

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE  
REDEVELOPMENT AGENCY  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

647



**FROM:** Redevelopment Agency

**SUBMITTAL DATE:**

February 17, 2011

**SUBJECT:** Resolution Number 2011-010 Authorizing the Issuance of Four Series of Bonds and Providing Other Matters Properly Relating Thereto

**RECOMMENDED MOTION:** That the Board of Directors adopt Resolution Number 2011-010 authorizing the purchase and sale of four series of bonds of the Redevelopment Agency for the County of Riverside with respect to the Jurupa Valley, Interstate 215 Corridor and Desert Communities Project Areas, authorizing the sale of bonds, approving official statements and providing other matters properly relating thereto.

**BACKGROUND:** The Redevelopment Agency for the County of Riverside proposes to issue Jurupa Valley Project Area 2011 Tax Allocation Bonds, Series B, and Jurupa Valley Project Area 2011 Taxable Tax Allocation Bonds, Series B-T, in a combined initial amount not-to-exceed \$40,000,000; Interstate 215 Corridor 2011 Second Lien Tax Allocation Bonds, Series E, in an initial amount not-to-exceed \$15,000,000; and Desert Communities Project Area 2011 Second Lien Tax Allocation Bonds, Series D, in an initial amount not-to-exceed \$8,000,000 to fund various capital improvement projects within the respective redevelopment project areas mentioned above and within the County of Riverside.

*Robert Field*

Robert Field  
Executive Director

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

**COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA:** Yes

**SOURCE OF FUNDS:** RDA Tax Increment

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

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

APPROVE

BY: *Jennifer L. Sargent*  
Jennifer L. Sargent

County Executive Office Signature

**MINUTES OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY**

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

Ayes: Buster, Tavaglione, Stone and Ashley

Nays: None

Absent: Benoit

Date: 53 March 1, 2011

xc: RDA/EDA, Public Finance Authority  
(Comp. Item 3.36 and 5.1)

Kecia Harper-Ihem

Clerk of the Board

BY: *Kecia Harper-Ihem*  
Deputy

**Prev. Agn. Ref.:**

**District:** ALL

**Agenda Number** 4.2

FORM APPROVED COUNTY COUNSEL

BY: *Dale A. Gardner*  
DALE A. GARDNER

DATE

2/17/11

Departmental Concurrence

Policy

Policy

Consent

Consent

Dept's Recomm.:

Per Exec. Ofc.:

2  
3 RESOLUTION NO. RDA- 2011-010

4  
5 **RESOLUTION OF THE REDEVELOPMENT AGENCY FOR THE COUNTY OF**  
6 **RIVERSIDE AUTHORIZING THE ISSUANCE OF FOUR SERIES OF BONDS**  
7 **AND THE SALE THEREOF FOR THE PURPOSE OF FINANCING**  
8 **REDEVELOPMENT ACTIVITIES, APPROVING AN OFFICIAL STATEMENT,**  
9 **AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO**

10 **WHEREAS**, the Redevelopment Agency for the County of Riverside (the "Agency") has  
11 adopted redevelopment plans for its Jurupa Valley Redevelopment Project Area, its Desert  
12 Communities Redevelopment Project Area, and its Interstate 215 Corridor Redevelopment  
13 Project Area (collectively, the "Redevelopment Projects") under Part 1 of Division 24 of the  
14 Health and Safety Code of the State of California (the "Redevelopment Law"); and

15 **WHEREAS**, the Redevelopment Law, and particularly Chapter 6 thereof, authorizes  
16 redevelopment agencies to incur indebtedness for any of their corporate purposes; and

17 **WHEREAS**, the Agency desires to issue four separate series of bonds (as further  
18 described herein, the "Bonds") in order to obtain funds to finance and refinance redevelopment  
19 activities with respect to the Redevelopment Projects (including the repayment to the County of  
20 Riverside of amounts advanced by the County of Riverside to the Agency);

21 **WHEREAS**, Jones Hall, as disclosure counsel to the Agency, has caused to be  
22 prepared a form of the Official Statement for each series of the Bonds (collectively, the "2011  
23 Official Statements" and, individually, each a "Official Statement"), the preliminary forms of  
24 which are on file with the Secretary;

25 **WHEREAS**, the Agency, with the aid of its staff, has reviewed the Official Statements,  
26 and the Agency wishes at this time to approve such documents in the public interests of the  
27 Agency;

28 **WHEREAS**, the Agency proposes to sell the Bonds to the Riverside County Public  
Financing Authority (the "Authority") which will concurrently sell the Bonds to the Underwriter

FORM APPROVED BY COUNTY COUNSEL  
BY: Dale A. Gardner 2/17/14

DATE  
DALE A. GARDNER

1 (as defined below), all on the terms and conditions herein set forth and as provided in the forms  
2 of Bond Purchase Agreements (the "Purchase Agreements") on file with the Secretary; and

3 **WHEREAS**, all conditions, things and acts required to exist, to have happened and to  
4 have been performed precedent to and in the issuance of the Bonds and the sale of the Bonds  
5 to the Authority, as contemplated by this resolution and the documents referred to herein exist,  
6 have happened and have been performed in due time, form and manner as required by the  
7 laws of the State of California, including the Redevelopment Law;

8 **NOW, THEREFORE, BE IT RESOLVED** by the Redevelopment Agency for the County  
9 of Riverside, as follows:

10 **Section 1. Recitals True and Correct.** The Agency hereby finds and declares that the  
11 above recitals are true and correct.

12 **Section 2. Approval of Issuance and Sale of Bonds.** The Agency hereby authorizes  
13 and approves the issuance of the following four series of Bonds, as follows:

14 (i) Redevelopment Agency for the County of Riverside Jurupa Valley  
15 Redevelopment Project Area 2011 Tax Allocation Bonds, Series B, in a combined initial  
16 amount with the Taxable Jurupa Bonds (as defined below) not to exceed \$40,000,000 (the  
17 "Tax-Exempt Jurupa Bonds");

18 (ii) Redevelopment Agency for the County of Riverside Jurupa Valley  
19 Redevelopment Project Area 2011 Taxable Tax Allocation Bonds, Series B-T, in a combined  
20 initial amount with the Tax-Exempt Jurupa Bonds not to exceed \$40,000,000 (the "Taxable  
21 Jurupa Bonds");

22 (iii) Redevelopment Agency for the County of Riverside Desert Communities  
23 Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series D, in an initial  
24 amount not to exceed \$8,000,000 (the "DCPA Bonds"); and

25 (iv) Redevelopment Agency for the County of Riverside Interstate 215 Corridor  
26 Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series E, in an initial  
27 amount not to exceed \$15,000,000 (the "I-215 Bonds").

28 //

1 The Agency hereby approves the sale of the Bonds on the terms and conditions set  
2 forth in the Purchase Agreements, as provided below.

3 Pursuant to Section 5903 of the Government Code of the State of California, the Agency  
4 hereby determines that the 2011 Taxable Series B-T Bonds will be subject to all applicable  
5 federal income taxation;

6 **Section 3. Approval of Indentures.** The Indentures of Trust, one for each series of  
7 Bonds and each by and between the Agency and The Bank of New York Mellon Trust  
8 Company, N.A. (collectively, the "Indentures" and individually, each an "Indenture"), as trustee,  
9 in the forms presented to this meeting, are hereby approved. The Executive Director, the  
10 Deputy Executive Director and the Finance Director (the "Designated Officers") are, and each  
11 of them acting alone is, hereby authorized and directed, for and in the name and on behalf of  
12 the Agency, to execute and deliver the Indentures, and the Secretary is hereby authorized and  
13 directed, for and in the name and on behalf of the Agency, to attest the Designated Officer's  
14 signature to the Indentures, in said forms, together with such additions thereto or changes  
15 therein as are recommended or approved by the Designated Officer, upon consultation with  
16 bond counsel to the Agency, including such additions or changes as are necessary or  
17 advisable in accordance with Section 7 hereof; provided that no additions or changes shall  
18 authorize an aggregate principal amount of Bonds in excess of the amounts set forth above,  
19 result in (i) a true interest cost on the Tax-Exempt Jurupa Bonds in excess of 9.50% per  
20 annum, a true interest cost on the Taxable Jurupa Bonds in excess of 10.5% per annum, a true  
21 interest cost on the DCPA Bonds in excess of 10% per annum or a true interest cost on the I-  
22 215 Bonds in excess of 10% per annum, or (ii) an Underwriter's discount (exclusive of original  
23 issue discount) on the combined Tax-Exempt Jurupa Bonds and Taxable Jurupa Bonds in  
24 excess of 1.00%, an Underwriter's discount (exclusive of original issue discount) on the DCPA  
25 Bonds in excess of 1.50%, or an Underwriter's discount (exclusive of original issue discount)  
26 on the I-215 Bonds in excess of 1.50%. The approval of such additions or changes shall be  
27 conclusively evidenced by the execution and delivery by the Agency of the Indentures. The  
28

1 date, maturity dates, aggregate principal amount, annual maturity amounts, interest rate or  
2 rates, interest payment dates, denominations, form, registration privileges, manner of  
3 execution, place of payment, terms of redemption and other terms of the Bonds shall be as  
4 provided in the Indentures, as finally executed.

5 **Section 4. Parity Bonds; Subordinate Bonds.** the Tax-Exempt Jurupa Bonds and  
6 the Taxable Jurupa Bonds will be issued as Parity Debt (as defined in the applicable  
7 Indenture). The Designated Officers are hereby authorized to take such actions as are required  
8 to issue the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds as Parity Debt. The  
9 DCPA Bonds and the I-215 Bonds will be issued on a subordinate basis to the bonds currently  
10 outstanding with respect to the Desert Communities Redevelopment Project Area and the  
11 Interstate 215 Corridor Redevelopment Project Area

12 **Section 5. Sale of Agency Bonds.** The Agency hereby authorizes and directs the  
13 Designated Officers to negotiate the sale of the Bonds to Stone & Youngberg LLC, on behalf of  
14 itself and, with respect to the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds, E.J.  
15 De La Rosa & Co. Inc., as underwriters (collectively, the "Underwriter"). The Purchase  
16 Agreements are hereby approved, and the Designated Officers are hereby authorized and  
17 directed to execute said documents, with such changes, insertions and omissions as may be  
18 approved by such official, including modifications to provide for the private placement of all or a  
19 portion of the Bonds and the payment of placement agent fees, if any, so long as the  
20 aggregate principal amount of each series of Bonds (or combined series of Bonds in the case  
21 of the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds) does not exceed the amount  
22 set forth in Section 2 above, the true interest cost on a series of Bonds does not exceed the  
23 maximum true interest costs set forth in Section 3, and the Underwriter's discount (exclusive of  
24 original issue discount) on each series of Bonds (or combined series of Bonds in the case of  
25 the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds) does not exceed maximum  
26 Underwriter's discount set forth in Section 3.

27 **Section 6. Official Statements.** The Agency hereby approves the preliminary Official  
28 Statements describing the Bonds, in substantially the forms on file with the Secretary.

1 Distribution of the preliminary Official Statements by the Underwriter is hereby approved. The  
2 Agency hereby authorizes the distribution of the final Official Statements by the Underwriter.  
3 The Designated Officers are hereby authorized and directed to approve any changes in or  
4 additions to the final forms of the Official Statements, whose execution thereof shall be  
5 conclusive evidence of approval of any such changes and additions. The final Official  
6 Statements shall be executed in the name and on behalf of the Agency by a Designated  
7 Officer, each of whom is hereby authorized and directed to execute and deliver the final Official  
8 Statements on behalf of the Agency and to execute and deliver to the Underwriter the  
9 Continuing Disclosure Certificates substantially in the forms appended to the final Official  
10 Statements.

11 **Section 7. Official Action.** All actions heretofore taken by the officers and agents of  
12 the Agency with respect to the preparation of the Official Statements and the Indentures, and  
13 the sale and issuance of the Bonds, are hereby approved, confirmed and ratified, and the  
14 proper officers of the Agency, including the Designated Officers, are hereby authorized and  
15 directed, for and in the name and on behalf of the Agency, to do any and all things and take  
16 any and all actions and execute and deliver any and all certificates, agreements and other  
17 documents which they, or any of them, may deem necessary or advisable in order to  
18 consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution,  
19 including but not limited to those certificates, agreements and other documents described in  
20 the Indentures and the other documents herein approved, and any certificates, agreements or  
21 documents as may be necessary to further the purpose hereof or provide additional security for  
22 the Bonds, but which shall not create any obligation or liability of the Agency other than with  
23 respect to the tax revenues pledged as security for the Bonds in the Indentures and assets  
24 derived from the proceeds of the Bonds.

25 **Section 8. Effective Date.** This resolution shall take effect from and after the date of  
26 approval and adoption thereof.

27 **ROLL CALL:**

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

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

KECIA HARPER-IHEM Clerk of said Board

By \_\_\_\_\_ Deputy  
Updated 08/2010



# MEMORANDUM

## RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

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*Robert Field*  
*Assistant County Executive Officer/EDA*

**TO:** Board of Supervisors

**FROM:** Robert Field  
Assistant County Executive Officer / EDA

**DATE:** February 28, 2011

**SUBJECT:** Minority Opinion Response (Items 3.36; 4.2 and 5.1)

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### Response to DAC Dissenting Opinion

The Debt Advisory Committee has forwarded to the Board its analysis of the Agency's proposed bond issues. The following is the Agency's response.

DAC comments regarding the I215 and DCPA bonds suggested that debt service coverage is too low and that ratings on the existing bonds could be affected.

DCPA - A drop in AV of more than \$155 Million (6%) would cause a technical bond default. This is less than last year's decline of 9.5%. The AV would have to stay there or decline further and not recover the follow year for the reserve fund to run out and cause a bond payment default.

I 215 - A drop in AV of more than \$327 Million (12%) would cause a technical bond default. Last year's decline was 6.5%. The AV would have to stay there or decline further and not recover the following year for the reserve fund to run out and cause a bond payment default.

Jurupa - A drop in AV of more than \$522 Million (12%) decline would cause a technical bond default. Last year's decline was 4.3%. The AV would have to stay there or decline further and not recover for the reserve fund to run out and cause a bond payment default.

The statement that the margin of error is much smaller than for the other bonds is not supported by the facts for I-215.

The additional issuance of subordinate lien bonds would not impact the ratings the senior bonds in DCPA or I 215. The additional issuance of Jurupa bonds might impact the ratings of other outstanding Jurupa Project Area Bonds. Any reduction in the rating of outstanding debt has not financial impact upon the Agency.



# MEMORANDUM

## RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

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*Robert Field*  
*Assistant County Executive Officer/EDA*

The other points in the memorandum are the same as those raised in the on the Housing Issue and included below are the responses to those points.

**1. "The rushed process did not allow for adequate time for review."**

The submission to the debt advisory commission was provided 7 days in advance of the meeting, in accordance with DAC policy. No questions were forwarded from the committee members prior to the meeting. It was also offered to hold additional meetings later in the day to provide more time. It is not clear that there were any unanswered questions that could have resulted in a different vote.

**2. "The excessive expected borrowing costs – in the range of 7 to 9% are enough to warrant a delay."**

The cost of issuing the bonds is not appreciably higher than is normally the case. The expected interest cost relative to other types of bonds is higher by approximately 1% due to state budget headline risk and concerns over real estate in California in General. This puts bond interest rates in the 7 to 9% area. There is no assurance that a delay in issuing the bond would lower interest cost. If the interest rate spread narrowed between tax allocation bonds and other types of bonds the rates might drop to the 6% to 8 % range. However, if interest rates rose in general, future rates may be higher. Also 50% of the proposed JPFA issue is taxable which has higher rates. A delay in issuance may preclude any bonds from being issued at all.

**3. "There is a reasonable chance (should property values fall more than 2%) that RDA would be unable to make debt service payments."**

See above

**4. "Issuing poorly rated bonds puts the County's reputation and credit rating at risk through RDA is legally separate, the public and rating agencies might not see the distinction."**

The JVPA Bonds are expected to be rated in the "A" category while the I 215 and DCPA Bonds may be unrated. The ratings or lack thereof would not impact the ratings on the County General Fund bonds or investor perception. The RDA did issue BBB rated bonds in the Mid County Area in 2010 with no impact on the County GF ratings. In fact, for the entire twenty year history of the RDA, its bond ratings have generally been lower than the County's. The County has also issue non rated Mello Roos and Assessment bonds in the past without





# MEMORANDUM

## RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

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*Robert Field*  
*Assistant County Executive Officer/EDA*

an adverse impact on General Fund Ratings.

The dissenting opinions do raise legitimate issues

1. The State may stop the issuance of the bonds at any time and the County will have incurred costs.
2. Bond proceeds, if uncommitted, may have to be used to pay debt service –depending on final legislation.
3. The rating on prior bonds may be downgraded if the 2011 bonds have a lower rating-a risk for investors.
4. Interest rates are higher due to concerns about the State Budget as discussed above
5. The County might be criticized for rushing to bond ahead of State Action or there may be other impacts
6. Any further decline in AV without an immediate recovery would make the County unable to pay pass though payments and this liability would accrue.
7. The subordinate DCPA bonds are most at risk for further AV decline. I 215 is most at risk for decline of the Inland Energy Center. Both I 215 and DCPA had greater declines last year than JVPA.
8. In the current economic climate is not knowable if AV will continue to decline or recover. The proposed subordinate DCPA and I 215 Bonds are riskier.



# MEMORANDUM

EXECUTIVE OFFICE, COUNTY OF RIVERSIDE

*Bill Luna*

County Executive Officer

*Jay E. Orr*

Assistant County Executive Officer

**TO:** Clerk of the Board

**FROM:** Christopher Hans, DAC Chair

**DATE:** February 23, 2011

**RE:** DAC Opinion of Items 3.36 and 4.2 and 5.1

Before the Board on March 1, 2011 for consideration and approval are four separate RDA bond issuances (See items 3.36 and 4.2 and 5.1). The items were reviewed at the Debt Advisory Committee (DAC) on Thursday, February 10. Per Board policy, unless the committee unanimously supports a proposal, the Board should be given an explanation of the minority opinion. A brief report from me as the committee's chair follows.

By a split vote (4 for, 1 against, and 1 abstention), the committee voted to send no recommendation to the Board regarding two of the 4 RDA bonds before the Board today. By a split vote (3 for, 2 against, and 1 abstention) the committee supported approval of the other two RDA bonds before the Board today.

As financial advisor, C.M. DeCrisis was hired by RDA both to provide logistical support and to identify potential risks. They provided a lengthy list of risks (see attached). The discussion of the risks led to a thorough debate which ultimately resulted in the split votes mentioned above.

**Regarding the I215 and Desert Communities Bonds. 4-1 vote to forward no committee opinion.**

As chair, I voted against this approach. Personally, I can't support the issuance of these bonds for three main reasons.

- First the margin of error is much smaller than for the other bonds. A fairly small (small in comparison to recent drops) decrease in property values would lead to bond default. This could potentially affect the bond rating on other RDA bonds.
- Second, these bonds will have poor ratings or no ratings at all and will be subordinate to existing bonds. This alone could potentially lower the ratings of existing RDA bonds.
- Additionally, all of the risks associated with the other two bonds – discussed below, and see attachment – apply to these bonds.

From the meeting's discussion, my opinion is that the other committee members agree with my position.

(continued on the next page)

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**Regarding the Jurupa Valley Bonds: 3-2 vote in favor.**

Those in favor agreed:

- The worthy nature of the projects that would be built using proceeds was demonstrated
- The risks were significant
- The cash flow assumptions left enough cushion to make the risks tolerable

One dissenting opinion had the following main concern:

- The rushed process did not allow adequate time for review
- EDA financial data is integral in the CAFR. The credit rating services use CAFR to base credit ratings. This bond issuance could potentially impact the County's credit rating impacting future critical borrowing like the TRANS. (CAFR FY10 pgs. 31, 81-82, 120, 136).

The second dissenting opinion had several main concerns:

- The high expected borrowing costs – in the range of 7-9% are enough to warrant a delay
- There is a reasonable chance (should property values fall more than the projected 2%) that RDA would be unable to make debt service payments
- Issuing poorly rated bonds puts the County's reputation and credit rating at risk; though RDA is legally separate, the public and rating agencies might not see the distinction

# Risks of Financing Program

- ▶ Legislative Risk and Possible Impact on Agency
- ▶ Subordinated Pass-Through Agreement Risks to Bond Program
- ▶ Rating Downgrades on Existing Bonds.
- ▶ High debt levels and associated Risk for Subordinated Pass Through Payments and Bond Debt Service
- ▶ High Interest Rates – tax allocation credit spreads to other bonds are high
- ▶ Bond Program has risk to future bonding flexibility if State budget proposal on RDAs fails to be enacted
- ▶ Headline Risk of Bond Program – Rushing to Market
- ▶ Risk that Bonds are sold but not closed



PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY \_\_, 2011

NEW ISSUE  
FULL BOOK ENTRY

Rating: Standard & Poor's: "\_\_\_"  
(See "MISCELLANEOUS - Rating" herein)

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series B Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. However, the interest on the Series B-T Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on both the Series B Bonds and the Series B-T Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.*

\$ \_\_\_\_\_ \*  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Jurupa Valley Redevelopment Project Area**  
**2011 Tax Allocation Bonds, Series B**

\$ \_\_\_\_\_ \*  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Jurupa Valley Redevelopment Project Area**  
**2011 Taxable Tax Allocation Bonds, Series B-T**

**Dated: Date of Delivery**

**Due: October 1, as shown on inside cover**

The Redevelopment Agency for the County of Riverside (the "Agency") has determined to issue its (i) \$ \_\_\_\_\_ \* principal amount of Redevelopment Agency For the County of Riverside, Jurupa Valley Redevelopment Project Area, 2011 Tax Allocation Bonds, Series B (the "Series B Bonds") and (ii) \$ \_\_\_\_\_ \* principal amount of Redevelopment Agency For the County of Riverside, Jurupa Valley Redevelopment Project Area, 2011 Taxable Tax Allocation Bonds, Series B-T (the "Series B-T Bonds", and together with the Series B Bonds, the "Bonds") pursuant to that certain Indenture of Trust, dated as of March 1, 2011 (the "Indenture"). Proceeds of the Bonds will be used to (i) fund projects of benefit to the Agency's Jurupa Valley Redevelopment Project Area (the "Project Area"), (ii) fund a reserve account for each series of Bonds; and (iii) pay the costs of issuing the Bonds.

The Series B Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds. The Series B-T Bonds are being issued only as Current Interest Bonds. The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 principal amount or maturity amount, as applicable, or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Bonds. The Current Interest Bonds bear current interest from the date of their delivery payable semiannually on October 1 and April 1 of each year, commencing October 1, 2011. The Capital Appreciation Bonds will not bear current interest but will accrete interest from the date of their delivery, compounded semiannually on October 1 and April 1 of each year, commencing October 1, 2011. The principal of, premium if any, and semiannual interest on the Current Interest Bonds and the Accreted Value of the Capital Appreciation Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds.

*The Bonds are subject to optional and mandatory redemption as described herein.*

The Bonds are special obligations of the Agency and are payable exclusively from Tax Revenues (as defined herein) to be derived from the Project Area and from amounts on deposit in certain funds and accounts established pursuant to the Indenture. The Bonds are payable from Tax Revenues on a parity with certain outstanding debt of the Agency. See "SECURITY FOR THE BONDS – Outstanding Parity Debt". The receipt of Tax Revenues is subject to certain risks and limitations. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

**THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE COUNTY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE AGENCY, IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NEITHER THE MEMBERS OF THE AGENCY, NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.**

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.

**MATURITY SCHEDULE**  
**(See inside cover)**

*The Bonds are offered when, as and if delivered and received by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel. Certain legal matters will be passed upon for the Agency by County Counsel and for the Underwriters by Stradling Yocca Carlson & Rauth, Newport Beach, California. It is anticipated that the Bonds will be available for delivery to DTC on or about March \_\_ 2011*

**[Stone & Youngberg logo]**

**[De La Rosa logo]**

Dated \_\_\_\_\_, 2011

\* Preliminary, subject to change.

# MATURITY SCHEDULE

(Base CUSIP†: 769123)

## 2011 TAX ALLOCATION BONDS, SERIES B

### \$ \_\_\_\_\_ Current Interest Bonds

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ \_\_\_\_\_ % Term Bonds due October 1, 20\_\_; Yield: \_\_\_\_\_% CUSIP†: \_\_\_\_\_  
 \$ \_\_\_\_\_ % Term Bonds due October 1, 20\_\_; Yield: \_\_\_\_\_% CUSIP†: \_\_\_\_\_

## 2011 TAX ALLOCATION BONDS, SERIES B

### \$ \_\_\_\_\_ Capital Appreciation Bonds

<u>Maturity Date (October 1)</u>	<u>Initial Principal Amount</u>	<u>Yield to Maturity</u>	<u>Value at Maturity</u>	<u>CUSIP†</u>
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## 2011 TAXABLE TAX ALLOCATION BONDS, SERIES B-T

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ \_\_\_\_\_ % Term Bonds due October 1, 20\_\_; Yield: \_\_\_\_\_% CUSIP†: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Bonds due October 1, 20\_\_; Yield: \_\_\_\_\_% CUSIP†: \_\_\_\_\_

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Agency in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Agency or any other entity described or referenced herein since the date hereof.

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

**Involvement of Underwriters.** The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency, the Project Area, or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

# REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE

## AGENCY/COUNTY BOARD OF SUPERVISORS

Bob A. Buster, District 1  
John F. Tavaglione, District 2  
Jeff Stone, District 3  
John J. Benoit, District 4  
Marion Ashley, District 5

## AGENCY STAFF

Robert Field, *Executive Director*  
Lisa Brandl, *Deputy Executive Director*  
Paul Angulo, *Agency Auditor/Controller*  
Pamela J. Walls, *County Counsel*

## SPECIAL SERVICES

### Trustee

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

### Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation  
San Francisco, California

### Financial Advisor

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

### Fiscal Consultant

Urban Analytics, LLC  
San Francisco, California



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APPENDIX F - Form of Continuing Disclosure Certificate
APPENDIX G - Book Entry Only System
APPENDIX H – Table of Accreted Values

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

**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Jurupa Valley Redevelopment Project Area**  
**2011 Tax Allocation Bonds, Series B**

and

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

**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Jurupa Valley Redevelopment Project Area**  
**2011 Taxable Tax Allocation Bonds, Series B-T**

### INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Redevelopment Agency For the County of Riverside (the "**Agency**") of its (i) Jurupa Valley Redevelopment Project Area, 2011 Tax Allocation Bonds, Series B (the "**Series B Bonds**") and (ii) Jurupa Valley Redevelopment Project Area, 2011 Taxable Tax Allocation Bonds, Series B-T (the "**Series B-T Bonds**"). The Series B Bonds will be issued as current interest bonds ("**Current Interest Bonds**") in the aggregate principal amount of \$\_\_\_\_\_ and as capital appreciation bonds ("**Capital Appreciation Bonds**") in the aggregate initial principal amount of \$\_\_\_\_\_. The Series B-T Bonds will be issued only as Current Interest Bonds. This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX D – Summary of Certain Provisions of the Indenture".

**Purpose.** The proceeds of the Bonds will be used to (i) fund projects of benefit to the Agency's Jurupa Valley Redevelopment Project Area (the "Project Area"), (ii) fund a reserve account for each series of Bonds; and (iii) pay the costs of issuing the Bonds. See "FINANCING PLAN" herein. The Bonds will be payable from and secured by Tax Revenues (as defined herein) allocated to the Project Area. See "SECURITY FOR THE BONDS" herein.

**Legal Authority.** The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the "**State**"), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the "**Redevelopment Law**"). The Bonds are being issued under the Redevelopment Law. The Bonds will be issued pursuant to and will be secured by the terms of an Indenture of Trust (the "**Indenture**"), dated as of March 1, 2011, by and between the Agency and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "**Trustee**"). The Bonds are payable from and secured by Tax Revenues (as defined herein). The Indenture permits, upon satisfaction of certain conditions, the issuance of additional indebtedness ("**Parity Debt**") payable from and secured by the Tax Revenues and secured by a lien and charge upon Tax Revenues equal to the lien and charge securing the Bonds. See "FINANCING PLAN " and "APPENDIX D – Summary of Certain Provisions of the Indenture."

The Bonds are being issued for sale to the Riverside County Public Financing Authority (the "**Authority**") pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting

\* Preliminary, subject to change.

Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "**JPA Law**"). The Bonds purchased by the Authority will be resold concurrently to Stone & Youngberg LLC and E.J. De La Rosa & Co. as underwriters (the "**Underwriters**").

**Tax Allocation Financing.** The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. The taxable valuation of a redevelopment project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as indicated above.

The Bonds are secured by a pledge of Tax Revenues. "**Tax Revenues**" generally include the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Redevelopment Law in connection with the Project Area. Tax Revenues are more fully described under the caption "SECURITY FOR THE BONDS -- Tax Revenues". The pledge of Tax Revenues to the payment of the Bonds is on a parity with a prior pledge of Tax Revenues for the payment of debt service due on certain outstanding bonds of the Agency (the "**Parity Bonds**"). See "SECURITY FOR THE BONDS – Outstanding Parity Debt."

Any future decrease in the taxable valuation in the Project Area or in the applicable tax rates could reduce the Tax Revenues allocated to the Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. See "RISK FACTORS" herein.

**The Project Area.** The Project Area encompasses approximately 16,600 substantially contiguous acres situated in the northwesterly corner of Riverside County, adjacent to the City of Ontario, the I-15 Corridor and near the Ontario Airport. The Board of Supervisors of the County (the "Board") adopted the Redevelopment Plan with respect to the merger and amendment of the Project Area on July 9, 1996 pursuant to its Ordinance No. 762 and its Ordinance No. 763. The Project Area formation involved the merging of three existing project areas (totaling approximately 5,845 acres), as well as the annexing of 10,755 additional acres. The Project Area consists of a mixture of commercial, industrial and residential development as well as substantial acreage for new development. The assessed value of the Project Area for fiscal year 2010-11 is \$4,311,622,817.

See "THE PROJECT AREA" for additional information on land use and property ownership within the Project Area.

**The County.** The County, which encompasses 7,177 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 26 incorporated cities in Riverside

County. For certain information regarding the County, see "APPENDIX C - County of Riverside General Information."

**The Agency.** The Agency was activated by the Board of the County on August 6, 1985 by an ordinance of the Board, at which time the Board declared itself to be the governing board of the Agency. The Project Area is one of eight separate redevelopment project areas of the Agency.

**Outstanding Parity Debt.** The Agency currently has outstanding Parity Bonds with respect to the Project Area. The Agency has pledged Tax Revenues to the repayment of the Parity Bonds which is on a parity with the Agency's pledge of Tax Revenues for the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS – Outstanding Parity Debt."

**Continuing Disclosure.** The Agency will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than December 31 after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2010-11 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX F – Form of Continuing Disclosure Certificate," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5).

The Agency has complied in all material respects under existing continuing disclosure undertakings during the past five years.

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

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

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

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also acting as Disclosure Counsel. Certain legal matters will be passed on for the Agency by Riverside County Counsel. Stradling Yocca Carlson & Rauth, Newport Beach, California is serving as counsel to the Underwriters. The fees and expenses of the Financial Advisor, Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

**Other Information.** Following in this Official Statement are brief descriptions of the Bonds, the Agency, the County, Tax Revenues, the Project Area, security for the Bonds, risk factors and limitations on Tax Revenues and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture are qualified in their entirety by reference to the Indenture and all references to the Bonds are further qualified by reference to the definitive Bonds and to the terms thereof which are contained in the Indenture. All capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Indenture.



## FINANCING PLAN

### General

The net Bond proceeds will be used to fund certain projects of benefit to the Project Area. It is expected that such proceeds will be used to finance all or a portion of the following projects:

[List of projects to come]

The Agency may, in its discretion, fund other projects of benefit to the Project Area.

In addition, the Agency may use a portion of the proceeds to pay interest on the Bonds during the period ending three years from the date of delivery of the Bonds. The actual timing and scope of the foregoing projects are unknown and cannot be guaranteed. It is possible that one or more of the above may not occur. The Agency may, consistent with the Redevelopment Law and its covenants set forth in the Indentures authorizing the Bonds, substitute other projects for those which are described above.

There is currently significant uncertainty as to the future of the funding and administration of redevelopment agencies and redevelopment projects in the State of California, due to certain proposals in Governor's proposed State Budget for fiscal year 2011-12. See "RISK FACTORS -State of California Fiscal Issues; ERAF; SERAF- Proposed 2011-12 Budget and Redevelopment Agencies." The Agency is unable to predict the eventual outcome of the 2011-12 State Budget, when adopted, or its impact on the proposed projects of the Agency.

### Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

#### SOURCES:

#### SERIES B BONDS

#### SERIES B-T BONDS

Principal Amount of the Bonds  
Less: Underwriters' Discount  
Less: Original Issue Discount  
*Total Sources*

#### USES:

Costs of Issuance Fund <sup>(1)</sup>  
Reserve Subaccount  
Redevelopment Fund  
*Total Uses*

(1) Includes Trustee fees, Financial Advisor fees, Fiscal Consultant's fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees, and other related costs.

## THE BONDS

### Description

**Current Interest Bonds.** The Current Interest Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on April 1 and October 1 (each, an “**Interest Payment Date**”), commencing October 1, 2011, and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Current Interest Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date.

Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before September 15, 2011, in which event it shall bear interest from the date of delivery of the Current Interest Bonds (the “**Closing Date**”); provided, however, that if, as of the date of authentication of any Current Interest Bond, interest thereon is in default, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months).

Interest on the Current Interest Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner’s address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Current Interest Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date to such account in the United States as shall be specified in such written request.

**Capital Appreciation Bonds.** The Capital Appreciation Bonds will be issued in authorized denominations of \$5,000 maturity value amount or integral multiples thereof and will be dated their date of delivery. The Capital Appreciation Bonds mature on the dates and in the Maturity Values and shall accrete interest at the rates per annum set forth on the inside cover hereof.

Interest on the Capital Appreciation Bonds will not be paid until maturity or prior redemption. The Maturity Value of each Capital Appreciation Bonds is equal to its Accreted Value, which is comprised of its initial principal amount and the compounded interest between the Closing Date and its respective maturity or redemption date. The Accreted Value of a Capital Appreciation Bond shall be determined by compounding interest semiannually on April 1 and October 1 in each year, commencing October 1, 2011, from the Closing Date, payable upon maturity or prior redemption thereof, all as contained in the Table of Accreted Values set forth in Appendix H hereto.

The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”), as registered owner of all Bonds. See “Book-Entry System” below. Ownership may be changed only upon the registration books maintained by The Bank of New York Mellon Trust



Company, N.A. (the "Trustee") as provided in the Indenture. See "Transfer and Exchange of Bonds" below.

**While the Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Bonds.** The principal of the Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See "APPENDIX G – Book Entry Only System".

**Optional Redemption**

**Current Interest Bonds.** The Current Interest Bonds maturing on or before October 1, 20\_\_, are not subject to optional redemption prior to maturity. The Current Interest Bonds maturing on and after October 1, 20\_\_, are subject to redemption, at the option of the Agency on any date on or after October 1, 20\_\_, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Current Interest Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Capital Appreciation Bonds.** The Capital Appreciation Bonds are not subject to optional redemption prior to maturity.

**Mandatory Redemption From Sinking Fund Payments**

**Series B Bonds- Current Interest Bonds.** The Series B Term Bonds maturing October 1, 20\_\_, October 1, 20\_\_ and October 1, 20\_\_ are also subject to mandatory redemption in part by lot on October 1 in each year, as set forth below, from Sinking Account payments made by the Agency pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table. If some but not all of the Series B Bonds have been redeemed pursuant to optional redemption, the total amount of all future Sinking Account payments shall be reduced by the aggregate principal amount of Series B Bonds so redeemed, to be allocated among the Sinking Account payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Agency.

**\$ Term Series B Bonds Maturing October 1, 20**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

**\$ Term Series B Bonds Maturing October 1, 20**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

**\$ Term Series B Bonds Maturing October 1, 20**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

**Series B-T Bonds.** The Series B-T Term Bonds maturing October 1, 20\_\_ and October 1, 20\_\_ are subject to mandatory redemption in part by lot on October 1 in each year, as set forth below, from Sinking Account payments made by the Agency pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table. If some but not all of the Series B-T Bonds have been redeemed pursuant to optional redemption, the total amount of all future Sinking Account payments shall be reduced by the aggregate principal amount of Series B Bonds so redeemed, to be allocated among the Sinking Account payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Agency.

**\$ Term Series B-T Bonds Maturing October 1, 20**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

**\$ Term Series B-T Bonds Maturing October 1, 20**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

In lieu of mandatory Sinking Account redemption of Bonds, amounts on deposit as Sinking Account payments may also be used and withdrawn by the Trustee, at the written direction of the Agency, at any time for the purchase of Bonds otherwise required to be redeemed on the following October 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its

discretion determine. The par amount of any of the Term Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on August 1 in any year shall be credited towards and shall reduce the par amount of the Bonds otherwise required to be redeemed on the following October 1.

### **General Redemption Provisions**

*Notice of Redemption.* Notice of redemption shall be mailed by the Trustee (by first class mail, postage prepaid) at least thirty but not more than sixty days prior to the redemption date to the respective registered Owners of the Bonds designated for redemption, to Ambac Assurance, to one or more Information Services, and to the Securities Depositories.

Such notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the redemption price, giving notice also that interest on such Bonds will no longer accrue from and after the redemption date.

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

*Selection of Bonds for Redemption.* Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

*Transfer and Exchange.* Any Bond may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination.

The Trustee may refuse to transfer, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

## **Additional Bonds and Subordinate Debt**

*Issuance of Additional Bonds.* In addition to the Bonds and the Parity Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to certain specific conditions, including the following:

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

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

*Issuance of Subordinate Debt.* In addition to the Bonds, the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the certain conditions, including the following:

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

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

## **Debt Service Schedule**

Scheduled debt service on the Series B Bonds and the Series B-T Bonds, without regard to any optional redemption, is shown in the following table. For a schedule showing debt service on the Bonds, together with amounts due on the Agency's Parity Bonds (which are payable from Tax Revenues on a parity with the Bonds), see Table 8 herein.

**TABLE 1**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Jurupa Valley Redevelopment Project Area**

**Debt Service Schedule- Series B Bonds**

Bond Year Ending <u>October 1</u>	Initial Amount or <u>Principal Amount</u>	Interest or Accreted <u>Value</u>	Total Series B Bonds <u>Debt Service</u>
---	---	---	--

**Debt Service Schedule- Series B-T Bonds**

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<u>Bond Year</u> <u>Ending</u> <u>October 1</u>	<u>Principal Amount</u>	<u>Interest</u>	Total Series B-T Bonds <u>Debt Service</u>
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## SECURITY FOR THE BONDS

### Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

### Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "**taxing agencies**") for each Fiscal Year beginning after the effective dates of the respective ordinances approving redevelopment plans for the constituent project areas and the additions of territories thereto comprising the merged Project Area, as amended (see Table 2 below for the numbers and dates of the ordinances pertaining to the Project Area) are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior the effective dates of the ordinances referred to above (the "**Base Year Amount**") shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, and except for non-subordinated statutory pass-through payments, that portion of the levied taxes each year in excess of the Base Year Amount shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See "Tax Revenues," below.

## Tax Revenues

*General.* The Bonds are equally secured by a pledge of, security interest in, and lien on all of the Tax Revenues, and a pledge of all of the moneys in the Special Fund on a parity with the Parity Bonds, and of all moneys in the Debt Service Fund, Interest Account, Principal Account, Sinking Account, Reserve Account and Redemption Account created pursuant to the Indenture. See "APPENDIX C – Summary of Certain Provisions of the Indenture".

As defined in the Indenture (see "APPENDIX C – Summary of Certain Provisions of the Indenture"), "**Tax Revenues**" means all taxes annually allocated within the Plan Limitations and paid to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110 *et seq.* as of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds and any Parity Debt (including applicable reserves and financing costs) used to finance or refinance the increasing or improving of the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and excluding investment earnings. Tax Revenues shall not include amounts payable by the Agency under agreements entered into pursuant to Section 33401 of the Law, amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law (except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt) and amounts required to be paid by the Agency pursuant to the Development Agreements.

The term "**Development Agreements**" is defined in the Indenture to mean, initially, five separate Reimbursement Agreements, each between the Agency and FN Projects, Inc. and each executed on December 18, 1990, pursuant to a Redevelopment Assistance Agreement between the Agency and 1<sup>st</sup> Nationwide Mortgage Network Company, dated January 26, 1988, of which only one (namely, the agreement with Michael Lawrence) remains outstanding.

The Agency's receipt of Tax Revenues is subject to certain limitations ("**Plan Limits**") contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As described in "THE PROJECT AREA – The Redevelopment Project Plan," "Redevelopment Plan Limitations," the Agency's collection of Tax Revenues in the Project Area is subject to limitations on the respective component project areas (but not with respect to the portion added by the 1996 Amendment) of the total tax increment collected by the Agency over the life of the Redevelopment Plan. See Table 3 "Redevelopment Plan Limits".

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Bonds and, consequently, the principal of, and interest (or Accreted Value) on, the Bonds. Likewise,



broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA, THE COUNTY OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE, THE COUNTY NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE THEREON. THE AGENCY HAS NO TAXING POWER. THE BONDS ARE REVENUE BONDS, PAYABLE EXCLUSIVELY FROM THE TAX REVENUES AND OTHER FUNDS AS PROVIDED IN THE INDENTURE. THE OBLIGATIONS OF THE AGENCY UNDER THE BONDS AND ANY ADDITIONAL BONDS OF THE AGENCY ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA.

### **Outstanding Parity Debt**

**2004 Jurupa Bonds.** In December 2004, the Authority issued its \$102,785,000 Riverside County Public Financing Authority 2004 Tax Allocation Bonds (County of Riverside Redevelopment Projects) (the "**2004 Bonds**"), payable, in part, from Agency bonds issued for multiple project areas of the Agency, including the Project Area (the "**2004 Jurupa Bonds**"), originally issued in the amount of \$16,715,000. Debt service on the 2004 Jurupa Bonds issued with respect to the Project Area is payable on a parity with debt service on the Bonds. As of January 1, 2011, \$15,915,000 of the 2004 Jurupa Bonds remain outstanding.

**2005 Jurupa Bonds.** In August 2005, the Authority issued its \$144,075,000 Riverside County Public Financing Authority 2005 Tax Allocation Bonds (County of Riverside Redevelopment Projects) (the "**2005 Bonds**"), payable, in part, from agency bonds issued for multiple project areas of the Agency, including the Project Area (the "**2005 Jurupa Bonds**"), Originally issued in the amount of \$60,220,000. Debt service on the 2005 Jurupa Bonds is payable on a parity with debt service on the Bonds. As of January 1, 2011, \$55,080,000 of the 2005 Jurupa Bonds remain outstanding.

**2006 Jurupa Bonds.** In November 2006, the Authority issued its \$169,720,000 Riverside County Public Financing Authority 2006 Series A Tax Allocation Bonds (Jurupa Valley, Desert Communities and Interstate 215 Corridor Redevelopment Projects) (the "**2006 Bonds**"), payable, in part, from agency bonds issued for multiple project areas of the Agency, including the Project Area (the "**2006 Jurupa Bonds**"), originally issued in the amount of \$68,740,000. Debt service on the 2006 Jurupa Bonds is payable on a parity with debt service on the Bonds. As of January 1, 2011, \$63,835,000 of the 2006 Jurupa Bonds remain outstanding.

**2007 Bonds.** In May 2007, the Agency issued its \$89,990,000 Jurupa Valley Redevelopment Project Area 2007 Tax Allocation Bonds (the "**2007 Bonds**"). Debt service on the 2007 Bonds is payable on a parity with debt service on the Bonds. As of January 1, 2011, \$84,600,000 of the 2007 Bonds remained outstanding.

Following is a summary of the outstanding Parity Bonds for the Project Area:

2004 Jurupa Bonds	\$15,915,000
2005 Jurupa Bonds	55,080,000
2006 Jurupa Bonds	63,835,000
2007 Jurupa Bonds	<u>84,600,000</u>
Total	\$219,430,000

**Reserve Account**

Pursuant to the Indenture, the Trustee will establish, maintain and hold in trust, a separate subaccount within the Reserve Account designated as the "2011 Reserve Subaccount", together with a 2011 Series A-T Sub-subaccount and a 2011 Series A Sub-subaccount therein. Amounts on deposit in the 2011 Reserve Subaccount shall be available to pay debt service only on the Series A Bonds, the Series A-T Bonds and any other Parity Debt hereafter issued that the Agency elects to be secured by the 2011 Reserve Subaccount. In the event that the Agency elects to secure additional Parity Debt with the 2011 Reserve Subaccount, the Agency shall establish additional sub-subaccounts within the 2011 Reserve Subaccount as needed. See "APPENDIX F - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES –Deposits of Amounts by Trustee - Reserve Account".

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

Outstanding Parity Debt	Credit Instrument	Stated Amount	Provider
2004 Bonds			
2005 Bonds			
2006 Bonds			
2007 Bonds			MBIA

The reserve subaccounts for the 2011 Series A Bonds and the 2011 Series A-T Bonds are being funded with cash. The Qualified Reserve Account Credit Instruments or cash deposited with respect to Outstanding Parity Debt are not available to pay the Bonds.

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

If circumstances should ever cause a Qualified Reserve Account Credit Instrument to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the portion of Reserve Requirement previously satisfied by such Qualified Reserve Account Credit Instrument. Under the Indenture, in the event that the amount on deposit in the Reserve Account is less than the Reserve Requirement, the Agency is required to transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the amount in the Reserve Account at the Reserve Requirement. Should the amount of Tax Revenues then available to maintain the Reserve Account at the applicable Reserve Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Indenture, but the requirement of the Agency to transfer available Tax Revenues to the Trustee would continue. No assurance can be given that there would ever be available Tax Revenues sufficient for such purpose.

The "**Reserve Requirement**" is defined in the Indenture to mean, with respect to the Bonds or any Parity Debt, as of any calculation date, the least of (i) ten percent (10%) of the outstanding principal amount of the Bonds or such Parity Debt, as applicable, provided that if the original issue discount of the Bonds or such Parity Debt exceeds 2% of such original principal amount, then initially ten percent (10%) of the original principal amount of, less original issue discount on, the Bonds or Parity Debt, but excluding from such calculation any proceeds of the Bonds or Parity Debt deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, (ii) Maximum Annual Debt Service with respect to the Bonds or Parity Debt, as applicable, or (iii) 125% of average Annual Debt Service on the Bonds or Parity Debt, as applicable; provided further that the Agency may meet all of a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument (as such term is defined in the Indenture) meeting the requirements of the Indenture. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest rate at the maximum rate permitted by the Parity Debt Instrument.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee. Additionally, the Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that for so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before four (4) Business Days preceding each April 1 and October 1 by the Trustee and deposited in the Interest Account.

The Reserve Account may be satisfied with the acquisition of a financial instrument meeting the definition of "Qualified Reserve Account Credit Instrument" set forth in the APPENDIX C – Summary of Certain Provisions of the Indenture". Generally, "**Qualified Reserve Account Credit Instrument**" is defined to mean an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee that, at the time of deposit, meets certain requirements, including the following: (a) the long-term credit rating of such bank or claims paying ability of such insurance company is AAA or better from S&P and AAA or better from Moody's and, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement; and (d) the Trustee is authorized to draw on the instrument in an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account.

## THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE

### Authority and Personnel

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

Members of the Agency and their terms of office are shown below:

<u>Member</u>	<u>Term Expires</u>
Bob A. Buster	January, 2013
John F. Tavaglione	January, 2015
Jeff Stone	January, 2013
John J. Benoit	January, 2015
Marion Ashley	January, 2015

### Agency Administration

The Agency each year adopts an administrative budget. A portion of salaries and benefits of certain County staff members are budgeted and paid for by the Agency. The Agency funds administrative costs out of available revenues. Such reimbursement is subordinate to any outstanding bonded indebtedness of the Agency.

The Redevelopment Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. The firm of Teaman, Ramirez & Smith, Certified Public Accountants, Riverside, California, prepared a financial statement for the Agency for the fiscal year ended June 30, 2010. The firm's examination was made in accordance with generally accepted auditing standards. The Agency follows fund accounting principles reflecting the modified accrual basis of accounting in which revenue is recognized when earned or otherwise becomes available, and expenditures are recognized when incurred. The firm reported after their examination that they noted no instances of noncompliance for the fiscal year ended June 30, 2010. See "APPENDIX C – Agency Audited Financial Statements for Fiscal Year Ended June 30, 2010". The Agency has not requested nor did the Agency obtain permission from Teaman, Ramirez & Smith to include the audited financial statements as an appendix to this Official Statement. Accordingly, Teaman, Ramirez & Smith has not performed any post-audit review of the financial condition or operations of the Agency.

### Budgetary Policies

The Board of Directors of the Agency each year approves a budget submitted by the Executive Director prior to the beginning of the new Fiscal Year. Public hearings are conducted prior to its adoption. The budget is subsequently adopted through the passage of a resolution.

Budgets for all three fund types utilized by the Agency are adopted on a basis consistent with generally accepted accounting principles.

## THE PROJECT AREA

### General

*General.* The formation of the Project Area involved the merging of three existing project areas of the County (Project Areas Nos. 2, 2-1987 and 2-1989), totaling in the aggregate approximately 5,845 acres, and the addition of 10,755 acres of territory to the merged project areas through an amendment.

The original project area (the "**Original Area**" or Project Area No. 2) was approved on December 23, 1986 and consisted of 1,955 acres in the unincorporated community of Mira Loma. An amendment in 1988 added 368 acres and an amendment in 1989 added 1,533 acres to the Original Area. On December 22, 1987 an additional project area (the "**1987 Project Area**") consisting of two Sub-Areas was approved in the unincorporated communities of Glen Avon and Rubidoux. These two Sub-Areas were 120 acres and 515 acres, respectively. On July 5, 1989 another project area (the "**1989 Project Area**") was approved, which consisted of two Sub-Areas located in the unincorporated community of Pedley (777 acres) and within an additional portion of the Rubidoux community (577 acres). On July 9, 1996, pursuant to Ordinance No. 762, the Original Area, the 1987 Project Area, the 1989 Project Area were merged into the Jurupa Valley Redevelopment Project Area and, pursuant to Ordinance No. 763, a substantial amount of additional territory (the "**1996 Amendment Area**") was added to the newly merged Jurupa Valley Redevelopment Project Area. The Project Area consists of a mixture of commercial, industrial and residential development as well as substantial acreage for new development. The following table summarizes certain facts relating to the constituent areas of the Project Area.

**TABLE 2**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Jurupa Valley Redevelopment Project Area**

<u>Project Area</u>	<u>Acres</u>	<u>Total Adopted</u>	<u>Date Number</u>	<u>Ordinance Year</u>
Original Area	1,955	12/23/86	636	1986
Amendment 1	368	12/18/88	667	1988
Amendment 2	1,533	12/19/89	686	1989
1987 Project Area	635	12/22/87	645	1987
1989 Project Area	1,354	07/05/89	675	1989
1996 Amendment	10,755	07/09/96	762/763	1996

The Project Area contains five unincorporated communities located in the northwest portion of the County. As is often the case in unincorporated areas, the boundaries of these communities are somewhat obscure. However, the following description of the communities is generally an accurate portrayal of the components of the Project Area.

Mira Loma. Located in the northwestern-most portion of the County, the community of Mira Loma has evolved into a large-scale industrial center. This center includes 2,489 acres from the original project area, generally located north of State Route 60 and primarily industrial in nature. The Sub-Area also includes a portion of the Amendment Area which resulted in the addition of industrial land along Interstate 15 south of State Route 60. Numerous corporate

warehouse/distribution and manufacturing firms have located large facilities in this Sub-Area, including Nestlé, Costco, Anheuser-Busch, Union Pacific and many others. Like much of the land in this region, warehouse distribution and industrial development has steadily replaced dairy farms and grape vineyards. Most of the land in the Sub-Area is zoned either commercial or industrial. The southwestern portion of the Sub-Area consists mostly of older single-family residences with scattered neighborhood commercial uses.

The community of Rubidoux is an older community with a rich historical past dating back to the turn of the century. Rubidoux lies just west of the City of Riverside and is adjacent to State Route 60, which is one of two major arterials linking Riverside County to the larger Los Angeles region. The original project area included approximately 1,092 acres of commercial property primarily along two major thoroughfares: Mission and Rubidoux Boulevards. The Amendment Area added residential area outside the commercial core and included some heavy industrial areas along Market Street north of the commercial core. The commercial corridor along Mission Boulevard has been the undergoing a comprehensive revitalization program administered by the Agency. Improvements included upgrades to the existing water system in order to meet fire flow requirements and to serve future development along the boulevard. Other program components include street improvements, landscaping, upgraded lighting and a façade improvement program. The residential areas in Rubidoux primarily contain low to moderate-income housing. The Agency has planned water system improvements and a residential rehabilitation program to help improve the housing stock.

The industrial area in Rubidoux is located north of State Route 60 and a portion of the Jurupa Valley Project Area is within a state designated Recycling Market Development Zone/Enterprise Zone (RMDZ/EZ) called the Agua Mansa Enterprise Zone. The Enterprise Zone offers state tax credits to businesses and the Recycling Market Development Zone has a low-interest loan program for manufacturers of recycled products.

Glen Avon. The community of Glen Avon is located south of State Route 60 between Mira Loma and Rubidoux. Bisected by Mission Boulevard, Glen Avon consists mostly of residential and neighborhood commercial uses. The original project area included 120 acres in the commercial core of the area. The Amendment to the project area enabled the Agency to add a large amount of land extending west to Mira Loma and east to Rubidoux. Land uses consist of scattered residential and commercial development and some fallow agricultural land. It is expected that the central location between Mira Loma and Rubidoux should encourage new growth in Glen Avon.

Pedley. The community of Pedley contains a large portion of the newest housing stock in the Jurupa Valley Project Area. The original project area contained 777 acres along Limonite Avenue east of Van Buren Boulevard. The Amendment Area included an older residential area just to the west of Van Buren Boulevard. Both suburban and rural in character, the center of the community lies at the intersection of Van Buren Boulevard and Limonite Avenue adjacent to the Santa Ana River. This area is characterized by neighborhood commercial land uses and various types of housing product. The northern and southern portions of the community are designated for industrial development. However, most of the industrial parcels are smaller than those in Mira Loma. The area adjacent to the two heavily traveled roadways, Limonite Avenue and Van Buren Boulevard, has been recognized as having potential for future commercial development.

## **New Development in the Jurupa Valley Redevelopment Project Area**

Historically, the Jurupa Valley Project Area has seen significant industrial and commercial activity due to its location along the major transportation routes in northwest Riverside County. This level of demand will continue, particularly in the older parts of the Jurupa Valley Project Area. The Agency has expanded the Façade Improvement Program within the Jurupa Valley Project Area, and has assisted businesses, primarily along the Mission Boulevard Corridor, with exterior improvements that have worked towards revitalizing the commercial core of the area. New projects include the Mission Plaza Improvement Project. This mixed use development project involves the redevelopment of an existing deteriorated shopping center, and consists of the rehabilitation and construction of commercial amenities such as a grocery store with multi-family housing. The Rubidoux/Agua Mansa area is facilitating industrial and commercial growth with road improvements, which will facilitate new development as developers move eastward in the project area. In Rubidoux, the Emerald Meadows Specific Plan will provide approximately 1,000 new homes and retail development on approximately 250 acres.

### **The Redevelopment Plan**

On July 9, 1996, the Board of the County adopted the Redevelopment Plan for the merged Project Area, as amended by the addition of territory, pursuant to its Ordinance No. 762 and Ordinance No. 763. The Redevelopment Plan is designed to enable the Agency to, among other things, eliminate blighting influences; encourage existing owners, businesses and tenants within the Project Area to participate in redevelopment activities; to sustain the existing residential, commercial and industrial base of the community; to provide required public improvements so as to encourage new construction by private enterprise; to mitigate development limitations which have and will continue to result in the lack of optimum utilization of the Project Area; and provide construction and employment opportunities in the development of new and rehabilitated facilities.

### **Redevelopment Plan Limitations**

In 1993, the California Legislature enacted AB 1290. Among the changes to the Redevelopment Law accomplished by AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general, loans, advances and indebtedness may be incurred within the later of January 1, 2004, or 20 years from the date of original adoption of the Redevelopment Plan, a redevelopment plan may terminate not more than 40 years following the date of original adoption of the redevelopment plan, and loans, advances, and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

In order to comply with AB 1290, the County adopted Ordinance No. 750 on November 29, 1994, containing the applicable limitations with respect to its project areas. The limitations applicable to the Project Area were restated in the Redevelopment Plan approved by County Ordinance No. 762 and Ordinance No. 763. In addition, certain limitations were amended by the Redevelopment Plan and new limitations were set forth for the 1996 Amendment Area. Following are the limitations as they pertain to the constituent areas of the Project Area and to 1996 Amendment Area.

The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("**SB 1045**"). SB 1045 provides, among other things, that the

Redevelopment Plans for the Project Area may be amended to add one year on to the effectiveness of the Redevelopment Plan and on to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, extending by one year the date of effectiveness of the Redevelopment Plan and the allowed time to pay indebtedness or receive property taxes. The following table takes into account the effect of Ordinance No. 835. The Legislature has also adopted Senate Bill 1096, Chapter 211, Statutes of 2004 (“**SB 1096**”), authorizing extension of the effectiveness of redevelopment plans for an additional two years for those redevelopment plans with 20 years or less remaining. As the earliest termination date for the Redevelopment Plan for the Project Area is in 2027, with 21 years remaining, the Redevelopment Plan is not eligible for a plan extension under SB 1096.

Subsequent legislation (SB211) permits the Agency to remove from its redevelopment plans the final date for the establishment of debt. Pursuant to the authorization contained in SB211, the Board of Supervisors adopted Ordinance No. 865 on October 3, 2006, deleting the time limit on incurring new loans, advances and indebtedness.

The Fiscal Consultant has determined the Volatility Ratio for each of the Project Area Sub-Areas. The Volatility Ratio is calculated by dividing the current year assessed valuation by the base year assessed valuation. See Table 1 in “APPENDIX A – FISCAL CONSULTANT REPORT”.

**TABLE 3  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Jurupa Valley Redevelopment Project Area  
Redevelopment Plan Limits**

Project Area	Date of Adoption	Termination of Plan Activities	Last Date to Repay Indebtedness	Tax Increment Limit	Limit on Bonds Outstanding
1986 (Mira Loma)	212/23/1986	212/23/2027	212/23/2037	\$275 million	\$80 million
1986 (Amend. 1)	12/19/1988	12/19/2029	12/19/2039	\$695 million	(With above)
1986 (Amend. 2)	12/19/1989	12/19/2030	12/19/2040	\$995 million	(With above)
1987 (Glen Avon)	12/22/1987	12/22/2028	12/22/2038	\$495 million	\$62 million
1989 (Pedley)	07/05/1989	07/05/2030	07/05/2040	\$535 million	\$180 million
1996 (Jurupa Amended)	07/09/1996	07/09/2027	07/09/2042	--	\$500 million

(1) Sub-Area names have been shortened for presentation purposes.  
Source: *Urban Analytics*

The total debt service payable on all outstanding Parity Bonds is approximately \$\_\_\_\_\_ million, and the total estimated total debt service on the Bonds is approximately \$\_\_\_\_\_ million, for a total debt service obligation of \$\_\_\_\_\_ million. To date, the Agency has collected approximately \$\_\_\_\_\_ million of tax increment revenue in the Project Area, so the remaining tax increment available under the aggregate tax increment limit is approximately \$\_\_\_ billion. Accordingly, the Agency does not believe that the tax increment limit will impair the Agency’s ability to pay debt service on the Bonds and the Parity Bonds. See “APPENDIX A – Fiscal Consultant’s Report- Table 1” and –“Tax Increment Caps”.

**Tax Sharing Agreements**

The Agency has entered into uniform tax-sharing agreements with taxing entities and school districts in all of its project areas. The standard agreement for unified school districts, elementary school districts, high school districts, community college districts and the County



Superintendent of Schools calls for these districts to receive 29.62% of their shares of the gross tax increment revenue derived from the general levy. Additional agreements have been entered into with all non-school district taxing entities that are not part of the County governmental structure. The agreements allow these non-school district taxing entities to receive 100% of their shares of gross tax increment derived from the general levy.

In addition to the tax sharing agreements outlined above, the 1996 Amendment Area is subject to certain tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Law (added by AB 1290), any territory added to a project area after 1994 is required to share in tax increment revenues generated by such territory pursuant to a statutory formula ("**Statutory Tax Sharing**"). Statutory Tax Sharing occurs in three tiers. The first tier pass through of 25% of tax increment revenue, net of housing set aside, is required for the life of the project. Beginning in year eleven following the addition of such territory and using the assessed value of the project area in year ten as a new base year for calculation of the second tier of incremental value, 21% of second tier tax increment revenue, net of housing set aside, is passed through to the taxing entities in addition to the initial pass through amount. Beginning in year 31 following the addition of such territory and using the assessed value of the project area in year 30 as a new base year for calculation of the third tier of incremental value, 14% of third tier tax increment revenue, net of housing set aside, is passed through to the taxing entities in addition to the pass through amounts required in earlier years.

### **Subordinated Tax Sharing Agreements**

Certain of the taxing entities have subordinated payments due under their respective tax sharing agreements to payment of debt service on the Parity Bonds and on the Bonds. Under California redevelopment law the Agency may subordinate the statutory passthrough payments in post-1993 project areas to the repayment of indebtedness with 45 days notice. On January 26, 2011 the Agency notified the entities in its post-1993 Sub- Areas that it intends to subordinate the statutory passthrough payments to the repayment of bonds. The subordinations [are expected to become] [became] effective as of March 17, 2011. The deductions set forth in Table 7 for payments due under tax sharing agreements include only those tax sharing agreements with respect to which no such subordination has been obtained. Note, however, that the Agency may in the future request and obtain additional agreements subordinating tax sharing payments to the payment of debt service on the Parity Bonds and on the Bonds. For a further description of the taxing entities and the tax sharing agreements with respect to which subordination agreements have been obtained, see APPENDIX A – Fiscal Consultant Report – Fiscal Agreements.

### **Allocation of Taxes**

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the January 1 lien date for property within the boundaries of the Project Area. This results in the reported total current year Project Area taxable value and becomes the basis of determining tax increment revenues due to the Agency. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc., such adjustments are not assumed on the tax increment projection. The Agency is allocated most of its revenue in the months of January and May, with additional smaller payments occurring in other months.

The Auditor-Controller's office applies any tax refunds paid to property owners in the Project Area against the Agency's allocation of supplemental assessment revenue. While it is the current practice of the Auditor-Controller not to apply refunds in excess of the supplemental

revenue, thereby not affecting the tax increment revenue securing the Bonds, it is possible that this practice could change in the future. Should the Auditor-Controller deduct tax refunds in amounts greater than the Agency's supplemental assessment revenues, the Agency's projected tax increment revenues and, hence, the projected Tax Revenues would be reduced. See "Table 7 - Projected Tax Increment Revenues".

Riverside County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), which allows each entity levying property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected. The County's current policy is to allocate 100% of the Project Area's tax increment revenues to the Agency with no offset for taxpayer delinquencies, taxable value adjustments, refunds due to successful assessment appeals or tax roll correction. Therefore, the Agency's historic and projected tax increment revenues shown in this Official Statement reflect actual levies rather than the total amount of taxes collected. However, the County could change this policy in the future and begin making deductions for such delinquencies, adjustments, refunds and corrections from tax increment revenues allocated to the Agency. In that event, substantial delinquencies in the payment of property taxes, substantial property tax refunds, significant reductions in taxable value or significant tax roll corrections due to such causes could impair the timely receipt by the Agency of Tax Revenues.

The Agency has covenanted in the Indenture to comply with all requirements of law to insure the allocation and payment to it of the Tax Revenues, including without limitation, the timely filing of any necessary statements of indebtedness with appropriate officials of the County.

#### **Low and Moderate Income Housing**

The Redevelopment Law requires redevelopment agencies to annually set aside not less than 20% of all tax increment revenues into a Low and Moderate Income Housing Fund to be expended for authorized low and moderate income housing. Amounts on deposit in the Low and Moderate Income Housing Fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low and moderate income housing purposes. Under the Redevelopment Law, the set aside requirement could be reduced if the redevelopment agency finds that (1) no need exists in the community to improve or increase the supply of low and moderate income housing or (2) that some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need.

*Moneys deposited into the Low and Moderate Income Housing Fund pursuant to the Redevelopment Law are not available to pay debt service on the Bonds or any Parity Bonds.*

#### **Land Use in the Jurupa Valley Redevelopment Project Area**

The largest use of the land in the Jurupa Valley Redevelopment Project Area in terms of assessed value is for industrial purposes with a close second by single-family residential. The following table shows the land use in the Jurupa Valley Redevelopment Project Area, based on 2010-11 assessed valuation.

**TABLE 4**  
**JURUPA VALLEY REDEVELOPMENT PROJECT AREA**  
**Land Use; Fiscal Year 2010-11**

Land Use	Secured AV <sup>(1)</sup>	Pct of AV	No. of Parcels	Pct of Parcels	Acres	Pct of Acres
Agricultural	\$ 6,707,964	0.2%	12	0.1%	20	0.1%
Commercial	567,020,213	14.4	565	4.5	355	2.1
Industrial	1,620,959,663	41.1	259	2.1	679	4.1
SF Residential.	1,081,165,890	27.4	8441	67.1	1,082	6.5
Condominiums	77,733,460	2.0	316	2.5	3	0.0
Other Residential (2)	193,741,771	4.9	1,334	10.6	13,323	80.3
Vacant	391,429,403	9.9	1,633	13.0	1,125	6.8
Other	7,102,550	0.2	12	0.1	12	0.1
<b>Totals:</b>	<b>\$3,945,860,913</b>	<b>100.0%</b>	<b>12,572</b>	<b>100.0%</b>	<b>16,600</b>	<b>100.0%</b>

(1) Valuations include homeowner's exemptions, restored by the Auditor prior to the calculation of tax increment. Acreage is estimated using tax roll data and information provided by the Agency.

(2) "Other Residential" includes multi-family residential and mobile homes

Source: *Urban Analytics*

### Historic Assessed Valuation

The Jurupa Valley Redevelopment Project Area decreased in valuation by 4.28% in 2010-11, a drop also attributable to Proposition 8 reductions in valuation on residential properties. Project area valuations decreased in 2009-10 by 3.73% after experiencing growth in the three prior years ranging from 7.37% to 16.14%.

The table below shows a five-year history of assessed valuation in the Jurupa Valley Redevelopment Project Area. The base year assessed valuation for the Jurupa Valley Redevelopment Project Area is \$1,104,611,835.

**TABLE 5**  
**JURUPA VALLEY REDEVELOPMENT PROJECT AREA**  
**Historic Assessed Valuation**

Roll	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Secured</b>					
Land	\$1,237,366,711	\$1,459,606,278	\$1,593,491,722	\$1,533,212,329	\$1,454,004,414
Improvements	2,252,971,112	2,581,971,711	2,754,356,517	2,618,113,112	2,528,154,838
Personal Property	41,068,766	49,359,918	49,585,217	59,492,822	52,940,437
Exemptions	(75,161,444)	(77,724,311)	(82,134,772)	(82,634,045)	(89,238,776)
Secured Total	3,456,245,145	4,013,213,596	4,315,298,684	4,128,184,218	3,945,860,913
<b>Unsecured</b>					
Land	124,255	37,285	37,351	29,278	497,117
Improvements	134,091,866	159,848,014	183,733,105	198,332,967	193,431,166
Personal Property	151,073,506	175,706,785	170,702,874	172,430,973	166,733,001
Exemptions	0	(23,389)	0	(220,000)	70,436
Unsecured Total	285,289,627	335,568,695	354,473,330	370,573,218	360,731,720
<b>Utility</b>					
Land	3,835,509	2,919,486	3,034,076	2,950,053	3,229,966
Improvements	6,136,579	5,726,303	5,515,445	2,160,568	1,683,718
Personal Property	660,295	280,436	348,732	355,415	116,500
Exemptions	0	0	0	0	0
Utility Total	10,632,383	8,926,225	8,898,253	5,466,036	5,030,184
Totals:	3,752,167,155	4,357,708,516	4,678,670,267	4,504,223,472	4,311,622,817
Percent Change	15.27%	16.14%	7.37%	(3.73)%	(4.28)%
Plus: HOPTR AV (1)	33,231,511	32,601,944	32,994,884	32,540,684	32,206,613
Less: Base AV	(1,104,611,835)	(1,104,611,835)	(1,104,611,835)	(1,104,611,835)	(1,104,611,835)
Incremental AV	2,680,786,831	3,285,698,625	3,607,053,316	3,432,152,321	3,239,217,595
Incremental Revenue	26,807,868	32,856,986	36,070,533	34,321,523	32,392,176
Plus: Additional Revenue (2)	4,154,132	4,571,252	1,161,593	1,763,270	(N.A.)
Gross Tax Increment Collected	30,962,001	37,428,238	37,232,127	36,084,793	(N.A.)

(1) HOPTR is an acronym for "Homeowners Property Tax Relief". (2) Revenue from unitary and supplemental rolls, debt service levy, prior-year adjustments and other sources.

Source: *Urban Analytics*

## Largest Taxpayers in the Jurupa Valley Redevelopment Project Area

The following table shows the ten largest taxpayers in the Jurupa Valley Redevelopment Project Area (based on the 2010-11 tax roll).

Pending appeals filed by the ten largest owners in the Project Area include three filings by Costco in 2009-10 (\$79 million in dispute) and one by Prologis in 2009-10 (\$13 million in dispute). An appeal filed by AMB Institutional Alliance Fund III on three properties in 2009-10 resulted in a reduction in assessed valuation for the 2009-10 roll of \$22 million on two of the properties and no change in valuation on the third property; the 2010-11 valuations for the two properties with successful appeals were reduced by approximately \$22 million as well. Appeals filed in previous year by Costco and Prologis were resolved with no change in valuation.

**TABLE 6**  
**JURUPA VALLEY REDEVELOPMENT PROJECT AREA**  
**Largest Property Tax Payers**

Property Owner	Secured and Utility	Unsecured	Total	Pct of Total
Teachers Insurance Annuity Assn	\$ 125,634,428	\$ 0	\$125,634,428	2.91%
Eastvale Gateway	100,585,729	0	100,585,729	2.33
Costco Wholesale Corp	96,675,783	0	96,675,783	2.24
Amb Institutional Alliance Fund III	93,509,570	1,047,966	94,557,536	2.19
Ups Supply Chain Solutions Inc	85,923,793	0	85,923,793	1.99
Prologis Calif I	81,589,798	0	81,589,798	1.89
Metal Container Corp	64,585,686	5,350	64,591,036	1.50
Ontario Warehouse 1 Inc	48,795,201	0	48,795,201	1.13
Mira Loma Vineyards Ltd	47,536,146	0	47,536,146	1.10
Riverside Cement Co	46,563,791	0	46,563,791	1.08
Total, Top Ten:	791,399,925	1,053,316	792,453,241	18.38
Total, Top Twenty:	1,133,431,599	1,053,316	1,134,484,915	26.31
Total, Top Hundred:	1,962,143,238	177,436,571	2,139,579,809	49.62
Totals for the Area:	3,950,891,097	360,731,720	4,311,622,817	100.00%

Source: Urban Analytics

The Teachers Insurance and Annuity Association owns five primarily industrial properties on approximately 78 acres. Valuations on the parcels have been stable over the past four years. The assessed valuation of the Eastvale Gateway property decreased from \$111 million in 2008-09 to \$103 million in 2009-10 and to \$100.6 million in 2010-11, following increases in previous years. Costco Wholesale Corporation operates a facility on five parcels in the Project Area; assessed valuations on the properties have increased steadily over the past ten years. AMB Institutional Alliance, UPS Supply Chain, ProLogis and Ontario Warehouse own warehouse properties in the Mira Loma area. The Metal Container Corporation owns an industrial facility also in the Mira Loma area of the Project Area. The company, a subsidiary of Anheuser-Busch, is a major producer of cans and lids for the brewer and is a supplier to the soft-drink container market. Valuations for the owner's main property have declined from \$72.5 million in 2009-10 to \$64.6 million in 2010-11, attributable primarily to decreasing valuations for business fixtures at the facility.

## Appeals of Assessed Values

**Proposition 8 Appeals.** Most of the appeals that might be filed in the Project Area would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that current market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Based on preliminary information provided by the County Assessor's office, there are 343 appeals pending in the Project Area [Verify: Appeals filings for 2010-11 have not yet been fully processed by the County; the number of pending appeals may be understated.] A preliminary estimate of the amount of assessed valuation in dispute - the difference between the County valuation and the applicant's opinion of the property's value - totals \$492 million from filings for both the 2009-10 and 2010-11 roll years. Overall, the 939 appeals settled in the Project Area resulted in reductions in valuation of \$196 million out of \$3.3 billion in enrolled valuation, or 5.9%. The overall retention rate has thus been about 94% of the original valuation.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. The State Board of Equalization has approved this reassessment practice and such practice has been used by county assessors statewide. This reassessment practice was approved by the California of Appeal, Fourth District, in the recent case of County of Orange et al. v Bezaire, petition for review to the California Supreme Court denied.

**Base Year Appeals.** A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

For specific information about pending and settled appeals in the Project Area, see "APPENDIX A – Report of Fiscal Consultant– Assessment Appeals".

## Projection of Tax Revenues and Estimated Coverage

The tables below show (i) a projection of Tax Revenues over the life of the Agency Bonds for the Jurupa Valley Redevelopment Project Area and (ii) estimated debt service coverage on the Bonds and Parity Bonds. The projections incorporate a projected decrease in 2011-12 assessed valuation of -2.0% for the Project Area based on a) continued weakness in the local economy as of the January 1, 2011 lien date for the 2011-12 roll and b) the application of a CCPI factor of 0.753% to real property in 2011-12.

Certain Sub-Areas in the Jurupa Valley Project Area will reach their limit on the last date to repay indebtedness (see "BOND OWNERS' RISKS - Impact of Redevelopment Plan Expirations"). In the Jurupa Valley Project Area, the following Sub-Areas will reach this limit before 2041-42 (the final maturity of the Bonds).

Sub-Area	Last Date to Repay Indebtedness
2-1986 (Mira Loma)	12/23/2037
2-1986 (Amend 1)	12/19/2039
2-1986 (Amend 2)	12/19/2040
2-1987 (Glen Avon)	12/22/2038
Sub-Area 2-1989 (Pedley)	07/05/2040

In addition, certain Sub-Areas may reach their tax increment caps contained in the Redevelopment Plan before the final maturity of the Bonds. See BOND OWNERS' RISKS - Limitations on Tax Increment".

In addition to reflecting assumptions regarding tax increment growth over the next two years, Table 7 illustrates the manner in which the assessed valuation decreases as component Sub-Areas terminate. The tax increment shown from 2012-13 forward assumes a constant rate of growth of 2%, and does not include any further increases or decreases in assessed valuation from new development, property sales, changes in pre-1989 debt service levies, assessment appeals, Proposition 8 assessment adjustments or other causes.

**Table 7**  
**JURUPA VALLEY REDEVELOPMENT PROJECT AREA**  
**Projected Tax Revenue**

Fiscal Year	Gross Tax Increment	Housing Tax Revenues	Senior Pass-Through Payments	Other Senior Obligations <sup>(1)</sup>	Net Tax Increment	Ownership Concentration (1)
2010-11	\$32,502,937	\$(6,500,587)	\$(3,596,591)	\$(487,544)	\$21,918,215	18.3%
2011-12	31,716,890	(6,343,378)	(3,524,851)	(475,753)	21,372,908	18.3
2012-13	32,487,216	(6,497,443)	(3,595,156)	(487,308)	21,907,309	18.3
2013-14	33,272,948	(6,654,590)	(3,666,867)	(499,094)	22,452,397	18.3
2014-15	34,074,396	(6,814,879)	(3,740,013)	(511,116)	23,008,388	18.3
2015-16	34,891,872	(6,978,374)	(3,814,621)	(523,378)	23,575,498	18.3
2016-17	35,725,697	(7,145,139)	(3,890,722)	(535,885)	24,153,951	18.3
2017-18	36,576,199	(7,315,240)	(3,968,344)	(548,643)	24,743,972	18.3
2018-19	37,443,711	(7,488,742)	(4,047,519)	(561,656)	25,345,794	18.3
2019-20	38,328,574	(7,665,715)	(4,128,278)	(574,929)	25,959,652	18.3
2020-21	39,231,133	(7,846,227)	(4,210,652)	(588,467)	26,585,788	18.3
2021-22	40,151,744	(8,030,349)	(4,294,673)	(602,276)	27,224,446	18.3
2022-23	41,090,767	(8,218,153)	(4,380,374)	(616,362)	27,875,878	18.3
2023-24	42,048,570	(8,409,714)	(4,467,790)	(630,729)	28,540,338	18.3
2024-25	43,025,530	(8,605,106)	(4,556,954)	(645,383)	29,218,087	18.3
2025-26	44,022,029	(8,804,406)	(4,647,901)	(660,330)	29,909,391	18.3
2026-27	45,038,457	(9,007,691)	(4,740,668)	(675,577)	30,614,522	18.3
2027-28	46,075,215	(9,215,043)	(4,835,289)	(691,128)	31,333,754	18.3
2028-29	47,132,707	(9,426,541)	(4,931,803)	(706,991)	32,067,372	18.3
2029-30	48,211,349	(9,642,270)	(5,030,247)	(723,170)	32,815,662	18.3
2030-31	49,311,564	(9,862,313)	(5,130,660)	(739,673)	33,578,918	18.3
2031-32	50,433,784	(10,086,757)	(5,233,082)	(756,507)	34,357,439	18.3
2032-33	51,578,448	(10,315,690)	(5,337,552)	(773,677)	35,151,530	18.3
2033-34	52,746,005	(10,549,201)	(5,444,111)	(791,190)	35,961,503	18.3
2034-35	53,936,913	(10,787,383)	(5,552,801)	(809,054)	36,787,675	18.3
2035-36	55,151,639	(11,030,328)	(5,663,665)	(827,275)	37,630,371	18.3
2036-37	56,390,660	(11,278,132)	(5,776,747)	(845,860)	38,489,921	18.3
2037-38	51,698,907	(10,339,781)	(4,732,101)	(775,484)	35,851,540	20.0
2038-39	50,430,448	(10,086,090)	(3,943,787)	(756,457)	35,644,114	21.0
2039-40	49,586,247	(9,917,249)	(3,520,195)	(743,794)	35,405,008	21.9

(1) Ownership concentration is the share of total assessed valuation of the ten largest property owners in the outstanding Sub-Areas based on 2010-11 AV.

Source: Urban Analytics



## Estimated Debt Service Coverage

The following table shows the debt service coverage on the Bonds, based on the assumption that there will be no future growth in assessed valuation in the Project Area other than a 2% increase in assessed value for secured land and improvements.

**TABLE 8**  
**JURUPA VALLEY REDEVELOPMENT PROJECT AREA**  
**Projected Debt Service Coverage <sup>(1)</sup>**

Bond Year Ending Oct. 1	Projected Tax Revenues <sup>(2)</sup>	Debt Service On the 2004 Bonds	Debt Service On the 2005 Bonds	Debt Service On the 2006 Bonds	Debt Service On the 2007 Bonds	Debt Service On the 2011 Bonds	Total Debt Service	Coverage
2011	\$21,918,215	\$824,988	\$3,734,119	\$4,231,119	\$ 5,571,613			
2012	21,372,908	823,788	3,737,319	4,230,319	5,569,013			
2013	21,907,309	822,438	3,733,519	4,237,106	5,568,413			
2014	22,452,397	821,088	3,737,919	4,233,244	5,574,613			
2015	23,008,388	824,588	3,740,119	4,226,244	5,572,213			
2016	23,575,498	822,838	3,740,119	4,225,594	5,576,413			
2017	24,153,951	821,088	3,737,919	4,232,594	5,571,813			
2018	24,743,972	819,250	3,748,669	4,221,794	5,573,613			
2019	25,345,794	822,413	3,740,169	4,228,794	5,571,413			
2020	25,959,652	820,313	3,739,569	4,230,044	5,570,213			
2021	26,585,788	823,213	3,729,238	4,236,794	5,571,363			
2022	27,224,446	825,850	3,745,800	4,218,544	5,572,769			
2023	27,875,878	823,350	3,747,100	4,222,106	5,570,481			
2024	28,540,338	825,850	3,749,850	4,214,856	5,567,881			
2025	29,218,087	823,100	3,747,600	4,222,606	5,569,756			
2026	29,909,391	835,350	3,750,350	4,204,356	5,570,681			
2027	30,614,522	822,025	3,748,875	4,221,513	5,570,444			
2028	31,333,754	824,175	3,747,900	4,216,725	5,574,225			
2029	32,067,372	821,088	3,752,200	4,216,619	5,575,975			
2030	32,815,662	823,000	3,746,325	4,220,731	5,569,850			
2031	33,578,918	819,500	3,750,500	4,218,600	5,570,850			
2032	34,357,439	826,000	3,755,000	4,210,225	5,563,300			
2033	35,151,530	822,000	3,752,250	4,216,563	5,563,500			
2034	35,961,503	823,000	2,817,250	3,980,300	6,739,538			
2035	36,787,675	818,750	2,806,250	3,992,600	6,738,419			
2036	37,630,371	7,844,500	2,800,000	3,996,825	--			
2037	38,489,921	7,848,750	2,793,000	3,997,125	--			

(1) Tax Increment projections are shown on a fiscal year basis; all debt service figures are shown on a Bond Year basis (years ending October 1).

(2) See Table 7.

Source: *Urban Analytics; the Agency*

## **RISK FACTORS**

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

To estimate the revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected.

### **Reduction in Taxable Value**

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Natural Disasters" below) or other natural disaster, could cause a reduction in the Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. Such a reduction of assessed valuations and the resulting decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Agency's ability to make timely payments of principal of and interest (or Accreted Value) on the Bonds. See "THE PROJECT AREA - Appeals of Assessed Values."

The County's current policy is to allocate 100% of the Project Area's tax increment revenues to the Agency with no offset for taxpayer delinquencies, taxable value adjustments, refunds due to successful assessment appeals or tax roll correction. However, the County could change this policy in the future and begin making deductions for such delinquencies, adjustments, refunds and corrections from tax increment revenues allocated in the Agency. In that event, substantial delinquencies in the payment of property taxes, substantial property tax refunds, significant reductions in taxable value or significant tax roll corrections due to such causes could impair the timely receipt by the Agency of Tax Revenues.

### **Reduction in Inflationary Rate**

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were

adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation five times: in fiscal year 1983-84, 1%; in fiscal year 1995-96, 1.19%; in fiscal year 1996-97, 1.11%; in fiscal year 1999-00, 1.85%; and in fiscal year 2004-05, 1.867%. In addition, the inflationary growth rate is negative (0.237%) for 2010-11 and will be 0.753% for 2011-12. The Agency is unable to predict if any further adjustments to the full cash value base of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

### **Tax Increment Caps**

As noted above under the caption "THE PROJECT AREA – Redevelopment Plan Limitations," the Project Area contains certain Sub-Areas that are subject to limitations on the amount of tax increment that can be derived from such Sub-Areas (the "tax increment caps"). The Agency is unable to predict whether one or more of these Sub-Areas will meet its applicable tax increment cap prior to the final maturity date of the Bonds. Whether or not a tax increment cap is met prior to the final maturity of the Bonds will depend on the growth of assessed value in a Sub-Area, which, in turns, depends on several factors, including the pace of real estate development within such Sub-Area, the number and types of sales of properties within such Sub-Area and the prices at which such properties are sold, and the overall strength of the real estate market within such Sub-Area. Once a tax increment cap is met, absent an amendment to the Redevelopment Plan increasing the tax increment cap, the Agency will no longer receive any tax increment from such Sub-Area, and, accordingly, no Tax Revenues will be available from such Sub-Area after its tax increment cap is met.

The Agency has covenanted in the Indenture that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limitations; as well as future cumulative Annual Debt Service, payments on obligations of the Agency payable from tax increment revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds. If, based on such review, the allocation of tax increment revenues to the Agency in any of the next three succeeding Fiscal Years will (a) cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from tax increment revenues that are senior to the Bonds, and (iii) payments on obligations that are subordinate to the Bonds or (b) cause the tax increment cap in a Sub-Area of the Project Area to meet its cap, the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the Bonds and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the Bonds or Parity Debt or reducing the amount of tax increment being claimed from one or more Sub-Areas within the Project Area. In the event that the Agency determines to defease the Bonds or Parity Debt, such defeasance shall be accomplished as provided in the Indenture. Further, in the event the Agency elects to defease or redeem the Bonds or Parity Debt, the Agency shall first notify Moody's and S&P, and such defeasance or redemption shall occur only if the Agency receives confirmation from Moody's and S&P that such defeasance or redemption will not, in and of itself, cause Moody's or S&P to lower the underlying rating then in effect with respect to the Bonds and Parity Debt. The Agency shall provide a copy of such plan to the Insurer, Moody's and S&P. The Trustee shall not be responsible for monitoring the Agency's tax increment caps.

### **Levy and Collection**

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease

could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments on the Bonds. The County currently allocates 100% of the Tax Revenues collected on the secured property tax roll to the Agency, regardless of the actual amount of payments made by taxpayers (see "LIMITATIONS ON TAX REVENUES- Property Taxes; Teeter Plan", below). The County currently allocates Tax Revenues collected with respect to unsecured property to the Agency based upon the tax increment actually collected.

### **Additional Bonds**

As described in "THE BONDS – Additional Bonds and Subordinate Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

### **Bankruptcy Risks**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **Factors Relating to Sub-Prime Loans**

From the end of 2002 through the middle of 2006, many homeowners financed the purchase of their new homes using loans with little or no downpayment and with adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Some homeowners who purchased their homes with "sub-prime loans" have experienced difficulty in making their loan payments due to automatic rate increases on their adjustable loans and rising interest rates in the market, which led to increased foreclosures.

In addition, as a result of increasing defaults on "sub-prime loans" in recent months, credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial, retail and industrial sectors. Unavailability of loans for the purchase and development of real property in the Project Areas may adversely impact assessed values and, therefore the availability of Housing Tax Revenues to pay debt service on the Bonds. Moreover, as mortgage loan defaults increase, bankruptcy filings are also likely to increase. Bankruptcy filings by property owners with delinquent property taxes would delay the commencement of and completion of foreclosure proceedings to collect delinquent property taxes.

## State of California Fiscal Issues; ERAF; SERAF

**State Budgets.** Information about the State budget and State spending is regularly available from various State offices or on the applicable websites, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated by such reference.

**Historical ERAFs.** In connection with its approval of the State budget for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05, 2005-06, and 2008-09 Fiscal Years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such Fiscal Years for deposit in the Education Revenue Augmentation Fund ("**ERAF**"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

**Fiscal Year 2008-09.** In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) ("**AB 1389**"), that among other things require redevelopment agencies to pay into ERAF in Fiscal Year 2008-09, prior to May 10, 2009, an aggregate amount of \$350 million. On April 30, 2009, a California superior court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that the required payment by redevelopment agencies into ERAF in Fiscal Year 2008-09 pursuant to AB 1389 violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State did file a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal of *California Redevelopment Association v. Genest*.

**Fiscal Year 2009-10 and Fiscal Year 2010-11.** In connection with various legislation related to the budget for the State for its Fiscal Year 2009-10, in late July 2009, the State legislature adopted, and the Governor of the State signed, Assembly Bill No. 26x4 (the "**2009 SERAF Legislation**").

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("**SERAF**") that is established in each county treasury throughout the State the aggregate amounts of \$1.7 billion for Fiscal Year 2009-10, which are due prior to May 10, 2010, and \$350 million for Fiscal Year 2010-11, which are due prior to May 10, 2011.

As noted below, the Agency has timely paid the SERAF payment for Fiscal Year 2009-10 in the amount of \$27.8 million. The Agency's SERAF payment will be \$5.7 million for Fiscal Year 2010-11. Pursuant to the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Health and Safety Code, § 33690 (a) (3) states: "The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on

any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code."

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional five percent (5%) of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The five percent additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "**Penalty Set-Aside Requirement**") would be in addition to the twenty percent (20%) of such tax revenues already required to be used for low and moderate income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement. If the Agency borrows funds from its Housing Fund to make the SERAF payment in either year, and does not repay the funds within the specified time frame, it would be subject to the Penalty Set-Aside Requirement. Note that, if a redevelopment agency fails to comply with the foregoing described requirements in both Fiscal Year 2009-10 and in Fiscal Year 2010/11, the redevelopment agency will be subject to the Penalty Set-aside Requirement in both such Fiscal Years for a total of ten percent (10%) additional housing set-aside penalty. The Agency has not borrowed and does not expect to have to borrow funds from the Housing Fund to pay either of the SERAF payments.

Although the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Agency's obligations with respect to the new SERAF payments to the Agency's obligation to pay debt service on the Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation. The Penalty Set-Aside Requirement would be subordinate to prior Parity Bonds because they were issued prior to the adoption of the 2009 SERAF Legislation. However, a court could find the Penalty Set-Aside Requirement is senior to the obligation to pay debt service on the Bonds.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento Superior Court on October 20, 2009 challenging the constitutionality of the 2009 SERAF Legislation and seeking to prevent the State from taking redevelopment funds for non-redevelopment purposes. On May 4, 2010, the Superior Court ruled that the 2009 SERAF Legislation is constitutional. However, the California Redevelopment Association has appealed the judgment of the Superior Court. The Agency timely paid the SERAF payment in the amount of the \$27.8 million payment by May 10, 2010. The Agency cannot predict whether or not the Court of Appeal will approve or overturn the judgment of the Superior Court or whether or not the Agency will be able to recover the amount of the SERAF payment for fiscal year 2009-10 in the event the judgment of the Superior Court is overturned. Further, the Agency can not predict whether or not such judgment will be overturned regarding the SERAF payment for fiscal year 2010-11.

The State's ability to impose future ERAF and SERAF payments on redevelopment agencies may be affected by Proposition 22, which was approved by the California electorate on November 2, 2010. Proposition 22, among other things, amends Sections 24 and 25.5 of Article XIII of the California Constitution to prohibit the State from reallocating, transferring, borrowing, appropriating or restricting the use of taxes imposed or levied by a local government solely for the local government's purposes. As applied to redevelopment agencies, Proposition 22 adds Section 25.5(A)(7) to Article XIII of the State Constitution to prohibit the State from requiring a redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on *ad valorem* real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI of the State Constitution to or for the benefit of the State, any agency of the State, or any other jurisdiction; or (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any other jurisdiction, other than (i) statutory pass through payments required by Health and Safety Code Sections 33607.5 and 33607.7 and (ii) payments for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost. Although the passage of Proposition 22 will have no impact upon the Agency's obligation to pay the 2010 SERAF Amount, the State Legislative Analyst's Office ("LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

**Proposed 2011-12 Budget and Redevelopment Agencies.** On January 10, 2011 Governor Jerry Brown released his proposed budget for fiscal year 2011-12 ("**Proposed Budget**"). The Proposed Budget is designed to address an estimated budget shortfall of \$25.4 billion in the fiscal year 2011-12 California State Budget. The budget shortfall consists of an \$8.2 billion projected deficit for 2010-11 and a \$17.2 billion gap between projected revenues and spending in 2011-12. The Governor's proposal includes approximately \$12.5 billion in budget cuts, \$12 billion in tax extensions and changes, and \$1.9 billion in other solutions. The Governor is calling for a statewide special election in June to extend for five more years tax measures currently set to expire.

The Proposed Budget makes the following redevelopment-related proposals (the "**RDA Provisions**"), among others:

(i) The RDA Provisions, if adopted, would eliminate the current funding mechanism for redevelopment agencies, although only limited details are provided for such a far-reaching proposal.

(ii) The RDA Provisions, if adopted, would prohibit existing agencies from creating new contracts or obligations effective upon enactment of urgency legislation.

(iii) By July 1, the RDA Provisions, if adopted, would disestablish existing redevelopment agencies and successor local agencies would be required to use the property tax revenues that redevelopment agencies would otherwise have received to retire redevelopment agency debts and contractual obligations "**in accordance with existing payment schedules**" (emphasis added).

(iv) For fiscal year 2011-12, the RDA Provisions, if adopted, would divert an estimated \$1.7 billion remaining after payment of the redevelopment agency debts and contractual obligations described in the preceding paragraph (iii) to offset State General

Fund costs for Medi-Cal and trial courts. An additional estimated \$210 million would be distributed on a one-time basis to cities, counties, and special districts proportionate to their current share of the countywide property tax.

(v) For fiscal years after fiscal year 2011-12, the RDA Provisions, if adopted, would distribute the money available after payment of the redevelopment agency debt and contractual obligations described in the preceding paragraph (iii) to schools, counties, cities, and non-enterprise special districts for general uses.

(vi) The RDA Provisions, if adopted, would shift amounts in the redevelopment agency's balances reserved for low-moderate income housing to local housing authorities for low and moderate income housing.

(vii) If adopted, the RDA Provisions would introduce a new financing mechanism for economic development. Specifically, the Proposed Budget proposes that the Constitution be amended to provide for 55% voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by redevelopment agencies. Voters in each affected jurisdiction would be required to approve use of their tax revenues for these purposes.

Implementation of the Proposed Budget. Implementation of the Proposed Budget, including the RDA Provisions, would require implementing legislation by the Legislature and perhaps voter approval as to certain material elements and would probably include terms which are not yet proposed but that would be material to the Agency and the Bonds. The Agency cannot predict the ultimate form of any implementing legislation, if any is adopted.

Elements of the RDA Provisions, including the economic development program authorization, contemplate voter approval through the initiative process. It is possible that Proposition 22, which amended the State Constitution to prohibit state diversion of redevelopment agency revenues generally, will affect the State's ability to implement some of the RDA Provisions. It is possible that the Governor and the Legislature may seek voter approval of changes to the terms of Proposition 22 that are in conflict with the Proposed Budget, including the RDA Provisions.

The Agency cannot predict the timing, terms or ultimate implementation of any such final legislation or voter initiative measures, or the impact on the Agency or the Bonds of any proposed, interim or final legislative and constitutional changes which may be adopted arising out of the Proposed Budget.

Legislative Analyst Report. The LAO released its Overview of the Governor's Budget ("LAO Overview") on January 12, 2011. As it relates to the RDA Provisions the LAO Overview suggests the proposal has merit "but faces considerable implementation issues." The LAO Overview notes:

the administration's plan will require considerable work by the Legislature to sort through many legal, financial and policy issues. Several voter-approved constitutional measures, for example, constrain the State's authority to redirect redevelopment funds, use property tax revenues to pay for state programs, or impose increased costs on local agencies. In addition, the administration's plan does not address many related issues, such as clarifying the future financial responsibility for low- and moderate- income housing (currently, a redevelopment program).



Finally, the LAO Overview recommends that the Legislature pass urgency legislation as soon as possible prohibiting redevelopment agencies, during the period of legislative review of the Proposed Budget, from taking actions that increase their debt.

State Controller's Review of Redevelopment Agencies. The California State Controller recently announced that his auditors would review 18 redevelopment agencies selected at random. The Agency was one of the redevelopment agencies reviewed. The Agency reports that nothing of significance with respect to the Bonds resulted from such review and that the Agency believes that the audit will not have an impact on the availability of Tax Revenues or the Agency's expenditure of the Bond proceeds on Projects.

Potential Impact on the Agency and the Bonds. There are a variety of ways in which the Proposed Budget and the RDA Provisions, if adopted, could impact the Agency and the Bonds, although the Agency is not able to predict the full variety or extent of these impacts, and the impacts will vary greatly depending on the final terms of laws adopted to implement the Proposed Budget and the RDA Provisions:

(i) The RDA Provisions, if adopted, could impact the Agency's activities and programs generally and could reduce or eliminate its fund balances and staffing.

(ii) The RDA Provisions, if adopted, could affect the Agency's compliance with and performance under existing contracts and obligations, including senior Pass-Through Agreements and Housing Set-Aside obligations.

(iii) Subject to certain constitutional protections described below, the RDA Provisions, if adopted, could affect the Agency's compliance with and performance under the terms of the Indenture and the Bonds. These impacts could relate to the amount or availability of property tax revenue, Tax Increment revenues or Tax Revenues for the Bonds and other uses, the manner of application of Tax Revenues to debt service, flow of funds, use of Bond proceeds to fund new projects, use of Bond proceeds to retire debt prior to maturity, compliance with Indenture covenants, continuing disclosure and other matters.

(iv) Pending final adoption of laws to implement the RDA Provisions, interim proposals could affect the activities of the Agency and the value of the Bonds.

(v) Most significantly, the RDA Provisions -- if adopted and implemented in their proposed form -- would eliminate redevelopment agencies and redeploy tax increment revenues affecting redevelopment agencies. These actions would almost certainly raise legal and practical issues, some of which may be subject to litigation and ultimate resolution in the courts, or subsequent legislative action. These issues could affect the Agency and its compliance with the terms of the Indenture and the Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of the bondholders in ways the Agency cannot predict.

Constitutional Protections. The Agency believes that constitutional protections against the impairment of contracts will prevent the proposed actions in the RDA Provisions from adversely affecting the validity of the Bonds or the Agency's pledge of Tax Revenues to secure the payment of the Bonds. Indeed, the RDA Provisions purport to provide for the payments by successor entities of existing redevelopment agencies' "debts and contractual obligations."

Article I, section 10 of the United States Constitution provides that "No state shall...pass any...law impairing the obligation of contracts." Article I, section 9 of the California Constitution provides that a "law impairing the obligation of contracts may not be passed." Each of these provisions is generally referred to as a "contracts clause". Federal courts have applied a fact-based three-part test to determine whether a state law violates the federal contracts clause. In general, the test compares any impairment against the significant and legitimate public purpose behind the state law; there is no absolute prohibition against impairment.

The United States Supreme Court has declared in the context of a New Jersey law that would have retroactively repealed a 1962 statutory (but contractual) covenant that would have adversely impacted bondholders: "A governmental entity can always find a use for extra money, especially when taxes do not have to be raised. If a State could reduce its financial obligations whenever it wanted to spend the money for what it regarded as an important public purpose, the Contract Clause would provide no protection at all." See United States Trust Co. of New York v. New Jersey (1977) 431 U.S. 1, 25-26.

The Agency cannot predict the applicable scope of "contract clause" protections to the Bonds and the RDA Provisions as they may ultimately be implemented. Efforts to protect the rights of Bondholders and to enforce the terms of the Indenture, if necessary, could involve expense and delay including with respect to the determination of the applicable scope of the "contract clause" provisions. Should legislation be introduced or proposals made by the Governor of the State or legislation enacted which would impose additional materially adverse limitations or burdens on the Agency or the County by reason of the issuance of the Bonds or which purport to prohibit the issuance of the Bonds, the Agency and the Underwriters have the right under the bond purchase agreement to not proceed in issuing or purchasing the Bonds.

Future State Action. The Agency cannot predict what actions will be taken in the future by the voters of the State, the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the current fiscal year State Budget, the Proposed Budget and future State budgets, or their impact on the Agency. These developments at the State level, whether related to the Proposed Budget or not, may, in turn, affect local governments and agencies, including the Agency. Even if the proposals affecting the Agency in the Proposed Budget are not adopted, the State Legislature may adopt other legislation from time to time requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and as in the Proposed Budget, balanced its budget by requiring local political subdivisions, such as the County, the City and the Agency, to fund certain costs previously borne by the State.

## **Natural Disasters**

*Seismic Considerations.* As with most of Southern California, the most significant safety hazard in Riverside County is due to seismic hazards. Two major faults, the San Andreas and the San Jacinto, pass through the mid-county region to the east of the Project Area. However, according to the draft Safety Element of the Riverside County General Plan, the Project Area does not contain any mapped faults nor any earthquake fault study zones. In addition, most of the Project Area has a low level of liquefaction susceptibility, with the exception of the areas closest to the Santa Ana River. Lastly, most of the assessed valuation growth in the Project Area is due to new construction built in accordance with the Uniform Building Code which contains standards designed to minimize structural damage caused by seismic events.

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

### **Hazardous Substances**

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

### **Secondary Market**

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

### **Loss of Tax Exemption**

As discussed under the caption "MISCELLANEOUS – Tax Matters" herein, interest on the Series B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series B Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the Series B Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

## **LIMITATIONS ON TAX REVENUES**

### **Property Tax Limitations - Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash

value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. Roll adjustments may be made by the County which would affect the Project Areas assessed value, under Section 51 of the Revenue and Taxation Code.

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amended Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Under Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60. As a result, there may be a minor reduction of property tax revenues because there is substantial residential use within the Project Areas.

### **Challenges to Article XIII A**

There have been many challenges to Article XIII A of the California Constitution. Probably the most significant judicial decision with respect to Article XIII A is the United States Supreme Court holding in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

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

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Current tax payment practices by the County provide for payment to the Agency of Tax Revenues periodically throughout the fiscal year, with the majority of Tax Revenues derived from secured property paid to the Agency in January and May, and the majority of Tax Revenues derived from unsecured property paid to the Agency by late September. Unitary roll Tax Revenues and Tax Revenues from supplemental assessments are paid to the Agency in May. A final reconciliation is made after the close of the fiscal year. The difference between the final reconciliation and Tax Revenues previously allocated to the Agency is allocated in late July.

Property tax laws provide for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. To the extent such supplemental assessments occur within the Project Areas, Tax Revenues may increase.

General taxes, special taxes, tax increments and assessment installments are collected for all taxing entities and redevelopment agencies by the County. In 1993 the County approved a resolution of intent to begin operating under Section 4701-4717 of the California Revenue and Taxation Code (the "**Teeter Plan**"). Under the Teeter Plan, the County will maintain a County Tax Loss Reserve Fund for the purpose of paying each taxing entity 100% of the amounts of secured taxes levied (including tax increments) and 1915 Act assessments posted on the tax bill. The County has the power to unilaterally discontinue its practice of paying 100% of the tax levy to the Agency notwithstanding delinquencies and certain assessment appeals on a countywide basis with respect to one or more categories, including general taxes, special taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies.

### **Tax Collection Fees**

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

### **Unitary Taxation of Utility Property**

AB 2890 (Statutes of 1986, Chapter 1457) provides that assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula.

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of property tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within

each county. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. For additional information see "APPENDIX H - FISCAL CONSULTANT REPORT - Unitary Tax Revenue".

### **Future Initiatives**

Article XIII A, Article XIII B and Proposition 62 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## **MISCELLANEOUS**

### **Litigation**

There is no litigation pending or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair the ability to pay principal of and interest (or Accreted Value) on the Bonds when due.

### **Rating**

Standard & Poor's Credit Market Services, a Division of the McGraw-Hill Companies ("S&P"), has assigned its municipal bond rating of "\_\_\_\_\_", to the Bonds.

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

### **Tax Matters**

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

In the further opinion of Bond Counsel, interest on both the Series B Bonds and the Series B-T Bonds is exempt from California personal income taxes.

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

**The interest payable on the Series B-T Bonds is not excluded from gross income for federal income tax purposes.**

### **Circular 230 Disclaimer**

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

### **Certain Legal Matters**

The legal opinion of Bond Counsel, approving the validity of the Bonds, in substantially the form attached hereto as Appendix E, will be made available to purchasers at the time of original delivery of the Bonds, and a copy thereof will be printed on each Bond. Bond Counsel will, as Disclosure Counsel, also deliver a disclosure letter to the Agency and the Underwriter regarding the contents of this Official Statement. Certain matters will be passed upon for the Agency by Riverside County Counsel, as Agency Counsel.

### **Underwriting**

The Bonds will be sold to the Authority for concurrent resale to Stone & Youngberg LLC ("**Stone & Youngberg**") and E. J. De La Rosa & Co., Inc. ("**De La Rosa & Co.**", and together with Stone & Youngberg, as representative, the "**Underwriters**") under a bond purchase agreement among the Authority, the Agency and the Underwriters (the "**Purchase Contract**").

**Series B Bonds.** The Underwriters have agreed to purchase the Series B Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Series B Bonds of \$\_\_\_\_\_ plus an original issue premium of \$\_\_\_\_\_ less an underwriters' discount of \$\_\_\_\_\_ ) under a Bond Purchase Contract among the Agency, the Authority and the Underwriters.

**Series B-T Bonds.** The Underwriters have also agreed to purchase the Series B-T Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Series B-T Bonds of \$\_\_\_\_\_ less an original issue discount of \$\_\_\_\_\_ less an underwriters' discount of \$\_\_\_\_\_ ) under a Bond Purchase Contract among the Agency, the Authority and the Underwriters.

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

Stone & Youngberg has entered into an agreement (the "**Distribution Agreement**") with First Republic Securities Company LLC for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement, if applicable to

the Bonds, Stone & Youngberg will share a portion of its underwriting compensation with respect to the Bonds, with First Republic Securities Company LLC.

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

### **The Authority**

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of March 20, 1990 (the "Joint Powers Agreement") by and between the County and the Agency. The Joint Powers Agreement was entered into pursuant to the provisions of the California Government Code. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting its members in financing and refinancing projects and activities. The Authority is governed by a board of five directors, consisting of the members of the Board of Supervisors of the County.

### **Miscellaneous**

All summaries of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

REDEVELOPMENT AGENCY FOR THE  
COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Executive Director



**APPENDIX A**

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**FISCAL CONSULTANT'S REPORT**

**APPENDIX B**

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**AUDITED FINANCIAL STATEMENTS OF THE AGENCY  
FOR FISCAL YEAR ENDED JUNE 30, 2010**

## **APPENDIX C**

### **COUNTY OF RIVERSIDE GENERAL INFORMATION**

Information contained in this Appendix is presented as general background data. The Bonds are payable solely from the Housing Tax Revenues and other sources as described herein. The taxing power of the County, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS" herein for a description of the security for the Bonds.

### **COUNTY OF RIVERSIDE GENERAL INFORMATION**

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#### **General Description and Background**

Riverside County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 26 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

#### **Population**

According to the State Department of Finance, Demographic Research Unit, Riverside County's population was estimated at 2,139,535 as of January 1, 2010. The largest cities in Riverside County are the cities of Riverside, Moreno Valley, Corona, Hemet, Indio, Palm Springs, Temecula and Cathedral City. The areas of most rapid population growth continue to be those more populated and industrialized cities in the western and central regions of Riverside County and the southwestern unincorporated region of Riverside County between Sun City and Temecula.

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

**RIVERSIDE COUNTY  
Population Estimates**

	1980 <sup>(1)</sup>	1990 <sup>(1)</sup>	2006	2007	2008	2009	2010
Banning	14,020	20,570	28,250	28,234	28,193	28,551	28,751
Beaumont	6,818	9,685	23,249	28,216	31,308	32,448	34,217
Blythe	6,805	8,428	22,238	22,609	21,621	21,346	21,812
Calimesa	--	--	7,475	7,433	7,417	7,504	7,555
Canyon Lake	--	--	10,987	10,957	10,990	11,143	11,225
Cathedral City	--	30,085	51,306	52,046	51,945	52,508	52,841
Coachella	9,129	16,896	35,359	38,434	40,292	41,043	42,591
Corona	37,791	76,095	145,295	145,848	146,620	148,770	150,416
Desert Hot Springs	5,941	11,668	23,464	24,857	25,926	26,584	26,811
Hemet	22,454	36,094	71,205	73,011	73,644	74,931	75,820
Indian Wells	1,394	2,647	4,886	4,934	4,997	5,099	5,144
Indio	21,611	36,793	71,965	77,047	80,920	82,325	83,675
Lake Elsinore	5,982	18,285	41,164	47,567	49,528	50,324	50,983
La Quinta	--	11,215	38,510	41,040	42,721	43,830	44,421
Moreno Valley	--	118,779	0	0	0	67,819	68,905
Murrieta	--	--	175,330	180,227	182,845	186,515	188,537
Norco	19,732	23,302	93,243	97,034	99,527	100,835	101,487
Palm Desert	11,081	23,252	27,363	27,333	27,134	27,189	27,370
Palm Springs	32,359	40,181	49,786	49,718	50,660	51,570	52,067
Perris	6,827	21,460	46,638	46,795	46,992	47,653	48,040
Rancho Mirage	6,281	9,778	47,346	50,598	53,312	54,387	55,133
Riverside	170,591	226,505	16,585	16,736	16,741	16,938	17,008
San Jacinto	7,098	16,210	289,045	291,814	296,038	300,769	304,051
Temecula	--	27,099	31,203	34,300	35,475	36,521	36,933
Wildomar	--	--	--	--	--	31,374	31,907
Unincorporated	248,009	385,386	516,623	536,135	552,528	459,193	466,806
County Total	633,923	1,170,413	1,962,198	2,030,054	2,077,183	2,109,882	2,139,535

(1) From U.S. Census.

Source: State Department of Finance estimates (as of January 1).

## Commerce

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

Total taxable sales during calendar year 2009 in the County were reported to be \$22,227,877,000, a 14.5% decrease over the total taxable sales of \$26,003,595,000 reported during calendar year 2008. Figures are not yet available for 2010.

**RIVERSIDE COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2005	22,691	\$20,839,212	44,222	\$28,256,491
2006	23,322	21,842,345	43,672	29,816,237
2007	22,918	21,242,516	45,279	29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009 <sup>(1)</sup>	29,829	16,057,488	42765	22,227,877

(1) "Retail Stores" category includes Food Services beginning in 2009.  
Source: State Board of Equalization.

## Employment

The following table presents the annual average distribution of persons in various wage and salary employment categories for Riverside-San Bernardino Primary Metropolitan Statistical Area for calendar years 2005 through 2009.

### RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force <sup>(1)</sup>	1,707,400	1,751,300	1,774,800	1,783,800	1,778,200
Employment	1,616,600	1,665,100	1,671,900	1,636,900	1,541,600
Unemployment	90,800	86,200	102,900	146,900	236,500
Unemployment Rate	5.3%	4.9%	5.8%	8.2%	13.3%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	18,300	17,300	16,400	15,900	15,200
Natural Resources and Mining	1,400	1,400	1,300	1,200	1,200
Construction	123,300	127,500	112,500	90,700	67,400
Manufacturing	121,000	123,400	118,500	106,900	88,500
Wholesale Trade	49,900	54,200	56,800	54,100	48,300
Retail Trade	165,700	173,200	175,600	168,600	154,900
Transportation, Warehousing and Utilities	60,200	63,800	69,500	70,200	66,500
Information	14,500	15,300	15,400	14,900	14,800
Finance and Insurance	30,100	31,700	30,700	28,000	27,000
Real Estate and Rental and Leasing	18,900	19,900	19,500	18,700	16,600
Professional and Business Services	133,200	142,300	145,000	137,400	127,300
Educational and Health Services	119,900	122,100	127,000	131,500	132,600
Leisure and Hospitality	122,600	128,100	132,600	131,000	123,000
Other Services	40,800	42,500	41,200	40,800	36,700
Federal Government	18,700	19,300	19,400	19,600	20,100
State Government	27,000	27,400	28,700	29,600	29,700
Local Government	174,800	175,700	177,200	180,700	177,500
Total All Industries	1,240,300	1,285,000	1,287,300	1,239,700	1,147,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

The 25 largest employers (listed alphabetically) in the County are shown below.

**RIVERSIDE COUNTY  
LARGEST EMPLOYERS- Listed Alphabetically  
(As of January 1, 2011)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Abbott Vascular	Temecula	Physicians & Surgeons
Agua Caliente Casino	Rancho Mirage	Casinos
Corrections Dept	Norco	State Govt-Correctional Institutions
Crossroads Truck Dismantling	Mira Loma	Automobile Wrecking (Whls)
Eisenhower Medical Center	Rancho Mirage	Hospitals
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Center	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
Hub International Of Ca Insurance	Riverside	Insurance
J W Marriott-Desert Springs Resort	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Hospitals
La Quinta Resort & Club	La Quinta	Resorts
Morongo Hotel	Cabazon	Casinos
Morongo Tribal Gaming Ent.	Banning	Business Management Consultants
Pechanga Casino	Temecula	Casinos
Restoration Technologies Inc.	Corona	Electronic Equipment & Supplies
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Hospitals
Riverside Forklift Training	Riverside	Trucks-Industrial (Whls)
Starcrest Of California	Perris	Internet & Catalog Shopping
Starcrest Products-California	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
Universal Protection Services	Palm Desert	Security Guard & Patrol Service
University Of Ca-Riverside	Riverside	Schools-Universities & Colleges Academic
Watson Pharmaceuticals Inc.	Corona	Drug Millers (Mfrs)

*Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition.*

## Construction Activity

The following is a five year summary of the valuation of building permits issued in the County.

### RIVERSIDE COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Permit Valuation</u>					
New Single-family	\$2,972,203.7	\$4,412,255.1	\$1,263,350	\$1,214,753.0	\$892,790.0
New Multi-family	114,787.0	431,580.9	155,820.1	243,741.9	75,756.1
Res. Alterations/Additions	<u>157,825.3</u>	<u>158,099.4</u>	<u>128,336.1</u>	<u>118,488.7</u>	<u>85,148.0</u>
Total Residential	3,244,816.0	5,001,935.4	1,547,506.7	1,576,983.5	1,053,694.1
New Commercial	552,666.9	442,650.9	569,354.4	539,943.4	94,651.4
New Industrial	120,367.6	372,801.3	350,521.0	70,410.8	12,277.6
New Other	344,703.2	237,689.2	190,362.6	138,765.2	107,332.1
Com. Alterations/Additions	<u>274,337.7</u>	<u>268,738.1</u>	<u>255,984.2</u>	<u>292,693.8</u>	<u>162,557.5</u>
Total Nonresidential	1,292,075.4	1,321,879.5	1,366,222.3	1,041,813.1	376,818.7
<u>New Dwelling Units</u>					
Single Family	15,305	20,692	6,239	3,815	3,431
Multiple Family	<u>1,379</u>	<u>4,519</u>	<u>1,765</u>	<u>2,104</u>	<u>759</u>
TOTAL	16,684	25,211	8,004	5,919	4,190

Source: Construction Industry Research Board, Building Permit Summary.



## Personal Income

The following table is based on effective buying income, as reported in the annual publication "Survey of Buying Power," published by Sales and Marketing Management. Effective buying income is defined as personal income less personal taxes and non-tax payments. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance. The following items are not included in the definition of effective buying income: (1) employer contributions to private pension funds, supplemental unemployment insurance funds and privately administered workers' compensation programs; (2) imputed personal income, which includes the imputed value of services provided by depository institutions and income earned by life insurance carriers and private noninsured pension funds on the principal amounts contributed by policy holders and pension beneficiaries; and (3) imputed rental income of owner-occupied nonfamily dwellings.

The table below summarizes the total effective buying income and the median household effective buying income for the City, the County, the State and the United States from 2005 through 2009.

### RIVERSIDE COUNTY PERSONAL INCOME For Calendar Years 2005 Through 2009

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2005	Riverside County	\$ 32,004,438	\$41,326
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Riverside County	\$ 35,656,620	\$43,490
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Riverside County	\$ 38,631,365	\$45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Riverside County	\$ 40,935,408	\$46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Riverside County	\$ 41,337,770	\$47,080
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: The Nielsen Company (US), Inc.

## **Riverside County Agriculture**

Agriculture remains a leading source of income in Riverside County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, dates, lemons and avocados. Four areas in Riverside County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of Riverside County, the Coachella Valley in the central portion and the Palo Verde Valley near Riverside County's eastern border.

## **Riverside County Transportation**

Easy access to job opportunities in Riverside County and nearby Los Angeles, Orange and San Diego Counties is important to Riverside County's employment picture. Several major freeways and highways provide access between Riverside County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of Riverside County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (U.S. 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

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

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The City of Banning also operates a local bus system.

Riverside County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Force Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base thereafter are presently being formulated by the March AFB Joint Powers Authority, comprised of Riverside County and the Cities of Riverside, Moreno Valley and Perris.

**APPENDIX D**

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**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

**APPENDIX E**

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**FORM OF BOND COUNSEL OPINION**

**APPENDIX F**

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**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX G

### BOOK ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("**DTC**"), the procedures and record keeping with respect to beneficial ownership interests in the securities described in this Official Statement (the "**Bonds**"), payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "**Issuer**") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "**Agent**") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "**Rules**" applicable to DTC are on file with the Securities and Exchange Commission and the current "**Procedures**" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income

Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

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

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

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

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



**APPENDIX H**

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**TABLES OF ACCRETED VALUES**