Governmental Aid-Other	55,661	69,042	81,703	95,808	95,812
Charges for current services	293,581	326,066	319,198	358,767	364,649
Other revenues	<u>82,334</u>	<u>13,936</u>	<u>38,856</u>	<u>29,308</u>	<u>36,149</u>
TOTAL REVENUES	\$1,824,971	\$1,993,863	\$2,237,932	\$2,352,421	\$2,315,192
EXPENDITURES					
General government	\$ 105,992	\$ 123,716	\$ 119,365	\$ 145,290	\$ 146,816
Public protection	742,550	798,035	916,524	1,032,582	1,062,437
Public ways and facilities	3,430	3,930	4,405	4,717	4,378
Health and sanitation	279,472	337,139	341,467	368,753	382,588
Public assistance	569,412	588,928	644,912	704,404	719,328
Education	332	349	394	464	675
Recreation and cultural	175	203	203	206	230
Capital Outlay	6,616	7,929	8,811	8,670	22,746
Debt service	<u>36,119</u>	<u>33,576</u>	<u>29,751</u>	<u>26,132</u>	<u>22,501</u>
TOTAL EXPENDITURES	\$1,744,098	\$1,893,805	\$2,065,932	\$2,291,218	\$2,361,699
Excess (deficit) of revenues over (under) expenditures	80,873	100,058	172,000	61,203	(46,507)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 69,014	\$ 103,586	\$ 89,449	\$ 104,892	\$ 99,825
Transfer to other funds	(53,102)	(104,172)	(146,214)	(269,961)	(185,719)
Capital Leases	<u>6,616</u>	<u>8,125</u>	<u>8,811</u>	<u>8,670</u>	<u>22,746</u>
Total other Financing Sources (Uses)	22,528	7,539	(47,954)	(153,399)	(63,148)
NET CHANGE IN FUND BALANCES	103,401	107,597	124,046	(92,196)	(109,655)
FUND BALANCE, END OF YEAR	352,454	446,918	570,964	478,768	372,121
Less:					
Reserved Fund Balance	121,249	100,436	88,233	84,466	91,196
Designated Fund Balance	<u>185,014</u>	<u>277,833</u>	<u>339,773</u>	<u>335,630</u>	<u>203,821</u>
UNDESIGNATED UNRESERVED FUND BALANCE	<u>\$ 46,191</u>	<u>\$ 68,649</u>	<u>\$ 142,958</u>	<u>\$ 58,672</u>	<u>\$ 77,104</u>

⁽¹⁾ Beginning fund balance 2005-06 does not equal prior year ending fund balance due to an equity restatement. Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2005 THROUGH JUNE 30, 2009
(In Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
ASSETS:					
Cash & Marketable Securities	\$ 184,723	\$ 257,077	\$ 283,080	\$ 216,816	\$ 150,728
Taxes Receivable	20,679	19,939	40,766	58,256	46,813
Accounts Receivable	37,177	43,255	60,621	48,196	31,150
Interest Receivable	9,214	9,124	14,673	9,384	3,315
Advances to Other Funds	40	20	37	0	0
Due from Other Funds	8,435	5,895	5,417	24,716	19,110
Due from Other Governments	195,064	206,270	252,411	239,844	250,144
Inventories	1,801	1,806	1,540	2,105	2,132
Prepaid items	0	0	0	0	3,720
Restricted Assets	<u>436,555</u>	<u>228,897</u>	<u>263,390</u>	<u>263,566</u>	<u>252,084</u>
Total Assets	<u>\$ 893,688</u>	<u>\$ 772,283</u>	<u>\$ 921,935</u>	<u>\$ 866,259</u>	<u>\$ 759,196</u>
LIABILITIES:					
Accounts Payable	\$ 86,713	\$ 85,857	\$ 82,441	\$ 94,061	\$ 68,560
Salaries & Benefits Payable	52,805	63,119	70,585	83,753	88,184
Due To Other Funds	4,928	1,189	288	283	0
Due to Other Governments	45,057	35,017	41,432	40,991	47,579
Deferred Revenue	133,742	140,101	156,155	168,282	180,777
Deposits Payable	67	82	70	121	1,975
Bonds & Notes Payable	<u>217,922</u>	<u>--⁽¹⁾</u>	<u>--⁽¹⁾</u>	<u>--⁽¹⁾</u>	<u>--⁽¹⁾</u>
Total Liabilities	<u>\$ 541,234</u>	<u>\$ 325,365</u>	<u>\$ 350,971</u>	<u>\$ 387,491</u>	<u>\$ 387,075</u>
FUND BALANCE:					
Reserved	\$ 121,249	\$ 100,436	\$ 88,233	\$ 84,466	\$ 91,196
Unreserved	<u>231,205</u>	<u>346,482</u>	<u>482,731</u>	<u>394,302</u>	<u>280,925</u>
Fund Balance	<u>\$ 352,454</u>	<u>\$ 446,918</u>	<u>\$ 570,964</u>	<u>\$ 478,768</u>	<u>\$ 372,121</u>
Total Liabilities and Fund Balance	<u>\$ 893,688</u>	<u>\$ 772,283</u>	<u>\$ 921,935</u>	<u>\$ 866,259</u>	<u>\$ 759,196</u>

⁽¹⁾ No activity to report.

Source: County Auditor-Controller.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of June 30, 2010, the County had \$736,427,761 in direct general fund obligations and \$375,100,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of June 30, 2010.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF JUNE 30, 2010)

2009-10 Assessed Valuation (includes unitary utility valuation):	\$217,161,424,754
Redevelopment Incremental Valuation:	<u>62,444,288,769</u>
Adjusted Assessed Valuation:	\$154,717,135,985

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/10	% Applicable ⁽¹⁾	County's Share of Debt 6/30/10
Metropolitan Water District	\$ 264,220,000	5.964%	\$ 15,758,081
Community College Districts	892,570,352	1.487-99.999	462,267,053
Unified School Districts	2,144,928,934	2.806-100	2,000,097,529
Perris Union High School District	56,172,260	100	56,172,260
Union School Districts	56,883,493	100	56,833,493
City of Riverside	17,315,000	100	17,315,000
Eastern Municipal Water District Improvement Districts	47,175,000	100	47,175,000
Elsinore Valley Municipal Water District Improvement District No. U2	555,000	100	555,000
Coachella County Water District Improvement Districts	8,150,000	100	8,150,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	2,965,000	100	2,965,000
San Geronio Memorial Hospital District	108,000,000	100	108,000,000
Community Facilities Districts	2,844,922,576	94.268-100	2,844,200,057
Riverside County 1915 Act Bonds	25,765,753	100	25,765,763
City and Special District 1915 Act Bonds (Estimated)	265,069,995	100	<u>265,069,995</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$5,910,324,231

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations	\$736,427,761	100%	\$ 736,427,761 ⁽²⁾
Riverside County Pension Obligations	375,100,000	100	375,100,000
Riverside County Board of Education Obligations	7,240,000	100	7,240,000
School Districts General Fund Obligations	614,580,061	2.806-100.	591,352,093
City of Corona General Fund Obligations	71,090,000	100	71,090,000
City of Moreno Valley General Fund Obligations	79,365,000	100	79,365,000
City of Murrieta General Fund Obligations	38,580,000	100	38,580,000
City of Palm Springs Certificates of Participation and Pension Obligations	126,192,894	100	126,192,894
City of Riverside Certificates of Participation	215,520,000	100	215,520,000
City of Riverside Pension Obligations	136,050,000	100	136,050,000
Other City General Fund and Special Tax Obligations	96,184,800	100	96,184,800
Other Water District Certificates of Participation	7,354,871	0.251-100.	6,123,894
Other Special District Certificates of Participation	3,715,000	100	<u>3,715,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,482,941,442

Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)	15,122,488
City of Corona Certificates of Participation supported by waste water revenues	3,185,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues	11,860,000
Other Special District self-supporting bonds (supported from enterprise revenues)	<u>2,949</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$2,452,771,005

GROSS COMBINED TOTAL DEBT	\$8,393,265,673 ⁽³⁾
NET COMBINED TOTAL DEBT	\$8,363,095,236

- (1) Percentage of each overlapping agency's assessed valuation located within the boundaries of the county.
- (2) Includes county's share of obligations issued under separate authorities.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2009-10 Assessed Valuation:
 Overlapping Tax and Assessment Debt..... 2.72%

Ratios to Adjusted Assessed Valuation:
 Combined Gross Direct Debt (\$1,111,527,761)..... 0.72%
 Combined Net Direct Debt (\$1,096,405,273)..... 0.71%
 Gross Combined Total Debt..... 5.42%
 Net Combined Total Debt..... 5.41%

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

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

Lease Obligations

The County has used nonprofit corporations and joint powers authorities to finance certain public facilities through the issuance of lease obligations. Pursuant to these arrangements, a nonprofit corporation or joint powers authority constructs or acquires facilities with the proceeds of lease revenue obligations which are then leased to the County. Upon expiration of the lease, title to the facilities vests in the County.

As of August 30, 2010, the County's current outstanding lease obligations total \$718,427,560. The County's annual lease obligation is approximately \$72,014,267 and the maximum annual lease payment is approximately \$86,739,040.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of August 30, 2010.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of August 30, 2010)

	<u>Final Maturity Year</u>	<u>Original Lease Amount</u>	<u>Obligations Outstanding</u>	<u>Annual Base Rental⁽¹⁾</u>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$148,500,000	\$68,300,000	\$11,810,937 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	41,420,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	68,500,000	19,595,959 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,900,000	817,500 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	19,185,000	1,471,348
2008 Series A	2022	72,445,000	70,510,000	8,260,700
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	12,120,000	874,530
2005 Series B ⁽⁵⁾	2027	22,610,000	20,505,000	1,495,665
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	11,050,000	1,445,895
County of Riverside Certificates of Participation ⁽⁶⁾ (2009 Larson Justice Center Refunding)	2021	36,100,000	24,680,000	2,100,500
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	14,487,487	
Series 2002	2020	925,000	635,000	1,812,364 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	8,240,000	2,307,655
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	33,120,000	2,530,906
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽⁹⁾	2018	8,685,000	3,670,000	1,019,278
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) ⁽¹⁰⁾	2036	51,655,000	48,070,000	3,416,119
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	33,480,000	2,165,644
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	68,805,000	4,926,230
County of Riverside Certificates of Participation ⁽¹¹⁾ (2009 Public Safety Communication and Woodcrest Library Refunding Projects)	2040	<u>45,685,000</u>	<u>45,685,000</u>	<u>1,896,000</u>
TOTAL		<u>\$1,016,670,073</u>	<u>\$718,427,560</u>	<u>\$72,014,267</u>

⁽¹⁾ Annual base rental for fiscal year 2010-2011 unless otherwise noted.

- (2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending April 30, 2010 was approximately 0.23%.
- (3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.
- (4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending August 17, 2010 was approximately 0.33%.
- (5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
- (6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.
- (7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
- (8) The 2008 Series A refunded the 2000 Series B SWJC Project.
- (9) The 2003 Series B refunded the 1993 Master Refunding Project.
- (10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
- (11) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

Source: County Executive Office.

Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use and management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement is with Citigroup Financial Products, Inc. (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated A3 by Moody's, A by Standard & Poor's and A+ by Fitch as of June 30, 2009. Downgrade provisions specify that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (in the case of S&P) or A3 (in the case of Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

The amendment provides that if an "Insurer Downgrade Event" occurs, the Counterparty may deem the transaction to be uninsured. "Insurer Downgrade Event" is deemed to occur if the insurer fails at any time to have two out of three of the following ratings: (i) a claims-paying ability rating of "A+" or higher from S&P, (ii) a financial strength rating of "A1" or higher from Moody's, and (iii) a financial strength rating of "A+" or higher from Fitch. Should an Insurer Downgrade Event occur, the County is required, within one business day of the Counterparty's determination that the transaction is no longer insured, to either (i) provide an alternate credit support document acceptable to the Counterparty from a credit support provider rated at least "AAA" by S&P and "Aaa" by Moody's, or (ii) deliver collateral to the Counterparty. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. Assured Guaranty Corp. has a rating of "AAA" by S&P and "Aa3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

A summary of County employment levels follows. Some employees are hired under various federally funded programs.

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 1999 THROUGH 2010

<u>Year</u>	<u>Regular Employees⁽¹⁾</u>
1999	12,808
2000	13,332
2001	15,951
2002	14,729 ⁽²⁾
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010 ⁽³⁾	17,467

⁽¹⁾ As of December 31st of each year. Excludes temporary and per diem employees, which totaled approximately 2,593 employees in 2005, 2,522 employees in 2006, 2,671 employees in 2007, 1,895 employees in 2008, 1,775 in 2009 and 2,362 employees in 2010.

⁽²⁾ Reduction in regular employees due to court employees becoming State employees.

⁽³⁾ As of August 25, 2010.

Source: County Human Resources Department.

County employees comprise 11 bargaining units, plus another 7 unrepresented employee groups. Eleven of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 67% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

The County's law enforcement employees (non-management), Deputy Probation Officers and Group Counselors are represented by the Riverside Sheriffs' Association ("RSA"). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Unit ("LEMU"). The prosecuting attorneys of the District Attorney's Office are represented by the Riverside County Deputy District Attorney's Association ("DDAA").

The County's agreement with SEIU is in effect through June 30, 2011. The agreement with LEMU and LIUNA are in effect through June 30, 2012. The agreement with RSA for the Law Enforcement Unit is in effect through January 31, 2011. The County's agreement with RSA for the Public Safety Unit expired on January 31, 2009 and the County has imposed terms and conditions that are effective through June 30, 2010. The County's agreement with the RCDDAA expired on March 31, 2009 and the County imposed terms and conditions that were in effect through June 30,

2010. The County has since reached a tentative agreement with the RCDDAA which if ratified by the RCDDAA and approved by the Board of Supervisors will be in effect through June 30, 2011. During the last 20 years, there has been no major County employee work stoppage.

Retirement Program

General. The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through its California Public Employees' Retirement System ("PERS") Contract (as amended to date, and as may further be amended from time to time, the "PERS Contract"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides simultaneous coverage of eligible employees in the Miscellaneous Plan (herein defined) with PERS and social security, and coverage in lieu of Social Security for Safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for Miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation; the benefit factor ranges from 2% at age 50 to 3% at ages 60 and beyond. For Safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement.

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

In 2003, the County established a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions about retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on May 4, 2010 (the "2010 PARC Report") and included discussion and recommendations regarding pension reform at the County. See "- Retirement Program - Funding Status" and "- Retirement Program - Projected County Contributions and UAAL" herein for a description of the PARC Report. In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review two tier pension reform options at the County. PRAC was established to include participation from County departments, special districts, and labor unions representing County employees. PRAC has been directed to complete its task and present recommendations to the Board of Supervisors no later than September, 2010.

Two competing ballot measures, Measure L and Measure M, have been put on the ballot for the November 2010 election regarding the County's retirement benefits. Measure L, if approved, would require voter approval for increases or decreases in public safety employee retirement or pre-retirement death benefits and requires that the County continue the current PERS retirement formula. The second is Measure M which, if adopted, would prohibit increases in, but allow decreases in, public safety pensions without voter approval.

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no

responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in December 2009 covered PERS' fiscal year 2007-08). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2008, which was prepared in December 2009, is effective during the County's fiscal year 2010-11). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower.

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90-110% of market value to 80-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique. Under the rate stabilization policy effective as of April 2005, one-fifteenth of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the

“Expected Value”) of the PERS Plans at the end of the fiscal year (which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return). However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In response to the significant asset value declines of fiscal year 2008-09, in June 2009 the PERS Board approved an enhancement to its smoothing methodology. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand to 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30 year amortization schedule.

In May 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 8.25% to 7.75%; (ii) the long term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved significant demographic assumption changes and in April 2010, notified the County and other contracting agencies that it had adopted new actuarial assumptions based on a recently completed experience study. The new assumptions will affect the County’s 2011-2012 fiscal year employer contribution rates. Rates are expected to increase between 1.1% to 1.7% of payroll for Local Miscellaneous. Public safety rates are expected to increase between 1% and 2% of payroll. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The members’ contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to the collective bargaining arrangements with the County’s employee unions to pay a portion of the employees’ required contribution to PERS (these payments by the County are referred to herein as the “County Offsets of Employee Contributions”). The County pays the employee share of Safety retirement to the Safety Plan for all RSA Safety members hired prior to June 25, 1992 and RSA Public Safety members hired prior to January 9, 1992. For RSA safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. For RSA Public Safety members hired after January 9, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share in subsequent years. The County will pay the employee share for LEMU and Law Enforcement Executive Management safety members immediately upon hire. The County pays the employee share of Miscellaneous retirement to the Miscellaneous plan for all LIUNA members hired prior to September 3, 1992 and SEIU members hired prior to January 10, 1992. For LIUNA members hired after September 3, 1992 and SEIU members hired after January 10, 1992 the

employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share immediately upon hire. Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under “– Historical Funding Status.” In the actuarial valuation for the Safety Plan as of June 30, 2008, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 19.335% be implemented as the required rate for fiscal year 2010-11, which the County anticipates will result in a contribution to PERS of approximately \$51.24 million for that fiscal year. In addition, the County will pay to PERS approximately \$19.03 million in County Offsets of Employee Contributions for fiscal year 2010-11, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2010-11 of approximately \$70.27 million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2008, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 12.165% be implemented as the required rate for fiscal year 2010-11, which the County anticipates will result in a contribution to PERS of approximately \$112.69 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$38.35 million in County Offsets of Employee Contributions for fiscal year 2010-11, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2010-11 of approximately \$151.04 million.

Contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during Fiscal Year 2008-09. While investment gains experienced in Fiscal Year 2009-10 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the “2005 Pension Obligation Bonds”), the proceeds of which were used to fund approximately 90% of the County’s estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County’s UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County’s UAAL for the Safety Plan. According to the County’s actuary, Bartel & Associates (“Bartel”), due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of \$54 million to date. The County believes that it is reasonable to expect that over the remaining 26 years of the bond’s life the transaction will produce savings. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS of an estimated \$5.1 million from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County’s PERS liability. This prepayment generated \$2 million in cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007, on June 23, 2008, on May 4, 2010, and on June 30, 2010 pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfers to PERS of \$6.5 million, \$6.5 million, \$6.1 million, and \$8.3 million respectively, from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County’s PERS liability. In 2009, pursuant to PARC recommendations, the Board of Supervisors authorized the use of \$6 million from the liability management fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of

retiring such bonds. As of June 30, 2009, the County has purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$247,000. Also in 2010, the County issued \$256.2 million in Tax and Revenue Anticipation Notes, plus an additional \$86.8 of tax-exempt Tax and Revenue Anticipation Notes, the proceeds of which were used to prepay a portion of the County's PERS contributions for fiscal year 2010-11.

The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2004 through June 30, 2008 and the total employer contributions made by the County for fiscal year 2006-07 through fiscal year 2010-11. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Safety Plan)**

<u>Valuation Date</u> <u>June 30,</u>	<u>UAAL</u>	<u>Funded Status</u>	<u>Affects County Contribution for Fiscal Year</u>	<u>County Contribution Amount</u> ⁽¹⁾	<u>County Offsets of Employee Contributions</u>
2004	\$133,684,051	86.9%	2006-07	\$36,722,257	\$14,719,343
2005	58,201,798 ⁽²⁾	94.8	2007-08	42,712,207	16,217,716
2006	61,861,506	95.0	2008-09	46,983,428	17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	52,962,401 ⁽³⁾	19,865,343 ⁽³⁾

⁽¹⁾ Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.

⁽²⁾ Decrease from prior years due to payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS.

⁽³⁾ Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

Valuation Date June 30	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount⁽¹⁾	County Offsets of Employee Contributions
2004	\$397,462,924	82.2%	2006-07	\$79,679,334	\$35,086,123
2005	106,958,141 ⁽²⁾	95.7	2007-08	88,824,408	37,106,508
2006	142,160,688	94.8	2008-09	95,930,361	40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	89,998,824 ⁽³⁾	[38,349,220] ⁽³⁾

⁽¹⁾ Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.

⁽²⁾ Decrease from prior years due to payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS.

⁽³⁾ Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2009-10.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A five-year schedule of the funding progress of the Safety Plan and the Miscellaneous Plan are presented in the following two tables:

**SCHEDULE OF FUNDING PROGRESS
(Safety Plan)**

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2004	\$1,021,085,045	\$887,401,000	\$133,684,051	86.9	\$161,598,000	82.7
2005	1,127,240,234	1,069,038,436	58,201,798 ⁽¹⁾	94.8	168,806,459	34.5
2006	1,231,954,415	1,170,092,909	61,861,506	95.0	189,606,339	32.6
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0

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

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

**SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)**

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2004	\$2,231,623,980	\$1,834,161,056	\$397,462,924	82.2	\$571,677,315	69.5
2005	2,471,523,205	2,364,565,064	106,958,141 ⁽¹⁾	95.7	592,531,095	18.1
2006	2,741,753,157	2,599,592,469	142,160,688	94.8	659,274,265	21.6
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8

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

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2006-07 through fiscal year 2010-11 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2004	2006-07	18.031% ⁽¹⁾	11.916% ⁽¹⁾
2005	2007-08	18.625	12.051
2006	2008-09	19.033	12.164
2007	2009-10	18.605	11.999
2008	2010-11	19.335	12.165

⁽¹⁾ Provided by the County; rates reflect adjustment due to the receipt of \$396,874,938 on February 17, 2005 in connection with the issuance of the 2005 Pension Obligation Bonds.

Source: PERS Actuarial Reports for June 30, 2004 through June 30, 2008.

Projected County Contributions and UAAL. The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The investment losses incurred by CalPERS in 2008 – 2009 will impact the County's contribution rates beginning in Fiscal Year 2011-2012. The PERS actuary, in its June 30, 2008 actuarial valuation, projected that the County's contribution rate under the Safety Plan for the Fiscal Year 2011-12 will be 21.3%, which would result in an approximate 1.96% increase in the contribution rate from Fiscal Year 2010-11. The PERS actuary, in its June 30, 2008 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the Fiscal Year 2011-12 will be 13.3%, which would result in an approximate 1.13% increase in the

contribution rate from Fiscal Year 2010-11. Because of the smoothing methodology used by PERS we can expect similar rate increases through Fiscal Year 2013-14 followed by additional less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.75% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed such that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For a discussion of the smoothing policy of PERS, see "– The County's PERS Contract" above.

According to the 2010 PARC Report submitted to the Board of Supervisors on May 4, 2010, Bartel forecasted that as of June 30, 2010, the County will have a UAAL of \$313 million for the Miscellaneous Plan and \$113 million for the Safety Plan, which are expected to contribute to the projected funding status, on a net basis (which includes the County's outstanding pension obligation bond liability), of 86.1% for the Miscellaneous Plan and 89.0% for the Safety Plan. Bartel's forecasts reflect certain significant assumptions concerning future events and circumstances, including the projected annual market rate of return for 2010 which is greater than the assumed actuarial rate of return of 7.75%. According to the 2010 PARC Report, many experts consider a funded ratio based on actuarial asset values of 80% or better to be sound for government pensions.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2009, the County's current required contribution level is 0.68%. The County has elected to contribute 2% of payroll in order to reach a target 90% funded ratio within one year. The County's contribution to the Plan was \$2,090,002 for fiscal year 2008-09 and is estimated to be \$550,000 for fiscal year 2009-10. The Plan's unfunded liabilities as of June 30, 2008 are approximately \$2,481,640.

Other Post Employment Benefits. The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least 50 years of age at retirement qualify to receive the post-retirement benefits.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). These disclosure requirements are effective for the County beginning fiscal year 2007-08.

GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of January 1, 2009 (the "Health Benefits Valuation"), prepared by Aon Consulting. Based on the combination of plans and contribution levels that the County offers, assuming a blended interest rate of 7.24% before 2011 and the fully pre-funded rate of 7.75% thereafter, the present value of benefits was estimated to be \$67.4 million, the accrued actuarial liability was estimated to be \$55.2 million and the annual normal cost was \$1.7 million. If the accrued actuarial liability of \$55.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$4.4 million. Approximately 17% of the County's OPEB liability was attributable to the "implicit subsidy" of allowing pre-65 retirees to receive coverage at the active premium rates instead of the normally higher retiree rates.

The Board of Supervisors took action on September 12, 2006 to end the implicit subsidy of pre-65 retirees by separately rating early retiree medical plans as of January 1, 2011. In addition, action was taken on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. The County contributed \$2.2 million to the trust on June 26, 2009 and \$2.8 million to the trust on June 30, 2010. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust.

According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$67.4 million most recently.

Medical Center

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as an "open door safety net provider" due to declining and inadequate federal and State health care reimbursement and non-payment by the uninsured coupled with rising service needs and costs of an older and sicker population which has placed significant demands on the County's health care system.

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II adult and pediatric facility, licensed for a total of 439 beds. There

are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, the State Medi-Cal program, the County Medically Indigent Service Program and the County Indigent Adult program.

At June 30, 2009, RCRMC reflected unrestricted net assets of approximately \$53.3 million for Fiscal Year 2008-09. RCRMC had a cash balance of approximately \$76.5 million as of June 30, 2009. In Fiscal Year 2008-09, RCRMC had an increase in net assets of approximately \$ 9.11 million. RCRMC continued to experience growth in patient collections in Fiscal Year 2008-09. Amounts received by RCRMC in fiscal year 2008-09 for Medi-Cal days and Medi-Cal and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06 and expires on June 30, 2010. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for Fiscal Year 2008-09 or may be required to reimburse the State for any overpayment received during such Fiscal Year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals on January 1 for the preceding fiscal year.

Historically, the County's budget included a general fund contribution to RCRMC to address potential revenue shortfalls and to support hospital debt service. The County does not anticipate a revenue shortfall for RCRMC for fiscal year 2009-10, and accordingly the County has not included a general fund contribution to RCRMC for fiscal year 2009-10. For fiscal year 2010-11, the County anticipates making a contribution to RCRMC of approximately \$10 million from general fund tobacco settlement revenues to support debt service on the main RCRMC facility and to cover operating expenses.

Insurance

The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to \$1 million for each occurrence and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each claim and insured for the balance to \$20 million for each claim on a claims basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance is statutory limits (unlimited) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into five "towers" and each tower provides \$602.5 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a

sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2009 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2009 was approximately \$166 million.

Litigation

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR
FISCAL YEAR ENDED JUNE 30, 2009**

APPENDIX C

FORM OF BOND COUNSEL OPINION

[closing date]

County of Riverside
Riverside, California

Re: County of Riverside
Teeter Plan Obligation Notes, Series C
(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 \$_____ aggregate principal amount of County of Riverside Teeter Plan Obligation Notes, Series C (the "Notes") 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 September 14, 2010 (collectively, the "Resolution"). 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. 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 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. 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 limitations 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 Official Statement 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 constitute the valid and binding obligations of the Issuer.
3. 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 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 D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County") in connection with the issuance by the County of its \$_____ 2010 Teeter Obligation Notes, Series C (the "Notes"). The Notes are being issued 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 (collectively, the "Resolution"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders of the Notes and to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"EMMA" shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

"Holders" shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Note for Federal income tax purposes.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean each of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

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

SECTION 3. Reporting of Significant Events.

(a) This Section 3 shall govern the giving of notices of the occurrence of any of the following events with respect to the Notes:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.

3. Modifications to rights of the Holders of the Notes.
4. Optional, contingent or unscheduled bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Notes.

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

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material, the County shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

(d) Additionally, the County shall provide quarterly cash flow and financial status updates for December 31, 2010, March 31, 2011 and June 30, 2011 on or before January 30, 2011, April 30, 2011 and July 31, 2011, respectively.

SECTION 4 Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the County shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 6. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate any Holder 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 Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: October __, 2010

COUNTY OF RIVERSIDE

By: _____

**COUNTY OF RIVERSIDE
TEETER OBLIGATION TAX-EXEMPT COMMERCIAL PAPER NOTES,
SERIES B**

THIRD AMENDMENT TO DEALER AGREEMENT

October __, 2010

County of Riverside
County Executive Office
4080 Lemon Street, 12th Floor
Riverside, California 92501

Dear Ladies and Gentlemen:

This Third Amendment to Dealer Agreement amends that certain Dealer Agreement, dated November 6, 2007, between the undersigned, CITIGROUP GLOBAL MARKETS INC. ("Citigroup") and the COUNTY OF RIVERSIDE (the "County"), as supplemented by that certain First Amendment to Dealer Agreement, by and between Citi and the County, dated December 11, 2008 and that Second Amendment to Dealer Agreement, by and between Citi and the County, dated December 9, 2009 (as supplemented, the "Dealer Agreement"), pursuant to which Citigroup acts as a dealer in connection with the County's Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "Series B Notes") to be issued in the aggregate principal amount of \$186,000,000. The Dealer Agreement is hereby amended as follows. The definition of "Resolution" is hereby amended to include the supplements to the Resolution adopted by the County Board of Supervisors on November 18, 2008, on November 24, 2009 and in September 14, 2010. The definition of "Offering Memorandum" is hereby amended to refer to the Offering Memorandum dated October __, 2010. The definition of "Citi Portion" is hereby amended to be \$ _____ aggregate principal amount of the Series B Notes.

Except as amended by the preceding paragraph, the Dealer Agreement shall remain in full force and effect.

CITIGROUP GLOBAL MARKETS INC.

By: _____
Title:

COUNTY OF RIVERSIDE

By: _____
Title: County Executive Officer

**COUNTY OF RIVERSIDE
TEETER OBLIGATION TAX-EXEMPT COMMERCIAL PAPER NOTES,
SERIES B
THIRD AMENDMENT TO DEALER AGREEMENT**

October __, 2010

County of Riverside
County Executive Office
4080 Lemon Street, 12th Floor
Riverside, California 92501

Dear Ladies and Gentlemen:

This Third Amendment to Dealer Agreement amends that certain Dealer Agreement, dated November 6, 2007, between the undersigned, BARCLAYS CAPITAL INC. ("Barclays"), as successor in interest to Lehman Brothers Inc. ("Lehman"), and the COUNTY OF RIVERSIDE (the "County"), as supplemented by that certain First Amendment to Dealer Agreement, by and between Barclays and the County, dated December 11, 2008 and that Second Amendment to Dealer Agreement, by and between Barclays and the County, dated December 9, 2009 (as supplemented, the "Dealer Agreement"), pursuant to which Barclays acts as a dealer in connection with the County's Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "Series B Notes") to be issued in the aggregate principal amount of \$186,000,000. The Dealer Agreement is hereby amended as follows. The definition of "Resolution" is hereby amended to include the supplements to the Resolution adopted by the County Board of Supervisors on November 18, 2008, on November 24, 2009 and on September 14, 2010. The definition of "Offering Memorandum" is hereby amended to refer to the Offering Memorandum dated October __, 2010. The definition of "Barclays Portion" is hereby amended to be \$ _____ aggregate principal amount of the Series B Notes.

Except as amended by the preceding paragraph, the Dealer Agreement shall remain in full force and effect.

BARCLAYS CAPITAL INC.

By: _____
Title: Managing Director

COUNTY OF RIVERSIDE

By: _____
Title: County Executive Officer

\$ _____
COUNTY OF RIVERSIDE
TEETER OBLIGATION NOTES, SERIES 2009C
NOTE PURCHASE AGREEMENT

October __, 2010

Board of Supervisors
of the County of Riverside

Ladies and Gentlemen:

Barclays Capital Inc. and, acting on behalf of itself and as representative (the "Representative") of Citigroup Global Markets Inc. (collectively, the "Underwriters"), offers to enter into this agreement with the County of Riverside, California (the "County"), which, upon your acceptance hereof, will be binding upon the County and the Underwriters. This offer is made subject to the written acceptance of this Note Purchase Agreement by the County and the delivery of such acceptance to us at or prior to 5:00 P.M., Pacific time, on the date hereof, and all capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Resolution (as defined below). Any authority, discretion or other power conferred upon the Underwriters by this Note Purchase Agreement may be exercised by the Representative alone.

Section 1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the County for reoffering to the public, and the County hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of \$ _____ aggregate principal amount of the County of Riverside 2010 Teeter Obligation Notes, Series C (the "Notes"). The Notes shall mature on October __, 2011 and shall bear interest at the rate of ____% per annum, payable at the maturity of the Notes. The aggregate purchase price to be paid by the Underwriters for the Notes shall be \$ _____ (representing the aggregate principal amount of the Notes of \$ _____, plus a premium of \$ _____, less an Underwriters' discount of \$ _____). The Underwriters agree to make a bona fide public offering of the Notes at the initial prices of the Notes as set forth on the cover page of the Official Statement (as defined below), which may be changed from time to time by the Underwriters after the initial public offering.

Section 2. The Notes. The Notes shall be as described in, and shall be issued and secured pursuant to the provisions of Resolution No. 97-203 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 in September 14, 2010 (collectively, the "Resolution"), which Resolution was adopted in accordance with and pursuant to the provisions of 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." In connection with the Resolution, the County also entered into 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").

The Notes shall be dated October __, 2010. At the time of Closing (as defined below), the Underwriters understand that one Note representing the aggregate principal amount of Notes will be received by the Underwriters through the facilities of The Depository Trust Company, New York, New York ("DTC").

Section 3. Official Statement. The County by official action of its governing board has approved the form and distribution of the Preliminary Official Statement dated _____, 2010 (the "Preliminary Official Statement") relating to the Notes and the distribution of an Official Statement (together with any amendment or supplement authorized by the County, the "Official Statement"), consisting of the Preliminary Official Statement with such changes as are necessary to reflect the principal amount, maturity date or dates, interest rates, and other information relating to the sale of the Notes, with the approval of Orrick Herrington & Sutcliffe, LLP ("Special Counsel") and the Underwriters. By execution of this Note Purchase Agreement, the County confirms that the County has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for the omission of certain information permitted to be omitted therefrom in accordance with Rule 15c2-12. It is a condition of the offer of the Underwriters made hereby that the County deliver a reasonable number of copies of the Official Statement, in a form deemed to be final for purposes of Rule 15c2-12, within seven business days of the date hereof; and the delivery of an Official Statement executed by a representative of the County shall conclusively establish that the County deems the document so delivered to be final. Failure of the County to comply with the foregoing sentence shall not be deemed a breach of this agreement or a termination event.

The County hereby ratifies any prior use of and authorizes the future use by the Underwriters, in connection with the offering and sale of the Notes, of the Resolution, the Preliminary Official Statement and the Official Statement, and all information contained therein. The Official Statement, this Note Purchase Agreement, the Fiscal Agent Agreement and the Continuing Disclosure Certificate (as defined in the Official Statement) are referred to collectively herein as the "Legal Documents."

The Representative shall give notice to the County on the date after which no participating underwriter, as such term is defined in Rule 15c2-12, remains obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule. Prior to the earlier of (i) such receipt of notice from the Representative that the Official Statement is no longer required under the Rule or (ii) twenty five (25) days after the Closing Date, the County shall provide the Representative with such information regarding the County, its current financial condition and ongoing operations as the Representative may reasonably request.

Unless otherwise notified in writing by the Representative on or prior to the Closing Date, the County can assume that the "end of the underwriting period" for the Notes for all purposes of Rule 15c2-12 under the Securities and Exchange Act of 1934 is the Closing Date. In the event such notice is given in writing by the Representative, the Representative agrees to notify the County in writing following the occurrence of the "end of the underwriting period" as defined in Rule 15c2-12 for the Notes. The "end of the underwriting period" as used in this Note Purchase Agreement shall mean the Closing Date or such later date as to which notice is given by the Representative in accordance with the preceding sentence.

Section 4. Closing.

(a) At 8:00 a.m., Pacific time, on October __, 2010, or at such other time or on such earlier or later date as the parties hereto shall agree upon in writing (the "Closing Date"), the County will deliver or cause to be delivered the Notes to The Depository Trust Company ("DTC") in New York, New York in accordance with the requirements of paragraph (b) below and subject to the terms and conditions hereof the Underwriters will accept such delivery and pay the purchase price thereof in immediately available funds (by wire transfer or such other manner of payment as the Representative and the County shall reasonably agree) to the order of the County (such delivery and payment and the other actions contemplated hereby to take place at the time of such delivery and payment referred to herein as the "Closing"). At or prior to the Closing Date, the Representative shall receive at the offices of Orrick Herrington & Sutcliffe, LLP, San Francisco, California (or such other place as may be mutually agreed upon) the documents described in Section 7 (c) hereof.

(b) The Notes shall be executed and delivered under and in accordance with the provisions of this Note Purchase Agreement and the Resolution. The Notes shall be in definitive form, shall bear CUSIP numbers, and shall be in fully registered form registered in the name of Cede & Co., as nominee of DTC, with one Note in the aggregate principal amount of the Notes.

Section 5. County Representations, Warranties and Agreements. The County represents, warrants to, and agrees with the Underwriters that, as of the date hereof and as of the Closing Date:

(a) The County is a general law county duly organized and operating pursuant to the Constitution and laws of the State of California and has all necessary power and authority to enter into and perform its duties under the Legal Documents, the Notes and the Resolution and, when executed and delivered by the respective parties thereto, the Legal Documents, the Notes and the Resolution will constitute the legally valid and binding obligations of the County, enforceable against the County in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law) and by general principals of equity including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. The County is, and at the Closing shall, be or shall thereafter cause itself to be, in compliance with the Legal Documents, the Notes and the Resolution;

(b) The County is, and at the Closing shall be or shall thereafter cause itself to be, in compliance with the Note Purchase Agreement, the Notes and the Resolution;

(c) As of its date and at the time of the County's acceptance hereof, the Preliminary Official Statement did not and does not, and as of the date hereof and as of the Closing Date, the Official Statement (excluding the statements and information relating to DTC and the book-entry system) does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(d) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body, pending or, to the best of the County's

knowledge, threatened against the County, (i) seeking to restrain or enjoin the execution, sale or delivery of the Notes; (ii) in any way contesting or affecting the validity of enforceability of the Legal Documents, the Notes or the Resolution; (iii) contesting in any way the completeness or accuracy of the Official Statement; or (iv) contesting the authority of the County with respect to this Legal Documents, the Notes or the Resolution;

(e) The Board of Supervisors of the County has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations contained in the Legal Documents, the Notes and the Resolution, and has duly authorized and approved the performance of its obligations contained in the Resolution and required for the consummation of all other transactions contemplated by this Legal Documents and the Official Statement;

(f) The County has, and as of the Closing Date will have, full legal right, power and authority (i) to enter into the Legal Documents, (ii) to adopt the Resolution, (iii) to make undertakings of the County as provided for in the Legal Documents, the Notes and the Resolution, (iv) to authorize the execution, sale and delivery of the Notes to the Underwriters pursuant to the Resolution as provided herein and therein, and (v) to carry out and consummate the transactions contemplated by the Resolution and the Official Statement;

(g) The County will advise the Representative promptly of any proposal to amend or supplement the Official Statement. The County will advise the Representative promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Notes;

(h) The County agrees to cooperate with the Representative in endeavoring to qualify the Notes for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; provided, that the County shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified;

(i) To the best knowledge of the County, the County is not in breach of or in default under any material applicable law or administrative regulation of the State of California or the United States or any material applicable judgment or decree or any material loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject which breach or default would have a material and adverse impact on the County's ability to perform its obligations under the Legal Documents, the Notes and the Resolution, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(j) If at any time from the date hereof to and including 25 days from the Closing Date, any event occurs of which the County has knowledge, as a result of which the Official Statement would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the County will cooperate with the Representative in the preparation and furnishing of an amendment or supplement to the Official Statement; and

(k) If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or

amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including 25 days from the Closing Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained herein) will be true and correct in all material respects and such information will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in light of the circumstances under which it was made, not misleading, except that no warranty is made concerning the statements in the Official Statement relating to DTC and the book-entry system.

(l) Except as disclosed in the Preliminary Official Statement and the Official Statement, there has not been any materially adverse change in the financial condition of the County since June 30, 2009 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change. The financial statements of, and other financial information regarding the County in the Preliminary Official Statement and the Official Statement, fairly present the financial position and results of the operations of the County as of the dates and for the periods therein set forth, and (i) the audited financial statements have been prepared in accordance with the generally accepted accounting principles consistently applied, and (ii) the other financial information in the Preliminary Official Statement and the Official Statement has been determined on a basis substantially consistent with that of the County's audited financial statements included in the Preliminary Official Statement and the Official Statement.

(m) The execution and delivery of the Notes and the Legal Documents and the adoption of the Resolution and compliance with the provisions on the County's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is or to which any of its property or assets are otherwise subject.

(n) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable, of the Legal Documents, the issuance of the Notes or the due performance by the County of its obligations under the Legal Documents, and the Notes, have been duly obtained.

(o) The County has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Notes as provided in and subject to all of the terms and provisions of the Resolution and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Notes.

(p) The County will not, prior to the Closing Date, offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, without the prior approval of the Underwriters.

(q) The County has not failed during the previous five years to comply with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

Section 6. Conditions to the Obligation of the Underwriters. The obligation of the Underwriters to accept delivery of and pay for the Notes at the Closing shall be subject, at the option of the Representative, to the accuracy of the representations, warranties and agreements on the part of the County contained herein, as of the date hereof and as of the Closing Date, to the accuracy of the statements of the officers and other officials of the County made in any certificates or other documents furnished pursuant to the provisions hereof, the Notes or the Resolution, and to the performance by the County of its obligations to be performed hereunder and under the Legal Documents, Notes and the Resolution on or prior to the Closing Date, and to the following additional conditions:

(a) As of the Closing Date, the Legal Documents, the Notes and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Representative with only such changes as shall have been agreed to by the Representative, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative.

(b) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth in the Official Statement, of the Notes shall not have been materially adversely affected in the reasonable judgment of the Representative (evidenced by a written notice to the County terminating the obligation of the Underwriters to accept delivery of and pay for the Notes) by reason of any of the following:

(i) legislation (including any amendment thereto) enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(A) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of including in gross income for purposes of federal income taxation interest due with respect to the Notes; or

(B) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Notes, or obligations of the general character of the Notes, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(ii) the declaration of war or engagement in or escalation of major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(iii) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national

securities exchange or the establishment of minimum or maximum prices on any such national securities exchange;

(iv) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Notes, or obligations of the general character of the Notes, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, Underwriters;

(v) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Notes, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the Federal securities laws as amended and then in effect;

(vi) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the County, its property, income, securities (or interest thereon), the validity or enforceability of the Notes;

(vii) any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(viii) There shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that at the date of this Note Purchase Agreement has published a rating (or has been asked to furnish a rating on the Notes) on any of the County's debt obligations, which action reflects a change or possible change, in the ratings accorded any such obligations of the County (including any rating to be accorded the Notes); or

(ix) A material disruption in securities settlement, payment or clearance services shall have occurred;

(c) On or prior to the Closing Date, the Representative shall have received two originals or certified copies of the following documents, in each case reasonably satisfactory in form and substance to the Representative:

- (i) the Note Purchase Agreement;
- (ii) the Resolution;

(iii) an approving opinion, dated the Closing Date and addressed to the County, of Special Counsel, in substantially the form attached as Appendix C to the Official Statement, together with a reliance letter of such counsel, dated the Closing Date and addressed to the Underwriters, to the effect that such opinion addressed to the County may be relied upon by the Underwriters to the same extent as if such opinion was addressed to them, together with an additional supplemental opinion, dated the Closing Date and addressed to the Underwriters and the County to the effect that:

(A) the statements in the Preliminary Official Statement under the captions "THE NOTES," "TAX MATTERS," and Appendix C — "FORM OF SPECIAL COUNSEL OPINION" insofar as such statements expressly summarize certain provisions of the Notes, the Resolution and the opinion of such counsel concerning certain federal and state tax matters relating to the Notes, are accurate in all material respects for purposes of their use in the Preliminary Official Statement, excluding such information permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12;

(B) the statements in the Official Statement under the captions "THE NOTES," "TAX MATTERS," and Appendix C — "FORM OF SPECIAL COUNSEL OPINION" insofar as such statements expressly summarize certain provisions of the Notes, the Resolution and the opinion of such counsel concerning certain federal and state tax matters relating to the Notes, are accurate in all material respects for purposes of their use in the Official Statement;

(C) this Note Purchase Agreement has been duly executed and delivered by the County and (assuming due authorization, execution and delivery by and validity against the Underwriters) is a legally valid and binding obligation of the County enforceable against the County in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained therein; and

(D) the Notes are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iv) an opinion of Counsel to the County ("County Counsel"), dated as of the Closing Date, addressed to the Underwriters, to the effect that:

(1) Due Organization and Existence. The County is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California;

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

(3) No Litigation. Except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or (to the best of such counsel's knowledge after reasonable investigation) threatened against or affecting the County which would materially and adversely impact the County's ability to complete the transactions described in and contemplated by the Official Statement, or in any way contesting or affecting the validity or enforceability of the Legal Documents, the Resolution or the Notes or the transactions as described and defined in the Official Statement;

(4) No Conflict. The execution and delivery of the Legal Documents, the adoption of the Resolution and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound (and of which such counsel is aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the County is subject;

(5) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements. The Legal Documents have been duly authorized, executed and delivered by the County, and assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the County, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against public entities in the State of California;

(6) No Consents Required - Official Statement, Legal Documents. No authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the County Board of Supervisors, is required for the valid authorization, execution and delivery of the Legal Documents and the approval of the Official Statement;

(7) Consents Required. Except with respect to any permit, license or approval heretofore obtained and in full force and effect, or except as otherwise disclosed in the Official Statement, no authorization, approval, consent or other order of the State of California or any other governmental authority or agency of the State of California is required to be obtained by the County which if not obtained would have an adverse effect on the ability of the County to perform its obligations under the Legal Documents;

(8) Preliminary Official Statement and Official Statement. The Preliminary Official Statement, as of its date, as of the date of this Purchase Note Purchase

Agreement and as of the Closing Date, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, not including such information permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12. The Official Statement, as of its date and as of the Closing Date, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(v) a certificate, dated the Closing Date and signed by an authorized representative of the County, to the effect that:

(1) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date;

(2) to the best knowledge of said individual, no event has occurred (i) since the date of the Preliminary Official Statement which should be disclosed in the Preliminary Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading in any material respect or (ii) since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading in any material respect;

(3) the County has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Resolution, and the Official Statement at and prior to the Closing Date;

(4) to the best of such official's knowledge, 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 execution and delivery of the Note Purchase Agreement or 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; and

(5) the Preliminary Official Statement, as of its date, as of the date of this Purchase Note Purchase Agreement and as of the Closing Date, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, not including such information permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12. The Official Statement, as of its date and as of the Closing Date, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(vi) a letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters, with a reliance letter addressed to the County, to the effect that:

(1) It is not necessary in connection with the offer or sale of the Notes to register the Notes under the Securities Act of 1933, as amended, or to qualify the Resolution or any other instrument under the Trust Agreement Act of 1939, as amended; and

(2) Based on the information made available to it in its role as Underwriters' Counsel, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement, but on the basis of their participation in conferences with the Underwriters, Special Counsel, the County, County Counsel, the County's financial advisors and others, and their examination of certain documents, no information has come to the attention of the attorneys in the firm rendering legal services in connection with the issuance of the Notes which would lead them to believe that the Preliminary Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, the information contained in the Appendices to the Official Statement, information regarding DTC and its book-entry only system contained in the Preliminary Official Statement, and any information permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12);

(3) Based on the information made available to it in its role as Underwriters' Counsel, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in conferences with the Underwriters, Special Counsel, the County, County Counsel, the County's financial advisors and others, and their examination of certain documents, no information has come to the attention of the attorneys in the firm rendering legal services in connection with the issuance of the Notes which would lead them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, the information contained in the Appendices to the Official Statement, and information regarding DTC and its book-entry only system contained in the Official Statement);

(vii) a tax and non-arbitrage certificate in form and substance satisfactory to Special Counsel;

(viii) the Continuing Disclosure Certificate (as defined in the Official Statement), executed by an authorized representative of the County, dated the Closing Date;

(ix) proof of receipt of ratings on the Notes of [“____”] from Fitch Ratings and [“____”] from Moody’s Investors Service and that such ratings are then in effect; and

(x) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters, Special Counsel or the County may reasonably request.

Section 7. Expenses. There shall be paid from the proceeds of the Notes or by the County the following expenses: (a) the cost of preparation, printing, executing and delivering the Notes; (b) any fees charged by any rating agency for rating the Notes; (c) the cost of preparing, distributing and delivering the Official Statement; (d) the fees and disbursements of Special Counsel; (e) the fees and disbursements of Underwriters’ Counsel; (f) the fees and disbursements of the financial advisor to the County; and (g) any out-of-pocket disbursements of the County to be paid from the proceeds of the Notes. The Underwriters shall pay the following expenses: (a) all out-of-pocket expenses of the Underwriters; (b) fees payable to the California Debt and Investment Advisory Commission in connection with the Notes; (c) fees and expenses of the Municipal Securities Rulemaking Board and the Public Securities Association in connection with the Notes; (d) all expenses relating to the printing of CUSIP numbers on the Notes and the CUSIP Service Bureau charge for the assignment of such numbers; (e) costs of preparation of any blue sky and legal investment memoranda and fees for blue sky qualification; and (f) fees of The Depository Trust Company, New York, New York.

Section 8. Notices. Any notice or other communication to be given to the Underwriters may be given by delivering the same to the Representative: Barclays Capital Inc., 10250 Constellation Blvd, 25th Floor, Los Angeles, California 90067, Attention: Lori Koh. The approval of the Underwriters when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Representative, and delivered to you. Any notice or communication to be given the County under this Note Purchase Agreement may be given by delivering the same to the County of Riverside, County Executive Office, 4080 Lemon Street, 4th Floor, Riverside, California 92501, Attention: County Executive Officer. All notices or communications hereunder by any party shall be given and served upon each other party.

Section 9. Parties in Interest; Force and Effect. This Note Purchase Agreement is made solely for the benefit of the County and the Underwriters (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the County pursuant to this Note Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriters; (ii) the delivery of and payment for the Notes pursuant to this Note Purchase Agreement; or (iii) the termination of this Note Purchase Agreement, but only to the extent provided herein regarding preconditions of Closing.

Section 10. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

Section 11. Entire Agreement. This Note Purchase Agreement when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the County and the Underwriters (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

Section 12. Headings. The headings of the paragraphs of this Note Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 13. Unenforceable Provisions. If any provision of this Note Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Note Purchase Agreement invalid, inoperative or unenforceable to any extent whatsoever.

Section 14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the County Executive Officer and shall be valid and enforceable at the time of such acceptance and acknowledgment.

Section 15. Counterparts. This Note Purchase Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

COUNTY OF RIVERSIDE

Date: October ___, 2010

By: _____

UNDERWRITERS

By: BARCLAYS CAPITAL INC.,
as Representative

Date: October ___, 2010

By: _____