

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

647.00



FROM: Redevelopment Agency

SUBMITTAL DATE:
February 17, 2011

SUBJECT: Resolution Number 2011-03 Authorizing the Purchase and Sale of Four Series of Bonds from the Redevelopment Agency for the County of Riverside

RECOMMENDED MOTION: That the Board of Directors adopt Resolution Number 2011-03 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 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

FINANCIAL DATA	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

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*

County Executive Office Signature _____

MINUTES OF THE BOARD OF DIRECTORS OF THE PUBLIC FINANCING AUTHORITY

On motion of Director Stone, seconded by Director Ashley 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: March 1, 2011
xc: Public Finance Authority, RDA, EDA

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

2011 FEB 23 PM 3:15

(Comp. Item 3.36 and 4.2) 000011A

Prev. Agn. Ref.: _____ **District:** ALL **Agenda Number:** 5.1

FORM APPROVED COUNTY COUNSEL
BY: *[Signature]* DATE: 2-17-11
DALE A. GARDNER

Departmental Concurrence

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

RESOLUTION NO. 2011-03

RESOLUTION OF THE RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY AUTHORIZING THE PURCHASE AND SALE OF FOUR SERIES OF BONDS OF THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE WITH RESPECT TO THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE JURUPA VALLEY, INTERSTATE 215 CORRIDOR AND DESERT COMMUNITIES REDEVELOPMENT PROJECTS, AUTHORIZING SALE OF BONDS, APPROVING OFFICIAL STATEMENTS AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the County of Riverside (the "County"), and the Redevelopment Agency for the County of Riverside ("the Agency") have entered into a Joint Exercise of Powers Agreement, dated as of March 20, 1990 (the "Agreement"), creating the Riverside County Public Financing Authority (the "Authority");

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Agreement, the Authority is authorized to purchase bonds issued by the Agency;

WHEREAS, pursuant to the Act and the Agreement the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale;

WHEREAS, the Agency has determined to issue four series of bonds (the "Bonds") to fund various redevelopment activities within or of benefit to its Jurupa Valley Redevelopment Project Area, its Desert Communities Redevelopment Project Area and its Interstate 215 Corridor Redevelopment Project Area;

WHEREAS, the Authority desires to purchase from the Agency the Bonds, but solely from the proceeds received from the Authority's concurrent sale of the Bonds to the Underwriter (as defined below);

WHEREAS, the Agency has caused a form of the Official Statement for each series of the Bonds (collectively, the "2011 Official Statements" and, individually, each a "Official Statement") to be submitted to the Authority for approval for distribution to purchasers of the Bonds; and,

WHEREAS, the Board of Directors (the "Board") of the Authority has duly considered such transactions and wishes at this time to authorize proceedings for the purchase and sale

BY: Dale A. Gardner 2/11/11 DATE

1 of the Bonds in the public interests of the Authority;

2 **NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** by the
3 Board of Directors of the Riverside County Public Financing Authority, as follows:

4 **Section 1. Sale of Bonds.** The Authority hereby approves the purchase and sale of
5 the Bonds by negotiation with Stone & Youngberg LLC, on behalf of itself and, with respect to
6 the Tax-Exempt Jurupa Bonds and the Taxable Jurupa Bonds (as defined below), E.J. De La
7 Rosa & Co. Inc., as underwriters (collectively, the "Underwriter") of the following four series of
8 Bonds:

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

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

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

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

23 The Bond Purchase Agreements (the "Purchase Agreements") for the Bonds, each by
24 and among the Authority, the Underwriter and the Agency, pursuant to which the Agency
25 agrees to sell the Bonds to the Authority, for re-sale to the Underwriter, and the Underwriter
26 agrees to purchase the Bonds from the Authority, in the form on file with the Secretary, be and
27 the same are hereby approved, and the Chairman, the Vice Chairman, the Executive Director,
28 the Assistant Executive Director and the Deputy Executive Director of the Agency (who is also

1 an Assistant Secretary of the Authority), are hereby separately authorized and directed to
2 execute said documents, with such changes, insertions and omissions as may be approved by
3 such official, so long as (i) the aggregate principal amount of a series of Bonds does not
4 exceed the amount set forth above, (ii) the true interest cost on the Tax-Exempt Jurupa Bonds
5 does not exceed 9.50% per annum, the true interest cost on the Taxable Jurupa Bonds does
6 not exceed 10.50% per annum, the true interest cost on the DCPA Bonds does not exceed
7 10% per annum, and the true interest cost on the I-215 Bonds does not exceed 10% per
8 annum, and (iii) the Underwriter's discount (exclusive of original issue discount) on the
9 combined Tax-Exempt Jurupa Bonds and Taxable Jurupa Bonds does not exceed 1.00%, the
10 Underwriter's discount (exclusive of original issue discount) on the DCPA Bonds does not
11 exceed 1.50%, and the Underwriter's discount (exclusive of original issue discount) on the I-
12 215 Bonds does not exceed 1.50%.

13 **Section 2. Official Statements.** The Official Statements relating to the Bonds,
14 together with such amendments and supplements as shall be necessary or convenient to
15 accurately describe the Bonds in accordance with the Purchase Agreements, this Resolution
16 and the other related proceedings and documents, is hereby approved for distribution to the
17 purchasers of the Bonds.

18 **Section 3. Official Action.** The Chairman, the Vice Chairman, the Executive
19 Director, the Assistant Executive Director, the Deputy Executive Director of the Agency, in his
20 capacity as Assistant Secretary of the Authority, and the Secretary and any and all other
21 officers of the Authority are hereby authorized and directed, for and in the name and on behalf
22 of the Authority, to do any and all things and take any and all actions, including execution and
23 delivery of any and all assignments, certificates, notices, consents, instruments of
24 conveyance, warrants and other documents, which they, or any of them, may deem necessary
25 or advisable in order to consummate the sale and delivery of the Bonds to the Authority for
26 resale and delivery to the Underwriter pursuant to the Purchase Agreements approved herein.

27 **Section 4. Effective Date.** This resolution shall take effect from and after the date of
28 approval and adoption thereof.

ROLL CALL:

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



MEMORANDUM

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

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)

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

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

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 *CH*

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)

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

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 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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$ _____ *
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE
Desert Communities Redevelopment Project Area
2011 Second Lien Tax Allocation Bonds, Series D

Dated: Date of Delivery

Due: December 1, as shown on inside cover

The Redevelopment Agency For the County of Riverside (the "Agency") has determined to issue its \$ _____ * principal amount of Redevelopment Agency For the County of Riverside, Desert Communities Redevelopment Project Area, 2011 Second Lien Tax Allocation Bonds, Series D (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 Desert Communities Redevelopment Project Area (the "Project Area"), (ii) fund a Reserve Subaccount for the Bonds; and (iii) pay the costs of issuing the 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 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 principal of, premium if any, and semiannual interest (due June 1 and December 1 of each year, commencing December 1, 2011) on the 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 basis subordinate to certain outstanding debt of the Agency. See "SECURITY FOR THE BONDS - Outstanding Senior Bonds". 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 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]

Dated _____, 2011

* Preliminary, subject to change.

MATURITY SCHEDULE

(Base CUSIP[†]: 769123)

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
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\$ _____ % Term Bonds due December 1, 20__; Yield: _____% CUSIP[†]: _____

\$ _____ % Term Bonds due December 1, 20__; Yield: _____% CUSIP[†]: _____

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP services. Neither the Agency nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth above.

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 Underwriter. 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 Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion 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
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[MAP OF THE PROJECT AREA]

\$ _____ *

REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE
Desert Communities Redevelopment Project Area
2011 Second Lien Tax Allocation Bonds, Series D

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 Desert Communities Redevelopment Project Area, 2011 Second Lien Tax Allocation Bonds, Series D (the "**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 Desert Communities Redevelopment Project Area (the "**Project Area**"), (ii) fund a Reserve Subaccount for the Bonds; and (iii) pay the costs of issuing the Bonds. See "FINANCING PLAN" and "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 will be payable from and secured by Tax Revenues (as defined herein) allocated to the Project Area. The Indenture permits, upon satisfaction of certain conditions, the issuance of additional indebtedness ("**Parity Debt**") payable from and secured by 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 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, as underwriter (the "**Underwriter**").

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

* Preliminary, subject to change.

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 subordinate basis with a prior pledge of Tax Revenues for the payment of debt service due on certain outstanding bonds of the Agency. See "SECURITY FOR THE BONDS – Outstanding Senior Bonds."

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 originally contained two separate project areas known as Project Area No. 4 (also known as 4-1986) and 4-1987. On July 20, 1999, the Board of Supervisors of the County (the "**Board**") approved the merger of both project areas with the Airports-1988 project area. The merged project area consisted of nine Sub-Areas, encompassing approximately 27,590 acres. At the same time the merger was approved, the Board approved the addition of more land to the Thousand Palms Sub-Area, which included approximately 408 additional acres in the community of Thousand Palms. The amendment and merger were approved via Ordinances Nos. 794 and 795, respectively. On January 13, 2009, Amendment No. 2 to the Desert Communities Redevelopment Project Area was adopted via Ordinance No. 886, and added 1,975 acres in the 100 Palms, Oasis, Mecca and North Shore communities to the project area. The Project Area currently includes a total of 29,565 acres.

The majority of assessed value in the Project Area is used for single-family residential, with a mixture of agricultural, commercial, industrial and vacant land. The assessed value of the Project Area for fiscal year 2010-11 is approximately \$2.4 billion.

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

The County of Riverside. The County of Riverside (the "**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. 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 Senior Bonds. The Agency currently has outstanding Senior Bonds with respect to the Project Area. The Agency's pledged of Tax Revenues to the repayment of the Outstanding Senior Bonds is senior to the Agency's pledge of Tax Revenues for the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS – Outstanding Senior Bonds."

Continuing Disclosure. The Agency will undertake all responsibilities for continuing disclosure to Owners of the Bonds as described below. The Agency has covenanted in the Indenture and in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rule-making Board, and to provide certain other information. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

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 – REPORT OF FISCAL CONSULTANT" herein.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. 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 Underwriter. 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, the 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 Bonds are being issued to provide funds for various projects of benefit to the Project Area, to fund a Reserve Subaccount for the Bonds, and pay the costs of issuing the Bonds.

The Projects

The net proceeds of the Bonds will be deposited in the Redevelopment Fund established for the Project Area and held by the Trustee. It is expected that such net proceeds will be used to finance all or a portion of the costs of the following projects.

[PROJECT LIST TO COME]

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:

Principal Amount of the Bonds
Less: Underwriter's Discount
Less: Net Original Issue Discount
Total Sources:

USES:

Costs of Issuance Fund ⁽¹⁾
Reserve Subaccount
Redevelopment Fund
Total Uses:

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

THE BONDS

Description

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the cover page hereof payable semiannually on June 1 and December 1 (each, an "Interest Payment Date"), commencing December 1, 2011, and will mature on the dates and in the amounts set forth on the cover page hereof. The 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. 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.

Each 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 November 15, 2010, in which event it shall bear interest from the date of delivery of the Bonds (the "Closing Date"); provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such 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 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 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.

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

The Bonds maturing on or before December 1, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on and after December 1, 20__, are subject to redemption, at the option of the Agency on any date on or after December 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 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Redemption From Sinking Fund Payments

The Term Bonds maturing December 1, 20__, and the Term Bonds maturing on December 1, 20__, are also subject to mandatory redemption in part by lot on December 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 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 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 Bonds Maturing December 1, 20

<u>Date</u> <u>(December 1)</u>	<u>Amount</u>
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\$ Term Bonds Maturing December 1, 20

<u>Date</u> <u>(December 1)</u>	<u>Amount</u>
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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 December 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 December 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 December 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 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.

Debt Service Schedule

Scheduled debt service on the 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 Outstanding Senior Bonds (which are payable from Tax Revenues on a senior basis to the Bonds), see Table 7 herein.

**TABLE 1
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE
Desert Communities Redevelopment Project Area
Debt Service Schedule**

<u>Bond Year Ending December 1</u>	<u>Annual Principal</u>	<u>Annual Interest</u>	<u>Total Debt Service</u>
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Total			

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. Subject to the prior and senior pledge of and security interest in and lien on the Tax Revenues in favor of the Senior Bonds, the Bonds and all Parity Debt are equally secured by a pledge of, security interest in, and lien on all of the Tax Revenues, a pledge of all of the moneys in the Special Fund. In addition, the Bonds, and any Parity Debt, are secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account created pursuant to the Indenture. See "APPENDIX D – Summary of Certain Provisions of the Indenture".

As defined in the Indenture (see "APPENDIX D – 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).

None of the proceeds of the Outstanding Senior Debt was used with respect to low and moderate income housing. In addition, none of the proceeds of the Bonds are expected to be used to improve the supply of low and moderate income housing. Accordingly, no portion of the Tax Revenues consist of amounts required to be deposited in the Agency's Low and Moderate Income Housing Fund.

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 Amendment No. 2 in 2009) of the total tax increment collected by the Agency over the life of the Redevelopment Plan. See Table 2 "Summary of Desert Communities Project Area and Constituent Sub-Areas".

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. 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, ANY ADDITIONAL PARITY DEBT, AND OUTSTANDING SENIOR BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA.

Outstanding Senior Bonds

"Senior Bonds" means, collectively (and described below), the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and the 2010 Bonds, and any debt issued on a parity therewith solely for the purpose of refunding all or a portion of the 2004 Bonds, the 2005 Bonds, the 2006 Bonds or the 2010 Bonds that complies with the requirements of the Indenture or to refund bonds previously issued to refund all or a portion of the 2004 Bonds, the 2005 Bonds, the 2006 Bonds or the 2010 Bonds that complies with the requirements of the Indenture.

The following are the Senior Bonds that are currently outstanding:

2004 Desert Communities 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 Authority Bonds**"), payable, in part, from Agency bonds issued for the Project Area (the "**2004 Desert Communities Bonds**"). Debt service on the 2004 Desert Communities Bonds issued with respect to the Project Area is payable on a senior basis to debt service on the Bonds. As of March 1, 2011, \$94,190,000 of the 2004 Authority Bonds remain outstanding, with \$31,605,000 of such amount relating to the 2004 Desert Communities Bonds.

The remaining \$62,585,000 of the outstanding 2004 Authority Bonds relate to Jurupa Valley Redevelopment Project Area, Interstate 215 Corridor Redevelopment Project Area, Redevelopment Project Area No. 1 and the Mid-County Redevelopment Project Area.

2005 Desert Communities 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 Authority Bonds**"), payable, in part, from Agency bonds issued for the Project Area (the "**2005 Desert Communities Bonds**"). Debt service on the 2005 Desert Communities Bonds issued with respect to the Project Area is payable on a senior basis to debt service on the Bonds. As of March 1, 2011, \$136,970,000 of the 2005 Authority Bonds remain outstanding, with \$15,700,000 of such amount relating to the 2005 Desert Communities Bonds.

The remaining \$116,030,000 of the outstanding 2005 Authority Bonds relate to Jurupa Valley Redevelopment Project Area, Interstate 215 Corridor Redevelopment Project Area, Redevelopment Project Area No. 1 and the Mid-County Redevelopment Project Area.

2006 Desert Communities 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 Authority Bonds"), payable, in part, from Agency bonds issued for the Project Area (the "2006 Desert Communities Bonds"). Debt service on the 2006 Desert Communities Bonds issued with respect to the Project Area is payable on a senior basis to debt service on the Bonds and constitutes Senior Bonds under the Indenture. As of March 1, 2011, \$157,520,000 of the 2006 Authority Bonds remain outstanding, with \$66,460,000 of such amount relating to the 2006 Desert Communities Bonds.

The remaining \$91,060,000 of the outstanding 2006 Authority Bonds relate to Jurupa Valley Redevelopment Project Area and the Interstate 215 Corridor Redevelopment Project Area.

2010 Desert Communities Bonds. In July 2010, the Agency issued its \$32,415,000 Redevelopment Agency For the County of Riverside, Desert Communities Redevelopment Project Area, 2010 Tax Allocation Bonds, Series D (the "2010 Bonds"), payable from Tax Revenues on a senior basis to the Bonds. As of March 1, 2011, \$32,415,000 of the 2010 bonds remain outstanding.

Set forth below is a summary of the outstanding Senior Bonds of the Project Area as of March 1, 2011.

2004 Desert Communities Bonds	\$ 31,605,000
2005 Desert Communities Bonds	15,700,000
2006 Desert Communities Bonds	66,460,000
2010 Desert Communities Bonds	<u>32,415,000</u>
Total	\$146,180,000

The Senior Bonds were issued pursuant to respective Indentures of Trust (Collectively, the "Senior Indentures").

Tax Sharing Agreements and Statutory Tax Sharing. The Agency has entered into uniform tax-sharing agreements with taxing entities and school districts with respect to the portions of the Project Area that were adopted prior to 1994 (the "Tax Sharing Agreements"). See "APPENDIX A – Report of Fiscal Consultant – Fiscal Agreements" for a description of the Tax Sharing Agreements. Payments on the Tax Sharing Agreements are senior to payments of debt service on the Bonds, additional Parity Debt, and Senior Debt.

In addition, certain Sub-Areas of the Project Area are subject to the tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Law (added by AB 1290), any territory added to a project area after 1994 is required to share in tax increment revenues generated by such territory pursuant to a statutory formula ("Statutory Tax Sharing") or, upon amendment of certain plan limitations, is required to pay Statutory Tax Sharing after such limitation otherwise would have been in effect. Prior to the delivery of the Bonds, the Agency will have completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Bonds. See "APPENDIX A – Report of Fiscal Consultant – Fiscal Agreements" for a description of the Agency's obligation to make Statutory Tax Sharing payments.

Additional Bonds and Subordinate Debt

Issuance of Additional Bonds. In addition to the Bonds, the Agency may issue or incur 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 (as defined in the Senior Indentures) on the Senior Bonds for each applicable succeeding Bond Year (as defined in the Senior Indentures), plus (ii) 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. For purposes of this provision, the applicable Bond Year for the Senior Bonds and the applicable Bond Year for the Bonds and Parity Debt shall always end in the same calendar year.

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

The Indenture defines the term "**Additional Revenues**" to mean, as the date of calculation, the amount of Tax Revenues which are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to either (a) construction which has been completed and for which a certificate of occupancy has been issued by the County or other appropriate governmental entity but which is not then reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced in the written records of the County) as of the date on which such calculation is made.

Issuance of Subordinate Debt. 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, all Parity Debt Instruments and the Senior Indentures; 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, Senior Bonds 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.

2011 Reserve Subaccount

Pursuant to the Indenture, the Trustee will establish, maintain and hold in trust, the 2011

Series D Subaccount of the Reserve Account (the "**2011 Reserve Subaccount**"). Amounts on deposit in the 2011 Reserve Subaccount shall be available to pay debt service only on the Bonds and any other Parity Debt hereafter issued that the Agency elects to be secured by the 2011 Reserve Subaccount of the Reserve Account. In the event that the Agency elects to secure additional Parity Debt with the 2011 Reserve Subaccount of the Reserve Account, the Agency shall establish subaccounts within the Reserve Account as needed.

The 2011 Reserve Subaccount is established and held by the Trustee. "**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 original principal amount of the Bonds or Parity Debt, provided that if the original issue discount of the Bonds or any 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, (ii) Maximum Annual Debt Service with respect to the Bonds or Parity Debt, or (iii) 125% of average Annual Debt Service on the Bonds or Parity Debt; provided further that the Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument. The calculation of the Reserve Requirement may, at the option of the Agency, be made with respect to the Bonds and all Parity Debt on a combined basis, as provided in the Indenture, provided that the Trustee shall establish separate subaccounts for the proceeds of the Bonds and such Parity Debt to enable the Trustee to track the investment of the proceeds of the Bonds and Parity Debt.

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

The Reserve Account may be maintained in the form of one or more separate subaccounts 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 2011 Reserve Subaccount 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 with respect to the applicable Bonds, or for the retirement of all the applicable Bonds then Outstanding, except that so long as the Agency is not in default, any amount in the 2011 Reserve Subaccount in excess of the Reserve Requirement shall be withdrawn from the 2011 Reserve Subaccount semiannually on or before four (4) Business Days preceding each June 1 and December 1 by the Trustee and deposited in the Interest Account.

The 2011 Reserve Subaccount may be satisfied with the acquisition of a financial instrument meeting the definition of "Qualified Reserve Account Credit Instrument" set forth in the APPENDIX D – 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 meets certain requirements at the time of such deposit, 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 B – 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

Redevelopment Plan

Under the Redevelopment Law a city or county that activates its redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency may only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word.

The Redevelopment Plan for the Project Area and Sub-Areas have two principal purposes (i) the removal of blight from the Project Area and (ii) the provision of low and moderate income housing both within the Project Area and within any other area of the County of Riverside. In order to accomplish these two purposes the Redevelopment Plan provides for the acquisition of property and the demolition of buildings and improvements, the relocation of any displaced occupants and the construction of streets, parking facilities, utilities and other public improvements. In connection with the provision of low and moderate income housing, the Agency may additionally make housing grants and loans and acquire, rehabilitate and sell residential housing to persons and families of low and moderate income. The Redevelopment Plan also allows for redevelopment of land by private enterprise and participation by owners and tenants of properties in the Project Area.

General Description

The Desert Communities Project Area originally contained two separate project areas known as Project Area Nos. 4-1986 and 4-1987. The Riverside County Board of Supervisors (the "Board") approved the original boundaries of Project Area No. 4-1986 on December 23, 1986 via Ordinance No. 638. Project Area 4-1986 consists of 20,440 acres of territory within the communities of East Blythe, Mecca, North Shore, Palm Desert, Ripley, Thermal (including the airport), and Thousand Palms. Project Area No. 4-1987 was approved by the Board on December 1, 1987 via Ordinance No. 647, and consists of 376 acres in Desert Center. The Airports-1988 project area was approved by the Board on December 19, 1988, via Ordinance No. 668 and consists of six general aviation airports. On July 20, 1999, the Board approved the merger of both project areas with the Airports-1988 project area. At the time of the merger, the Board approved the amendment of Project Area 4-1986 to add approximately 408 acres of territory within the community of Thousand Palms.

The amendment and merger were approved via Ordinances Nos. 794 and 795, respectively. On January 13, 2009, Amendment No. 2 to the Desert Communities Redevelopment Project Area was adopted via Ordinance No. 886, and added 1,975 acres in the 100 Palms, Oasis, Mecca and North Shore communities to the project area. The Desert Communities Project Area project area consists of six Sub-Areas, encompassing approximately 29,668 acres.

East Blythe. The East Blythe Sub-Area is comprised of 1,500 acres. A significant portion of the Sub-Area was annexed by the City of Blythe when it extended its city limits to the

Colorado River.

Mecca. The Mecca Sub-Area is comprised of 350 acres and is located in the eastern Coachella Valley. Recent developments include the extension of water and sewer lines to the north of Mecca along Lincoln Street. These infrastructure extensions have allowed the development of new affordable single-family housing projects including the Village at Mecca (91 units), Las Serenas (87 units), as well as the 106 space Mecca Mobile Home Park, the 31 unit Chapultepec Apartments, and the 128 unit Las Mananitas migrant farm worker housing project. The Agency also has assisted with the 10-acre Mecca Migrant Farm Labor Village located on Avenue 63, east of Lincoln Street. Currently, the Agency is constructing a Mecca Health Clinic, a library, and a Sheriff's Station in the Sub-Area. Additional acreage was added to the Mecca Sub-Area in January 2009.

North Shore. The North Shore Sub-Area is a small residential and retirement community located on the northern end of the Salton Sea and is comprised of 54 acres. Additional acreage was added to the North Shore Sub-Area in January 2009, expanding the possibility of future development.

Palm Desert. The Palm Desert Sub-Area is located adjacent to the City of Palm Desert and is primarily commercial and residential in nature. The Sub-Area is approximately 86 acres in size. Recent street improvements, traffic signalization and commercial and retail development in the Sub-Area have attracted new housing and commercial development.

Ripley. The Ripley Sub-Area is comprised of 830 acres and is located within a small, rural community that is made up of residential, commercial and agricultural-related industrial land uses. In addition, there are a number of vacant and underutilized properties. A spur of the Atcheson, Topeka and Santa Fe Railroad runs through the northern part of the project area.

Thermal. The Thermal Sub-Area is comprised of 17,250 acres located in the eastern Coachella Valley, with approximately 1,600 acres of land located in the northeasterly portion of the Sub-Area being suitable for industrial development. The Sub-Area also includes the 1,800 acre Jacqueline Cochran Regional Airport (formerly Desert Resorts Regional Airport and previously Thermal Airport), a large general aviation facility. The Thermal Sub-Area is at the confluence of the spheres of influence of Coachella, La Quinta, and Indio. It is generally thought that the long-term improvement and development of the Jacqueline Cochran Regional Airport will constitute a major opportunity for the area, and that future industrial development would be enhanced by anticipated airport improvement activities. The Agency has engaged in a number of public infrastructure improvements, including streets, curbs, gutters, flood control, a community center, school facility improvements, and water system improvements.

Thousand Palms. The Thousand Palms Sub-Area was originally 285 acres in size. In July of 1999, the Board approved an amendment to allow for the addition of new territory to the Sub-Area. The total acreage of the Sub-Area is 693 acres. The Sub-Area is adjacent to Interstate 10 north of the City of Rancho Mirage. The Coachella Valley Enterprise Zone was recently extended into this area to encourage new businesses to the area through the provision of state tax credits. The Agency is in the process of developing a new library, fire station and street improvements along Varner Road and Monterey Avenue.

Desert Center. The Desert Center Sub-Area contains approximately 375 acres in two non-contiguous areas located along Ragsdale and Kaiser Roads, adjacent to the Lake Tamarisk area. The Lake Tamarisk area is made up of residential and recreational uses. The Sub-Area is comprised of irregularly shaped areas, vacant and underutilized parcels. The southern Sub-

Area is a combination of developed public and utility land.

Airports. The Airports Sub-Area consists of six general aviation airports. The following is a brief description of each of the airports. All of the airports with the exception of Flabob Airport are owned by the County. It should be noted that the Jacqueline Cochran Regional Airport.

Blythe Airport is located in the Colorado River Valley in the easternmost part of the County. It is seven miles west of the City of Blythe along Interstate 10. The airport is owned by the County and it is leased to and operated by the City of Blythe.

Chiraco Summit Airport is located in the Coachella Valley and is immediately adjacent to Interstate 10. To the south of the airport are the Orocochia and Chocolate Mountains and the Salton Sea. To the north are the San Bernardino Mountains, Joshua Tree National Park and Eagle Mountain.

Desert Center Airport is located north of Interstate 10 and east of State Highway 177. It is near the unincorporated communities of Desert Center and Lake Tamarisk.

Flabob Airport is located near the community of Rubidoux in the northwestern portion of the County. The airport is privately owned and operated.

French Valley Airport is located in the southwest portion of the County, adjacent to the communities of Temecula, Murrieta and Winchester. The airport is located adjacent to Highway 79 and is only minutes away from Interstates 15 and 215. The major runway is currently being extended to enhance safety margins for aircraft utilizing the airport facility.

Hemet-Ryan Airport is located in the San Jacinto Valley area of the County and provides convenient access to the mid-County region, including the cities of Hemet and San Jacinto and Diamond Valley Reservoir. Highways 74 and 79 provide easy access to the airport.

100 Palms. The 100 Palms Sub-Area, was adopted in January 2009, and is located adjacent to the existing Thermal Sub-Area and Tribal lands. Land uses are represented by sporadic commercial and residential development, and vacant land.

Oasis. The Oasis Sub-Area was adopted in January 2009, and is located fairly close to the Salton Sea, and the area is also adjacent to Tribal lands, and can be characterized by sporadic commercial and residential development, as well as vacant land.

Redevelopment Plan Limitations

In 1993, the California Legislature made significant changes in the Redevelopment Law by the adoption of AB 1290, Chapter 942, statutes of 1993 ("**AB 1290**"). Among the changes to the Redevelopment Law accomplished by the enactment of 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 and subject to shorter limitations which may be contained in a redevelopment plan, 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 must terminate not later than January 1, 2009 or 40 years following the date of original adoption of the redevelopment plan, and loans, advances and indebtedness must be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. AB 1290 further required that any redevelopment plan that either did not contain the appropriate limitations or that contained limitations longer than permitted by AB 1290 must be amended by the applicable legislative body.

In addition, the Sub-Areas added to the Project Area after January 1, 1994 are subject to the special requirements of AB1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements. The Redevelopment Plan was subsequently brought into conformance with plan duration and other provisions of AB1290. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("**SB 1045**") and Senate Bill 1096, Chapter 211, Statutes of 2004 ("**SB 1096**"). SB 1045 and AB 1096 provide, among other things, that the Redevelopment Plan for the Project Area may be amended to add up to three years on to the effectiveness of the Redevelopment Plan and on to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, (effective December 30, 2004) extending by one year the date of effectiveness of the Redevelopment Plan and the allowed time to pay indebtedness or receive property taxes. Table 2 takes into account the effect of Ordinance No. 835. The Redevelopment Plan was adopted too recently to be able to take advantage of the extensions permitted by SB 1096.

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 Senior Bonds. Such plan may include, among other actions, defeasing or redeeming the Bonds or Senior Bonds 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 Senior Bonds, such defeasance shall be accomplished as provided in the Indenture.

The Agency annually conducts a review as required in Section 5.12 of the Indenture to confirm the availability of sufficient tax increment revenues under Sub-Area plan limitations to pay all remaining bond debt service and senior and subordinate obligations. The last annual review was completed in November of 2009. As of the issuance date of the Bonds and based upon the tax increment projections in the Fiscal Consultant Report there is sufficient tax increment available under the Plan Limitation to pay all remaining bond debt service and senior and subordinate obligations including principal and interest on the Bonds.

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 2
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE
Summary of Desert Communities Project Area and Constituent Sub-Areas (1)

	Date of Adoption	Ordinance Number	Termination of Plan Activities	Last Date to Repay Debt	Tax Increment Limit	Acreage
Desert Communities Project Area						
4-1986 (East Blythe)	12/23/1986	638	12/23/2027	12/23/2037	\$900,000,000	20,155
4-1986 (1000 Palms)	12/23/1986	638	12/23/2027	12/23/2037	150,000,000	285
4-1999 (Amendment)	7/20/1999	794	7/20/2030	7/20/2045	--	408
4-1987 (Desert Center)	12/1/1987	647	12/1/2028	12/1/2038	140,000,000	376
4-1988 (Airports)	12/19/1988	668	12/19/2029	12/19/2039	360,000,000	6,366
4-2009 (1000 Palms/Oasis) (2)	01/13/2009	886	01/13/2039	01/13/2054	900,000,000	2,078

(1) Sub-Area names have been shortened for presentation purposes.

(2) This Sub-Area has a debt incurrence limit of 01/13/2029

Source: The Agency

The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. Ordinance No. 865, adopted by the Riverside County Board of Supervisors on October 3, 2006, deleted the limitations on incurring indebtedness contained in the pre-January 1, 1994 Redevelopment Plans of the Agency. Adoption of Ordinance No. 865 triggered statutory tax sharing requirements with taxing entities receiving property taxes in the Project Area. Statutory tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective.

SB 211 also authorized the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan. The Agency does not currently expect that the Riverside County Board of Supervisors will undertake proceedings pursuant to SB 211 for the extension of the effectiveness of the Redevelopment Plan or the extension of the period to receipt of tax increment and the payment of indebtedness.

Appeals

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 information provided to the Fiscal Consultant, for the 2009-10 roll year, the County Assessor applied Proposition 8 reductions to 384,289 properties in the County in response to economic conditions. The reductions were primarily applied to residential properties. The total decrease in valuation Countywide due to Proposition 8 was \$42.7 billion, or approximately -19% of the 2008-09 Countywide assessed valuation; of this amount, \$33.3 billion was for properties in incorporated areas and \$9.4 billion for properties in unincorporated areas. The total change in valuation Countywide was -10.5% for 2009-10.

Based on preliminary information provided by the County Assessor's office, there are currently 918 appeals pending in the Project Area. 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 \$143 million, primarily from filings for the 2009-10 roll year. The disputed amounts shown will be resolved in the appeals process and some portion of that disputed amount may be adjusted. To provide some indication of the proportion of valuation upheld on appeal, the Fiscal Consultants Report provides information on resolved appeals filed in previous years in the Project Area. Overall, the 1,512 appeals settled in the Project Area resulted in reductions in valuation of \$39.2 million out of \$732 million in enrolled valuation, or 4.2%. The overall retention rate has thus been about 96% of the original valuation.

The Fiscal Consultant reports that independent appeals of assessments by property owners in the Project Area can result in reductions in assessed valuations that affect the Agency. The Auditor-Controller's office debits the Agency for tax refunds due to successful property tax appeals by offsetting the Agency's allocation of supplemental roll revenue. The Auditor-Controller's office has stated that current practice is to offset no more than the Agency's supplemental revenue in any given period. Under this system the Agency's regular tax increment revenue, pledged to the bonds, is not reduced by tax refunds. Should this practice change at some future date it would be possible for the Agency's tax increment revenue to be affected.

For the Fiscal Consultant's analysis of the potential impact of Proposition 8 on the projections of assessed valuation for Fiscal Years 2010-11 and 2011-12, see "APPENDIX A - Report of Fiscal Consultant - Table 5".

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

New Development in the Project Area

To date, the primary area of industrial and commercial development in the Desert Communities Project Area has been the Thousand Palms Sub-Area. This area saw significant investment and job growth in the last several years, primarily in the form of large industrial parks and various types of commercial developments. Future industrial development is expected to be focused upon the Thermal Sub-Area, as there are large tracts of industrially-zoned land in the area surrounding Jacqueline Cochran Regional Airport (JCRA) that are served by numerous transportation assets, including Highway 86S (the NAFTA Corridor), Interstate 10, a Union Pacific Railroad main line (with a spur extending directly into the community), and the 1,800 acre JCRA property itself, which is capable of handling large cargo-carrying jet aircraft.

Also, the Thermal Sub-Area is within the Coachella Valley Enterprise Zone, the Desert Communities Empowerment Zone, and is eligible for inclusion in the Palm Springs Foreign Trade Zone. High value residential and resort development has occurred in the Thermal Sub-Area, including various phases of PGA West. High-end residential development is expected to continue, much of which will likely occur in the Vista Santa Rosa area, which is west of JCRA and south of PGA West.

Various infrastructure projects, such as street improvements, sewer and water improvements, beautification projects with medians, and interchange improvements, have been initiated in the various Sub-Areas of the Desert Communities Project Area. These projects will facilitate the attractiveness of the area for new commercial and industrial development. Projects include the Monterey, Cook, Washington Streets Interchange Improvements, the Mecca Downtown Street Revitalization Project, the Thermal Sewer and Water Improvements Project, and the Thousand Palms Street Improvements Project.

Land Use in the Project Area

The largest use of the land in the Project Area in terms of assessed value is for residential purposes. The following table shows the land use in the Project Area, based on 2010-11 assessed valuation.

**TABLE 3
DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA
Land Use; Fiscal Year 2010-11**

Land Use	Secured AV ⁽¹⁾	Pct of AV	No. of Parcels	Pct of Parcels	Acres	Pct of Acres
Agricultural	\$ 193,357,691	8.3%	397	5.0%	5,071	18.4%
Commercial	197,094,071	8.4	256	3.2	1,192	4.3
Industrial	132,407,984	5.7	105	1.3	166	0.6
SF Residential.	1,489,181,153	63.8	3,891	49.0	588	2.1
Condominiums	-	0.0	2	0.0	0	0.0
Other Residential (2)	44,836,566	1.9	514	6.5	1,650	6.0
Vacant	234,924,924	10.1	2,579	32.5	2,392	8.7
Other	43,435,423	1.9	197	2.5	16,532	59.9
Totals:	\$2,335,237,813	100.0%	7,941	100.0%	27,590	100.0%

(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

In the Project Area rates of growth over the past five years have ranged from 47.14% in 2006-07 to -9.45% in 2010-11. Approximately \$80 million of the decrease in assessed valuation for 2010-11 in the Project Area was attributable to sales of properties at prices below the assessed valuation; much of the remaining decrease was due to Proposition 8 reductions in valuation, primarily on residential properties.

The table below shows a five-year history of assessed valuation in the Project Area.

TABLE 4
DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA
Historic Assessed Valuation and Tax Increment

Roll	2006-07	2007-08	2008-09	2009-10	2010-11
Secured					
Land	\$935,969,620	\$1,212,580,592	\$1,205,018,066	\$1,085,886,143	\$ 951,432,873
Improvements	986,217,428	1,257,564,754	1,466,393,850	1,503,521,173	1,397,030,702
Personal Property	8,848,820	8,906,105	8,780,964	8,425,957	8,323,777
Exemptions	(10,072,272)	(11,111,917)	(13,457,076)	(20,556,935)	(21,549,539)
Secured Total	1,920,963,596	2,467,939,534	2,666,735,804	2,577,276,338	2,335,237,813
Unsecured					
Land	57,454	48,879	42,875	32,309	489,787
Improvements	20,073,895	27,671,650	25,273,329	30,570,018	29,142,210
Personal Property	111,007,351	84,769,343	115,859,232	60,246,765	51,098,264
Exemptions	(2,943,200)	(3,165,461)	(3,052,763)	(4,273)	26,922
Unsecured Total	128,195,500	109,324,411	138,122,673	90,844,819	80,757,183
Utility					
Land	185,778	91,320	91,320	91,320	91,320
Improvements	75,504	0	0	0	0
Personal Property	41,336	0	0	0	0
Exemptions	0	0	0	0	0
Utility Total	302,618	91,320	91,320	91,320	91,320
Totals:	2,049,461,714	2,577,355,265	2,804,949,797	2,668,212,477	2,416,086,316
Percent Change	47.14%	25.76%	8.83%	(4.87)%	(9.45)%
Plus: HOPTR AV (2)	8,614,062	9,516,707	10,337,228	10,615,114	11,163,401
Less: Base AV	(220,417,565)	(220,417,565)	(220,417,565)	(220,417,565)	(220,417,565)
Incremental AV	1,837,658,211	2,366,454,407	2,594,869,460	2,458,410,026	2,206,832,152
Incremental Revenue	18,376,582	23,664,544	25,948,695	24,584,100	22,068,322
Plus: Additional Revenue (1)	4,929,622	3,585,461	516,392	1,965,539	(N.A.)
Tax Increment Collected	\$23,306,205	\$27,250,005	\$26,465,086	\$26,549,639	(N.A.)

(1) Revenue from unitary and supplemental rolls, debt service levy, prior-year adjustments and other sources.

(2) HOPTR is an acronym for "Homeowners Property Tax Relief".

Source: Urban Analytics

Largest Taxpayers in the Project Area

The following table shows the ten largest taxpayers in Project Area.

**TABLE 5
DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA
Largest Property Tax Payers- Fiscal Year 2010-11**

Property Owner	Secured and Utility	Unsecured	Total (1)	Pct of Total	Sub-Area (4)
T D Desert Dev	\$ 103,996,303	\$ 0	\$ 103,996,303	4.30%	4-1986 (East Blythe, Mecca)
Griffin Ranch (2), (3)	40,944,546	0	40,944,546	1.69	4-1986 (East Blythe, Mecca)
Coral Option 1	39,280,517	0	39,280,517	1.63	4-1986 (East Blythe, Mecca)
Mission South (2)	22,128,320	0	22,128,320	0.92	4-1988 (Airports)
Deutsch Engineered Devices Inc	0	17,595,342	17,595,342	0.73	4-1986 (East Blythe, Mecca)
FKC Palm Desert Parcel I	14,386,491	0	14,386,491	0.60	4-1986 (East Blythe, Mecca)
MSR Resort Golf Course	13,320,032	0	13,320,032	0.55	4-1986 (East Blythe, Mecca)
Cocopah Nurseries Inc.	13,116,708	0	13,116,708	0.54	4-1986 (East Blythe, Mecca)
Kerry Inc	12,533,500	0	12,533,500	0.52	4-1986 (East Blythe, Mecca)
Ralphs Grocery Inc (2)	11,103,203	0	11,103,203	0.46	4-1986 (East Blythe, Mecca)
Total, Top Ten:	270,809,620	17,595,342	288,404,962	11.94	
Total, Top Twenty:	342,782,446	39,888,242	382,670,688	15.84	
Total, Top Hundred:	624,564,495	62,077,884	686,642,379	28.42	
Totals for the Area:	\$2,335,329,133	\$80,757,183	\$2,416,086,316	100.00%	

(1) Assessed valuation figures include homeowner's exemptions. Sub-areas not currently contributing tax increment are excluded.

(2) Owner has one or more appeals pending.

(3) Owners have not paid some or all of the property taxes due for 2008-09, 2009-10 and the payment due December 2011.

(4) Assessed valuation from the new Amendment 2 Sub-Area is not included. The 2010-11 valuation from this Sub-Area was less than its base year assessed valuation; consequently there was no tax increment generated in the Sub-Area. The Agency will receive increment from the Sub-Area once the valuation exceeds the base year valuation.

Source: Riverside County Office of the Assessor, Urban Analytics

Large property owners in the Project Area include a 258 -parcel golf course and residential development owned by TD Desert Development in the La Quinta Sub-Area. The properties are primarily vacant residential land: as of the January 1, 2010 lien date, 70 of the parcels owned by TD Desert Development were assessed as single-family residential properties with improvements, 9 as golf course properties and the remainder as undeveloped residential parcels. The Griffin Ranch property is a single-family residential development with 261 parcels in the Thermal Sub-Area, 16 of which are assessed with improvements and the remainder as unimproved land; Coral Option I is a 17-parcel golf course and residential development also in the Thermal Sub-Area; Mission South owns three date-producing agricultural properties in the Thermal Sub-Area; Deutsch Engineered Connecting Devices is the owner of an industrial facility in the Hemet-Ryan portion of the Airports Sub-Area; MSR Resort Golf Course is a 28-parcel golfing property in the Thermal Sub-Area; FKC Palm Desert owns a shopping center anchored by a Lucky Stores in the Palm Desert Country Club Sub-Area; Cocopah Nurseries is a date-producing agricultural owner on 25 parcels in the Thermal Sub-Area; Kerry Inc is an industrial facility in the Mecca Sub-Area; and Ralphs Grocery is a retail store on two parcels in the Palm Desert Sub-Area.

Projection of Tax Revenues and Estimated Coverage

The tables below show (i) a projection of Tax Revenues over the life of the Bonds and (ii) estimated debt service coverage on the Bonds. The projections incorporate a decrease in

overall assessed valuation of 2.0% in 2011-12, based on (i) continued weakness in the local economy as of the January 1, 2011 lien date for the 2011-12 roll and (ii) the application of a CPI factor of 0.753% to real property in 2011-12.

**TABLE 6
DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA
Projected Tax Revenues (Net Tax Increment)**

Fiscal Year	Gross Tax Increment(1)	Housing Tax Revenues	Senior Pass-Through Payments	Other Senior Obligations(2)	Net Tax Increment
2010-11	\$22,182,389	\$(4,436,478)	\$(5,623,037)	\$(332,736)	\$11,790,139
2011-12	21,714,755	(4,342,951)	(5,506,708)	(325,721)	11,539,375
2012-13	22,173,037	(4,434,607)	(5,620,710)	(332,596)	11,785,124
2013-14	22,640,483	(4,528,097)	(5,736,992)	(339,607)	12,035,787
2014-15	23,117,279	(4,623,456)	(5,855,599)	(346,759)	12,291,465
2015-16	23,603,610	(4,720,722)	(5,976,579)	(354,054)	12,552,255
2016-17	24,099,669	(4,819,934)	(6,099,978)	(361,495)	12,818,262
2017-18	24,605,648	(4,921,130)	(6,225,845)	(369,085)	13,089,588
2018-19	25,121,747	(5,024,349)	(6,354,230)	(376,826)	13,366,341
2019-20	25,648,168	(5,129,634)	(6,485,182)	(384,723)	13,648,629
2020-21	26,185,117	(5,237,023)	(6,618,754)	(392,777)	13,936,563
2021-22	26,732,805	(5,346,561)	(6,754,996)	(400,992)	14,230,256
2022-23	27,291,447	(5,458,289)	(6,893,964)	(409,372)	14,529,822
2023-24	27,861,262	(5,572,252)	(7,035,711)	(417,919)	14,835,380
2024-25	28,442,474	(5,688,495)	(7,180,293)	(426,637)	15,147,049
2025-26	29,035,309	(5,807,062)	(7,327,766)	(435,530)	15,464,951
2026-27	29,640,001	(5,928,000)	(7,478,189)	(444,600)	15,789,212
2027-28	30,256,787	(6,051,357)	(7,631,621)	(453,852)	16,119,957
2028-29	30,885,909	(6,177,182)	(7,788,121)	(463,289)	16,457,318
2029-30	31,527,613	(6,305,523)	(7,947,751)	(472,914)	16,801,426
2030-31	32,182,151	(6,436,430)	(8,110,573)	(482,732)	17,152,415
2031-32	32,849,780	(6,569,956)	(8,276,652)	(492,747)	17,510,425
2032-33	33,530,762	(6,706,152)	(8,446,053)	(502,961)	17,875,595
2033-34	34,225,363	(6,845,073)	(8,618,842)	(513,380)	18,248,068
2034-35	34,933,856	(6,986,771)	(8,795,086)	(524,008)	18,627,991
2035-36	35,656,519	(7,131,304)	(8,974,856)	(534,848)	19,015,512
2036-37	36,393,636	(7,278,727)	(9,158,220)	(545,905)	19,410,784

(1) Gross tax increment includes unitary taxes.

(2) Consists of Riverside County administration fee.

Source: Urban Analytics

TABLE 7
DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA
Projected Debt Service Coverage (1)

Fiscal Year	Net Tax Increment(2)	Outstanding Senior Bonds Debt Service(3)	Bonds Debt Service*	Total Debt Service*	Projected Coverage*
2010-11	\$11,790,139				
2011-12	11,539,375				
2012-13	11,785,124				
2013-14	12,035,787				
2014-15	12,291,465				
2015-16	12,552,255				
2016-17	12,818,262				
2017-18	13,089,588				
2018-19	13,366,341				
2019-20	13,648,629				
2020-21	13,936,563				
2021-22	14,230,256				
2022-23	14,529,822				
2023-24	14,835,380				
2024-25	15,147,049				
2025-26	15,464,951				
2026-27	15,789,212				
2027-28	16,119,957				
2028-29	16,457,318				
2029-30	16,801,426				
2030-31	17,152,415				
2031-32	17,510,425				
2032-33	17,875,595				
2033-34	18,248,068				
2034-35	18,627,991				
2035-36	19,015,512				
2036-37	19,410,784				

(1) Tax Increment projections are shown on a fiscal year basis; all debt service figures are shown on a Bond Year basis (years ending December 1 with respect to the Senior Bonds and December 1 with respect to the Bonds).

(2) See Table 6.

(3) Includes the 2004 Desert Communities Bonds, the 2005 Desert Communities Bonds, the 2006 Desert Communities Bonds and the 2010 Desert Communities Bonds. of the Project Area.

* Preliminary, subject to change.

Source: Urban Analytics

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 allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the 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 "Seismic Considerations," below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See "APPENDIX A – Report of Fiscal Consultant - Section D - Assessment Appeals".

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 (see "Property Taxes, Teeter Plan"). 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 Area, 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. See "THE PROJECT AREA - Redevelopment Plan Limitations".

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.

Senior Bonds

As described in "THE BONDS – Additional Bonds and Subordinate Debt," the Agency has Senior Bonds payable from Tax Revenues on a senior basis with its pledge of Tax Revenues to payment of debt service on the Bonds. The existence of the Senior Bonds 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.

Concentration of Property Ownership in Sub-Areas

The Project Area is comprised of multiple Sub-Areas, each of which have their own plan limitations and base years. There are a total of 10 Sub-Areas (see "THE PROJECT AREA – General Description"). Additionally, some of the Sub-Areas may have concentration of property ownership that may be greater than the average for the entire Project Area. Accordingly, a decline in the property values in a Sub-Area, particularly property representing a high concentration of value in such Sub-Area, could reduce Tax Revenues derived from such Sub-Area more quickly than would be the case if the Project Area did not have separate Sub-Areas and had only one base year. Concentration of ownership presents a risk in that, if one or more of the largest property owners in a Sub-Area were to default on their taxes or were to successfully appeal the tax assessments on property within a Sub-Area, a substantial decline in Tax Revenues could occur.

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 Area may adversely impact assessed values and, therefore the availability of 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 and the Agency has preliminarily estimated that its 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 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 announced that it will appeal 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, 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.

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.

Seismic Considerations and Natural Calamities

As with most of Southern California, the most significant safety hazard in Riverside County is due to seismic hazards. Southern California has numerous seismically active faults, several of which are in or in close proximity to the portions of the Project Area. The risk of earthquakes is greater in the most heavily populated portion of the Coachella Valley, and becomes moderate east of the Coachella Valley. The San Andreas Fault, as well as several fault zones, run directly through the North Shore Sub-Area in the Project Area. The risk of liquefaction ranges from low to high throughout the Mecca, 100 Palms, Oasis and North Shore Sub-Areas. 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.

Bankruptcy

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

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, and consequently, have an adverse effect on the Agency's ability to pay debt service on the Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bond can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

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 Area 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 Area.

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 Area, 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). The County does not include Mello Roos taxes and 1915 Act assessments on the Teeter Plan. 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 the Project Area. The calculations of Tax Revenues take such administrative costs into account.

Unitary Taxation of Utility Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, 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 A – Report of Fiscal Consultant - 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 on the Bonds when due.

Rating

The Bonds have received the rating of "___" from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("S&P").

Such rating reflects only the views of such organization and an explanation of the significance of such rating may be obtained from S&P. 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 the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 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.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

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 as Underwriter (the "**Underwriter**") under a bond purchase agreement among the Authority, the Agency and the Underwriter (the "**Purchase Contract**"), pursuant to which the Underwriter will agree to purchase all of the Bonds for an aggregate purchase price of \$_____ (being an amount equal to the principal amount of the Bonds (\$_____), less an underwriter's discount (\$_____)) and less a net original issue discount (\$_____)). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are offered for sale at the initial prices stated on the cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

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.

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: _____
Deputy Executive Director

APPENDIX A
REPORT OF FISCAL CONSULTANT

APPENDIX B

**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 C is presented as general background data. The Bonds are payable solely from the 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

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.

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 ⁽¹⁾	1990 ⁽¹⁾	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					
Hemet	22,454	36,094	23,464	24,857	25,926	26,584	26,811
Indian Wells	1,394	2,647	71,205	73,011	73,644	74,931	75,820
Indio	21,611	36,793	4,886	4,934	4,997	5,099	5,144
Lake Elsinore	5,982	18,285	71,965	77,047	80,920	82,325	83,675
La Quinta	--	11,215	41,164	47,567	49,528	50,324	50,983
Moreno Valley	--	118,779	38,510	41,040	42,721	43,830	44,421
Murrieta	--	--	0	0	0	67,819	68,905
Norco	19,732	23,302	175,330	180,227	182,845	186,515	188,537
Palm Desert	11,081	23,252	93,243	97,034	99,527	100,835	101,487
Palm Springs	32,359	40,181	27,363	27,333	27,134	27,189	27,370
Perris	6,827	21,460	49,786	49,718	50,660	51,570	52,067
Rancho Mirage	6,281	9,778	46,638	46,795	46,992	47,653	48,040
Riverside	170,591	226,505	47,346	50,598	53,312	54,387	55,133
San Jacinto	7,098	16,210	16,585	16,736	16,741	16,938	17,008
Temecula	--	27,099	289,045	291,814	296,038	300,769	304,051
Wildomar	--	--	31,203	34,300	35,475	36,521	36,933
Unincorporated County Total	248,009	385,386	--	--	--	31,374	31,907
	633,923	1,170,413	516,623	536,135	552,528	459,193	466,806
			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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
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 ⁽¹⁾	29,829	16,057,488	42,765	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 ⁽¹⁾	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> ⁽²⁾					
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
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX E
FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency For the County of Riverside (the "Agency") in connection with the issuance by the Agency of its \$_____ Redevelopment Agency For the County of Riverside Desert Communities Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series D (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2011, (the "Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Agency hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"*Annual Report Date*" means the date that is six months after the end of the Agency's fiscal year (currently December 31 based on the Agency's fiscal year end of June 30).

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

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

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" shall mean the final Official Statement dated June __, 2010, relating to the Bonds.

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

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

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing December 31, 2011, with the report for the 2010-11 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

(a) Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official

Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement for the Bonds, as follows:

(i) information, updated to incorporate information with respect to the most recently ended Fiscal Year, of the type included in Table 5 of the Official Statement, "Historic Assessed Values and Tax Increment", in Table 6 of the Official Statement, "Largest Property Tax Payers", in Table 7 of the Official Statement, "Projected Tax Revenues (Net Tax Increment)" and in Table 8 of the Official Statement, "Projected Debt Service Coverage Schedule"; and

(ii) description of any Parity Debt (date, amount, term, rating, insurance) issued by the Agency in the Fiscal Year to which the Annual Report pertains and of the amount of all Agency debt outstanding and payable with Tax Revenues.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

(e) The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture..

(c) The Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Agency determines the event's occurrence is material for purposes of U.S. federal securities law..

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided however, no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of the Dissemination Agent):

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of

dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March __, 2011

REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE

By: _____
Executive Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency For the County of Riverside

Name of Bond Issue: \$_____ Redevelopment Agency For the County of
Riverside Desert Communities Redevelopment Project Area 2011
Second Lien Tax Allocation Bonds, Series D

Date of Issuance: March ____, 2011

NOTICE IS HEREBY GIVEN that the Redevelopment Agency For the County of Riverside (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by that certain Indenture of Trust, dated as of March 1, 2011, between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE

By _____

cc: Trustee

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 and 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.

\$ _____
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE
Desert Communities Redevelopment Project Area
2011 Second Lien Tax Allocation Bonds, Series D

PURCHASE CONTRACT

March __, 2011

Redevelopment Agency for the County of Riverside
c/o Riverside County Economic Development Agency
3403 10th Street, Suite 300
Riverside County, California 92501

Riverside County Public Financing Authority
c/o Riverside County Economic Development Agency
3403 10th Street, Suite 300
Riverside County, California 92501

Ladies and Gentlemen:

The undersigned, Stone & Youngberg LLC (the "Underwriter"), offers to enter into this Purchase Contract (this "Purchase Contract") with the Redevelopment Agency for the County of Riverside (the "Agency") and the Riverside County Public Financing Authority (the "Authority") which will be binding upon the Agency, the Authority and the Underwriter upon the acceptance hereof by the Agency and the Authority. This offer is made subject to its acceptance by the Agency and the Authority by execution of this Purchase Contract and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture (as hereinafter defined).

The Agency acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's length commercial transaction among the Agency, the Authority and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Agency or the Authority; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Agency or the Authority with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Agency or the Authority on other matters); or (y) any other obligation to the Agency or the Authority except the obligations expressly set forth in this Purchase Contract; and (iv) the Agency has consulted with its own legal and financial advisors in connection with the offering of the Bonds, including but not limited to matters relating to the timing of the sale of the Bonds, the size of the Bonds, the potential impacts of the sale of the Bonds on the Agency's financial condition and the potential financial

and legal consequences on the Agency for selling the Bonds in light of the 2011-12 budget proposal made by the Governor of California.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the Agency's Redevelopment Agency for the County of Riverside Desert Communities Redevelopment Project Area, 2011 Second Lien Tax Allocation Bonds, Series D (the "Bonds"), at a purchase price equal to \$_____ (being the aggregate principal amount thereof less an underwriter's discount of \$_____ and less a net original issue discount of \$_____). The Bonds are to be purchased by the Authority from the Agency pursuant hereto for resale and delivery to the Underwriter concurrently with the purchase of the Bonds by the Underwriter from the Authority; provided that the obligation of the Authority to purchase the Bonds from the Agency shall be solely with moneys provided by the Underwriter.

Section 2. Description of the Bonds. The Bonds shall be issued pursuant to 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., as trustee (the "Trustee"), and pursuant to the California Community Redevelopment Law, constituting Part 1, Division 24 commencing with Section 33000 of the California Health and Safety Code (the "Law") and a resolution of the Agency adopted March 1, 2011. The Bonds shall be as described in the Indenture and the Official Statement dated the date hereof relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the "Official Statement"). The Indenture, together with the Continuing Disclosure Certificate (herein after defined), are referred to herein as the "Agency Documents".

The net proceeds of the Bonds shall be used to finance redevelopment activities with respect to the Agency's Desert Communities Redevelopment Project Area (the "Project Area") as provided in the Law.

The Bonds shall be secured by a second pledge of and lien on all of the Tax Revenues (as defined in the Indenture) allocated to the Agency with respect to the Project Area on a parity with certain other obligations of the Agency (as provided in the Indenture).

Section 3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

Section 4. Delivery of Official Statement. The Agency has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Contract, copies of the Preliminary Official Statement, dated as of March __, 2011, relating to the Bonds (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the Agency for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") and approved for distribution by resolution of the Agency. The Agency shall

have executed and delivered to the Underwriter a certification to such effect in the form attached hereto as Appendix B.

Within seven (7) business days from the date hereof, but in no event less than 3 business days prior to Closing (defined below), the Agency shall deliver to the Underwriter a sufficient number of copies of the final Official Statement, executed on behalf of the Agency by an authorized representative of the Agency and dated the date hereof, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Agency and the Underwriter to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End of the Underwriting Period (defined below). The Agency also agrees to deliver to the Underwriter, at the Agency's sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of the Rule and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board.

As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the date of the Closing unless the Authority shall have been notified in writing to the contrary by the Underwriter on or prior to the date of the Closing, (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12 provided, however, that the Authority may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period.

The Agency will undertake, pursuant to the Indenture and a continuing disclosure certificate (the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain events, if material. The form of the Continuing Disclosure Certificate is appended to the Official Statement.

Section 5. The Closing. At 8:00 a.m., California time, on March __, 2011, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Agency and the Underwriter, the Authority and the Agency will deliver (i) the Bonds in definitive form (one bond for each annual maturity) to the Underwriter at The Depository Trust Company ("DTC") in New York, New York, or such other location as may be specified by the Underwriter, with CUSIP identification numbers printed thereon, in fully registered form and registered in the name of Cede & Co., and (ii) the closing documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California, or another place to be mutually agreed upon by the Agency and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal funds wire payable to the order of the Trustee on behalf of the Agency. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing."

Section 6. Agency Representations, Warranties and Covenants. The Agency represents, warrants and covenants to the Underwriter that:

(a) *Due Organization and Existence of Agency.* The Agency is a public body corporate and politic, organized and existing under the laws of the State, including the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code (the "Redevelopment Law"), with full right, power and authority

to execute, deliver and perform its obligations under this Purchase Contract and the Agency Documents and to carry out and consummate the transactions contemplated by the Agency Documents and the Official Statement.

(b) *Due Authorization and Approval.* By all necessary official action of the Agency, the Agency has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained in, the Agency Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Agency Documents will constitute the legally valid and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The Agency has complied, and will at the Closing be in compliance in all respects, with the terms of the Agency Documents, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States.

(c) *Official Statement Accurate and Complete.* The Preliminary Official Statement was as of its date, and the final Official Statement is, and at all times subsequent to the date of the final Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the final Official Statement contain, and up to and including the Closing will contain, no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(d) *Underwriter's Consent to Amendments and Supplements to Official Statement.* The Agency will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Agency will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(e) *No Breach or Default.* As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Agency is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Agency Documents and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency (or any of its officers in their respective capacities as such) is subject, or by

which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Agency Documents.

(f) *No Litigation.* As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, after due inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Agency Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Agency and its authority to pledge the Tax Revenues; (iii) which may result in any material adverse change relating to the Agency or the Project Area; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(g) *Preliminary Official Statement.* For purposes of the Rule, the Agency has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule. The Agency has never failed to comply timely with any filing requirements under the Rule.

(h) *Excess Surplus.* The Agency's Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law does not on the date hereof, and will not on the date of the Closing, contain an "excess surplus" (within the meaning of Section 33334.12 of the Redevelopment Law) that would cause the Agency to be subject to the sanctions contained in Section 33334.12(e)(1) of the Redevelopment Law.

(i) *Court Order.* The Agency is not subject to a court order rendered pursuant to Section 33080.8 of the Redevelopment Law prohibiting the Agency from among other things, issuing, selling, offering for sale, or delivering bonds or other evidences of indebtedness.

(j) *SERAF Payment.* The Agency timely paid its May 10, 2010, payment obligation under Section 33690(a) of the Law and has funds available and will timely pay its May 10 2011, payment obligation under Section 33691(a) of the Redevelopment Law.

(k) *Arbitrage Certificate.* The Agency has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certificates may not be relied upon.

(l) **End of Underwriting Period.** Until the date which is twenty-five (25) days after the End of the Underwriting Period, if any event shall occur of which the Agency is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the Agency shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the Agency shall promptly furnish to the Participating Underwriter a reasonable number of copies of such supplement

(m) **Prior Continuing Disclosure Undertaking.** The Agency has not defaulted under any prior continuing disclosure undertaking.

(n) **Qualification for Sale under "Blue Sky" or Other Securities Laws.** The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Underwriter, as it may reasonably request in order to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that the Agency will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

Section 7. Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriter that:

(a) ***Due Organization and Existence of Authority.*** The Authority is a joint powers authority, duly organized and existing, and authorized to transact business and exercise powers under and pursuant to the provisions of the laws of the State of California and has, and on Closing date will have, full legal right, power and authority to enter into this Purchase Contract, and to carry out and to consummate the transactions contemplated by this Purchase Contract.

(b) ***Official Statement Accurate and Complete.*** The information relating to the Authority contained in the Preliminary Official Statement and the final Official Statement is correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(c) ***Purchase and Sale of Bonds.*** The Bonds will be purchased and sold by the Authority pursuant to the Mark-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5, Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "JPA Act").

(d) ***Compliance with Law.*** The Authority has complied, and will on the Closing Date be in compliance, in all respects, with the JPA Act and all other applicable laws of the State of California (and it is understood that the Authority is not responsible

for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws).

(e) **No Litigation.** To the best knowledge of the Authority, as of the time of acceptance hereof and the date of the Closing, no litigation is or will be pending or threatened in any court: (i) in any way challenging any member of the Authority; or (ii) in any way contesting or affecting the validity of this Purchase Contract or contesting the powers of the Authority to enter into this Purchase Contract and to perform its obligations hereunder.

Section 8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Agency and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) **Bring-Down Representation.** The representations, warranties and covenants of the Authority and the Agency contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) **Executed Agreements and Performance Thereunder.** At the time of the Closing (i) the Agency Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter and (ii) there shall be in full force and effect such resolutions of the Agency and the Authority (the "Resolutions") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by this Purchase Contract, the Official Statement and the Agency Documents.

(c) **Closing Documents.** At or prior to the Closing, the Underwriter shall receive each of the documents identified in Section 9.

Section 9. Closing Documents. In addition to the other conditions to the Underwriter's obligations under this Purchase Contract to purchase and pay for the Bonds, at or before the Closing the Underwriter shall receive each of the following documents, provided that the actual payment for the Bonds by the Underwriter and the acceptance of delivery thereof shall be conclusive evidence that the requirements of this Section 9 shall have been satisfied or waived by the Underwriter.

(a) **Bond Counsel Opinion.** An approving opinion of Jones Hall, A Professional Law Corporation ("Bond Counsel"), dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from Bond Counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(b) **Supplemental Opinion.** A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(i) This Purchase Contract has been duly authorized, executed and delivered by the Agency and the Authority, as applicable, and constitute the valid, legal and binding agreements of the Agency and the Authority, as applicable, enforceable in accordance with its terms.

(ii) The statements contained in the Official Statement (including the cover page and the Appendices thereto), insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture or federal tax law, accurately summarize the information presented therein; provided that Bond Counsel need not express any opinion with respect to any financial or statistical information contained therein.

(iii) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(c) *Agency Counsel Opinion.* An opinion of Counsel to the Agency, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter substantially to the following effect:

(i) The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California;

(ii) The resolution of the Agency approving and authorizing the execution and delivery of the Agency Documents and approving the Official Statement (the "Agency Resolution") was duly adopted at a meeting of the Agency which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Agency Resolution is in full force and effect and has not been modified, amended or rescinded.

(iii) The Agency Documents have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute the valid, legal and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors rights and by the application of equitable principles if equitable remedies are sought;

(iv) The execution and delivery of the Agency Documents and the Official Statement and compliance with the provisions of the Agency Documents, under the circumstances contemplated thereby, (1) do not and will not in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or by which it is bound, and (2) do not and will not in any material respect constitute on the part of the Agency a violation, breach of or default under any existing law, regulation, court order or consent decree to which the Agency is subject;

(v) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court,

governmental agency or body, pending or threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Agency Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions the right of the Agency to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues; and

(vi) The information in the Official Statement relating to the Agency, the Tax Revenues and the Project Areas (excluding any financial or statistical data with respect thereto, as to which no opinion is expressed) is true and correct in all material respects, and the Official Statement contains no misstatement of any material fact and does not omit any statement necessary to make the statements contained therein with respect to, in the light of the circumstances in which such statements were made, not misleading.

(d) *Authority Counsel Opinion.* An opinion of Counsel to the Authority, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) The Authority is a public body, corporate and politic, organized and existing under the laws of the State, including the JPA Act.

(ii) The resolution of the Authority approving and authorizing the execution and delivery of this Purchase Contract (the "Authority Resolution") was duly adopted at a meeting of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded.

(iii) The Purchase Contract has been duly authorized, executed and delivered by the Authority and constitutes the valid, legal and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors rights and by the application of equitable principles if equitable remedies are sought.

(iv) The information in the Official Statement relating to the Authority and the Revenues (excluding any financial or statistical data with respect thereto, as to which no opinion is expressed) is true and correct in all material respects, and the Official Statement contains no misstatement of any material fact and does not omit any statement necessary to make the statements contained therein with respect to, in the light of the circumstances in which such statements were made, not misleading.

(v) To the best of such counsel's knowledge after due investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the Authority to restrain or enjoin the Authority's participation in, or in any way

contesting the existence of the Authority or the powers of the Authority with respect to the transactions contemplated by this Purchase Contract.

(e) *Trustee Counsel Opinion.* The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(i) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Indenture.

(ii) The Indenture has been duly authorized, executed and delivered by the Trustee and the Indenture constitutes the legal, valid and binding obligation of the Trustee, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(iii) Except as may be required under Blue Sky or other securities laws of any state, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture, or the consummation of the transactions contemplated by the Indenture.

(f) *Agency Certificate.* A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the Executive Director or other duly authorized officer of the Agency to the effect that:

(i) The representations, warranties and covenants of the Agency contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of the terms and conditions of this Purchase Contract required to be complied with by the Agency at or prior to the date of the Closing.

(ii) No event affecting the Agency or the Project Area has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) No further consent is required to be obtained for the inclusion of the Agency's audited financial statements, including the accompanying accountant's letter, for Fiscal Year 2009-10 in the Official Statement.

(iv) Except as otherwise disclosed in the Official Statement and to the best knowledge of such signing officer after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Agency Documents or contesting the authority of the Agency to enter into or perform its obligations

under any of the Agency Documents, or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions the right of the Agency to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues.

(g) *Authority Certificate.* A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Executive Director or other duly authorized officer of the Authority to the effect that:

(i) The representations, warranties and covenants of the Authority contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of this Purchase Contract required to be complied with by the Authority at or prior to the date of the Closing.

(ii) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) Except as otherwise disclosed in the Official Statement and to the best knowledge of such signing officer after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental Authority or body, pending or threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of this Purchase Contract or contesting the authority of the Authority to enter into or perform its obligations under this Purchase Contract.

(h) *Trustee's Certificate.* A certificate of the Trustee, dated the date of Closing, in form and substance acceptable to counsel for the Underwriter, to the following effect:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture.

(ii) The Trustee is duly authorized to enter into the Indenture.

(iii) To its best knowledge after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body that has been served on the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee, would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligation under the Indenture.

(i) *Documents.* An original executed copy of the Indenture, a certified copy of each of the Resolutions and an arbitrage certificate in form acceptable to Bond Counsel.

(j) *Rating Letter.* A letter from Standard & Poor's Credit Ratings Services to the effect that the Bonds have been assigned a rating of "___", which rating shall be in effect as of the Delivery Date;

(k) *Disclosure Letter.* A letter of Jones Hall, A Professional Law Corporation ("Disclosure Counsel"), dated the date of the Closing, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein and the information included in the Appendices thereto information relating to DTC, as to which no advice need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) *Fiscal Consultant Certificate.* A certificate of Urban Analytics, dated the date of the Closing, addressed to the Agency, the Authority and the Underwriters, in form and substance acceptable to the Underwriter, certifying as to the accuracy of APPENDIX H—"FISCAL CONSULTANT REPORT" and the information in the Official Statement attributed to Urban Analytics," consenting to the inclusion of such firm's Fiscal Consultant Report in the Official Statement, and stating that to the best of such firm's knowledge, but without having conducted any investigation with respect thereto, nothing has come to such firm's attention between the date of such report and the date hereof which would materially alter any of the conclusions set forth in such report..

(m) *Financial Advisor Certificate.* A certificate, dated the date of Closing, signed by a duly authorized official of the Financial Advisor addressed to the Underwriter and the Agency to the effect, that, in connection with the preparation of the Official Statement, nothing has come to the attention of the Financial Advisor that would lead it to believe that the statements and information contained in the Official Statement as of the date thereof and the date of the Closing, contains an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(n) *Additional Documents.* Such additional certificates, instruments and other documents as Bond Counsel, the Agency or the Underwriter may reasonably deem necessary.

If the Agency or the Authority shall be unable to satisfy the conditions contained in this Purchase Contract, if the Agency shall determine in good faith (and provide written notice to the Underwriter) that legislation has been introduced or proposals made by the Governor of the State which if enacted and effective would impose additional 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, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the

Underwriter nor the Agency or the Authority shall be under further obligation hereunder, except as further set forth in Section 11 hereof.

Section 10. Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by notification to the Agency and the Authority if at any time between the date hereof and prior to the Closing:

(a) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(b) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Agency, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(f) a general banking moratorium shall have been established by federal or State authorities; or

(g) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(h) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(i) the commencement of any action, suit or proceeding described in Section 6(f) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(j) there shall be in force a general suspension of trading on the New York Stock Exchange.

Section 11. Expenses. The Underwriter shall be under no obligation to pay and the Agency shall pay or cause to be paid the expenses incident to the performance of the obligations of the Agency and the Authority hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Agency Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Agency; (c) the fees and disbursements of Bond Counsel and Disclosure Counsel; (d) the cost of printing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter; (e) charges of rating agencies for the rating of the Bonds; and (f) any out-of-pocket disbursements of the Authority, the Agency and of the Underwriter incurred in connection with the public offering and distribution of the Bonds, including any advertising expenses and expenses (included in the expense component of the spread) incurred on behalf of the Authority's or the Agency's employees which are incidental to implementing this Purchase Contract including, but not limited to, meals, transportation, lodging and entertainment of those employees.

The Underwriter shall pay and the Agency shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to, the fees and expenses of counsel to the Underwriter (if any), the fees of the California Debt and Investment Advisory Commission and the CUSIP Service Bureau charge for the assignment of CUSIP numbers to the Bonds.

Section 12. Notice. Any notice or other communication to be given to the Agency and the Authority under this Purchase Contract may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

Sara Oberlies Brown, Managing Director
Stone & Youngberg LLC
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071
Phone: 213.443.5000
Fax: 213.443.5023
E-Mail: sbrown@syllc.com

Section 13. Entire Agreement. This Purchase Contract, when accepted by the Agency and the Authority, shall constitute the entire agreement between the Agency, the Authority and the Underwriter and is made solely for the benefit of the Agency, the Authority and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Agency's and the Authority's representations, warranties and covenants in this Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter.

Section 14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 16. State of California Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State.

Section 17. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the Authority or the Agency without the prior written consent of the other parties hereto.

STONE & YOUNGBERG LLC, as
representative

By: _____
Managing Director

Accepted as of the date first stated above:

REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE

By: _____
Deputy Executive Director

RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY

BY: _____
Assistant Secretary

(Desert Communities Signature Page)

APPENDIX A

**Redevelopment Agency for the County of Riverside
Desert Communities Redevelopment Project Area
2011 Second Lien Tax Allocation Bonds, Series D**

MATURITY SCHEDULE

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
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T: Term Bonds.

APPENDIX B

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Stone & Youngberg LLC. (the "Underwriter") that he is a duly appointed and acting officer of the Redevelopment Agency for the County of Riverside (the "Agency"), and as such is to execute and deliver this Certificate and further hereby certify and reconfirm on behalf of the Agency to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the Agency's Redevelopment Agency for the County of Riverside Desert Communities Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series D (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated as of March __, 2011, setting forth information concerning the Bonds and the issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final contract of purchase, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the underwriter thereof.

IN WITNESS WHEREOF, we have hereunto set our hands as of the __th day of March, 2011.

REDEVELOPMENT AGENCY FOR THE
COUNTY OF RIVERSIDE

By _____
Deputy Executive Director

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency For the County of Riverside (the "Agency") in connection with the issuance by the Agency of its \$ _____ Redevelopment Agency For the County of Riverside Desert Communities Redevelopment Project Area 2011 Second Lien Tax Allocation Bonds, Series D (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2011 (the "Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Agency hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"*Annual Report Date*" means the date that is six months after the end of the Agency's fiscal year (currently December 31 based on the Agency's fiscal year end of June 30).

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

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

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" shall mean the final Official Statement dated June 29, 2010, relating to the Bonds.

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