

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

2619 

FROM: Executive Office

SUBMITTAL DATE:
January 19, 2012

SUBJECT: Refunding of the 2001 Certificate of Participation (County Administrative Center Annex Project)

RECOMMENDED MOTION: That the Board of Supervisors approve and adopt Resolution No. 2012-043 authorizing and approving the refunding of the 2001 Certificate of Participation (County Administrative Center Annex Project); and the issuance and sale of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County administrative Center Refunding Project); and related agreements and documents related thereto.

BACKGROUND: On July 1, 2001, the County of Riverside Asset Leasing Corporation (CORAL), the County of Riverside (County), and Wells Fargo Bank, National Association (Trustee) entered into a Trust Agreement to issue the 2001 Certificate of Participation (County Administrative Center Annex Project) ("CAC Annex Project") in the amount of \$38,075,000. Currently, \$31,365,000 of the original amount is outstanding.

Christopher Hans

Christopher Hans
Chief Deputy County Executive Officer

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 250,000.00	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011-2012

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

C.E.O. RECOMMENDATION:

APPROVE

BY: *Jay E. Off*
Jay E. Off

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: *Kavata & Keefe* 1/24/12
DATE
MARSHAL L. VICTOR

- Policy
- Consent
- Policy
- Consent

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: January 31, 2012
xc: EO, CORAL

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

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

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

3.24



RE: Refunding of the 2001 Certificate of Participation (County Administrative Center Annex Project)

Date: January 19, 2012

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Current market conditions make it profitable to refund the outstanding CAC Annex Project bonds with a new series of bonds. This financing provides the County with approximately a 5% savings, which exceeds the Board Policy B-24 requirement of at least a 3% savings. Yearly savings will be about \$120,000. In addition, this refunding will not extend the bond maturity date.

The refunding allows for the financing of an additional \$3.1 million for the acquisition of two buildings in Indio currently being leased by the County. These properties are located at 47-940 and 47-950 Arabia Street, Indio and are occupied by County departments. The additional cost of adding the \$3.1 million will be about \$240,000 per year. Yet the purchase of these buildings will allow one occupant, Department of Child Social Services, to receive additional federal and state revenue. This additional revenue will save the general fund about \$402,000 beginning in FY 12/13.

If approved, staff recommends issuing approximately \$35.5 million in fixed interest rate bonds with a level debt service structure. The savings will be level through the life of the bonds and there will be a reserve fund in the amount of \$2.68 million. The average annual debt service is anticipated to be about \$2.44 million, which is lower than the current average annual debt service of \$2.55 million.

This item is recommended for approval by the Debt Advisory Committee and will go to the County of Riverside Asset Leasing Corporation board on February 1, 2012.



2
3 **RESOLUTION NO. 2012-043**

4 RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
5 COUNTY OF RIVERSIDE AUTHORIZING AND APPROVING THE
6 REFUNDING OF THE COUNTY'S CERTIFICATES OF
7 PARTICIPATION (COUNTY ADMINISTRATIVE CENTER ANNEX
8 PROJECT); THE ISSUANCE AND SALE OF THE COUNTY OF
9 RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE
10 BONDS (2012 COUNTY ADMINISTRATIVE CENTER REFUNDING
11 PROJECT); RELATED AGREEMENTS AND DOCUMENTS; AND
12 AUTHORIZING THE PREPARATION OF A PRELIMINARY
13 OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT AND
14 OTHER MATTERS RELATED THERETO

15 WHEREAS, the County of Riverside (the "County"), the County of Riverside Asset Leasing
16 Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Prior
17 Trustee") entered into an Indenture, dated as of July 1, 2001, pursuant to which the County provided for
18 the execution and delivery by the Prior Trustee of \$38,075,000 aggregate principal amount of County of
19 Riverside Certificates of Participation (County Administrative Center Annex Project) (the "2001
20 Certificates"), of which \$31,365,000 are currently outstanding, representing proportionate interests of
21 the owners thereof in the Facilities Lease, dated as of July 1, 2001, by and between the County and the
22 Corporation (the "Prior Facilities Lease"), including, without limitation, the right to receive payments of
23 Base Rental thereunder; and

24 WHEREAS, the Corporation assigned and transferred certain of its rights, title and interests in
25 and to the Prior Facilities Lease to the Prior Trustee pursuant to the Assignment Agreement, dated as of
26 July 1, 2001 (the "Prior Assignment Agreement"); and

27 WHEREAS, the County has now determined that it is in its best interest to authorize and approve
28 the execution and delivery by the Corporation of its Lease Revenue Bonds (2012 County Administrative
Center Refunding Project) (the "2012 Bonds") to refund the 2001 Certificates and to finance the
acquisition of two office buildings currently leased by the County and located at 47-940 and 47-950
Arabia Street, Indio, California (the "Indio Properties"); and

WHEREAS, in connection with the execution and delivery of the 2012 Bonds, the County and
the Corporation propose to enter into: (a) a Master Site Lease (as hereinafter defined) pursuant to which
the County will agree to lease to the Corporation real property, buildings and improvements
(collectively, the "Leased Premises"); and (b) a Lease Agreement (as hereinafter defined), pursuant to
which the Corporation will agree to sublease the Leased Premises to the County in consideration for
which the County will agree to make base rental payments ("Base Rental Payments") and additional
rental payments; and

WHEREAS, the Corporation proposes to assign and transfer to Wells Fargo Bank, National
Association, as trustee (the "Trustee"), pursuant to an Assignment Agreement (as hereinafter defined),
all of its rights, title and interests (excluding its rights to indemnification and payment or reimbursement

FORM APPROVED COUNTY COUNSEL
BY: *Marshall Victor*
MARSHALL VICTOR
DATE: 1/24/12



1 of its costs and expenses) in and to the Master Site Lease and the Lease Agreement, including the right
2 to receive Base Rental Payments under the Lease Agreement; and

3 WHEREAS, the Corporation and the Trustee propose to enter into a Master Indenture of Trust,
4 together with a First Supplemental Trust Indenture, each by and between the Corporation and the
5 Trustee, and in substantially the forms on file with the Clerk of the Board dated as of February 1, 2012
6 (together, the "Indenture") to, among other things, fix and declare the terms and conditions upon which
7 the 2012 Bonds are to be executed, delivered, issued, secured and accepted and to secure the payment
8 thereof and the interest with respect thereto; and

9 WHEREAS, the County desires to participate in the execution and delivery of the 2012 Bonds
10 pursuant to and in accordance with the Indenture, and to approve all proper and necessary documents
11 and transactions in connection therewith; and

12 WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-
13 12") requires that, in order to be able to purchase or sell the 2012 Bonds, an underwriter must have
14 reasonably determined that an obligated person has undertaken in a written agreement or contract for the
15 benefit of the holders of the 2012 Bonds to provide disclosure of certain financial information and
16 certain material events on an ongoing basis and, in order to cause such requirement to be satisfied, the
17 County proposes to execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure
18 Certificate") in connection with the execution and delivery of the 2012 Bonds; and

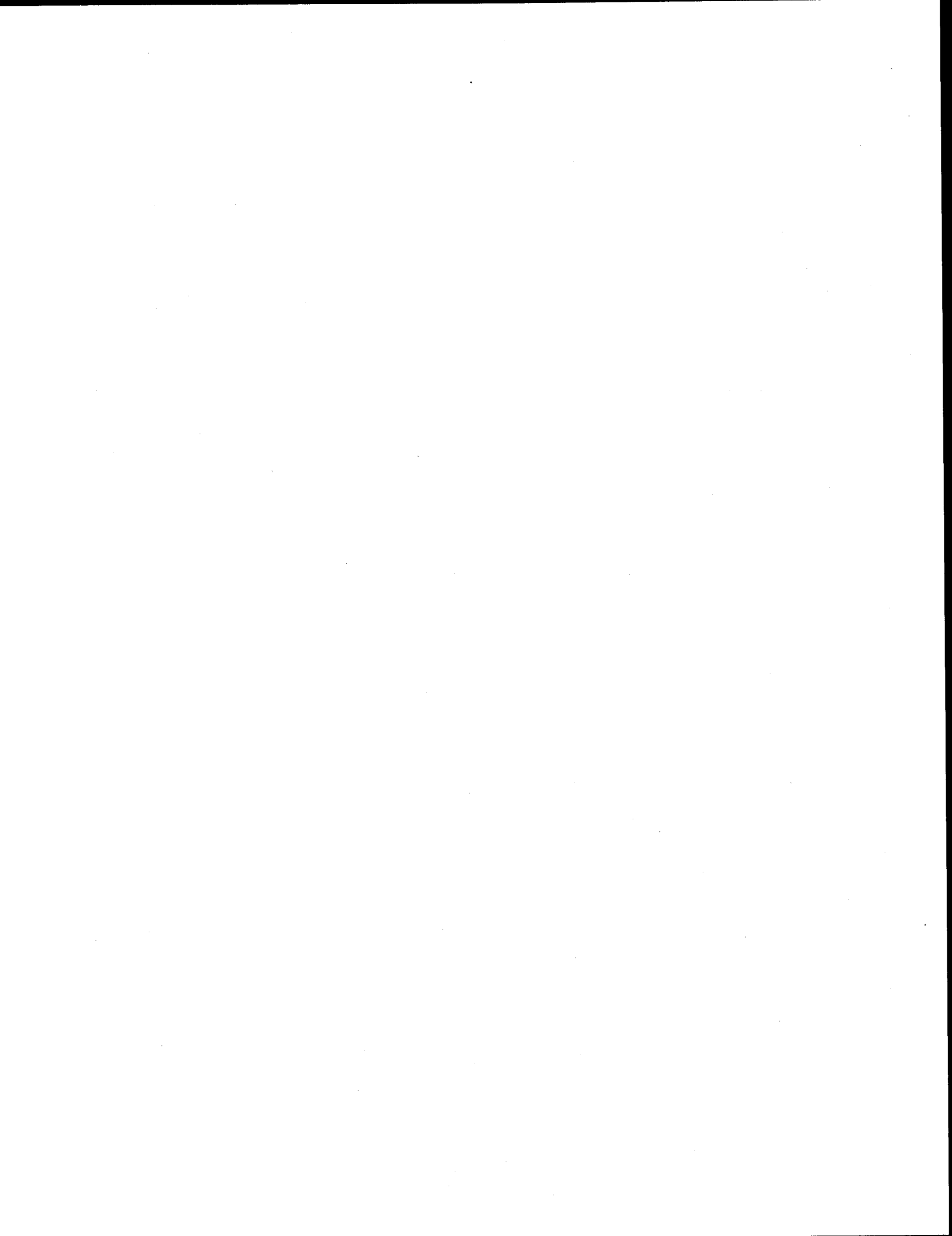
19 WHEREAS, the County is authorized to undertake all of the above pursuant to the laws of the
20 State of California;

21 NOW, THEREFORE, the Board of Supervisors of the County of Riverside does hereby resolve,
22 determine and order as follows:

23 **Section 1.** The proposed form of Master Site and Facilities Lease (the "Master Site Lease"), by
24 and between the County and the Corporation and in substantially the form on file with the Clerk of the
25 Board, is hereby approved. The County Executive Officer, the Deputy County Executive Officer, the
26 County Finance Director and any other authorized officers of the County acting on behalf of the County
27 Executive Officer (each an "Authorized Representative" and, collectively, the "Authorized
28 Representatives") are, and each of them acting alone is, hereby authorized and directed, for and in the
name of and on behalf of the County, to execute and deliver the Master Site Lease in substantially the
form on file with the Clerk of the Board, with such changes therein as such Authorized Representative
executing and delivering such document may require or approve, such requirement or approval to be
conclusively evidenced by the execution and delivery thereof.

Section 2. The proposed form of Master Lease Agreement (the "Lease Agreement"), by and
between the County and the Corporation and in substantially the form on file with the Clerk of the
Board, is hereby approved. The Authorized Representatives are, and each of them acting alone is,
hereby authorized and directed, for and in the name of and on behalf of the County, to execute and
deliver the Lease Agreement substantially in the form on file with the Clerk of the Board, with such
changes therein as the Authorized Representative executing and delivering such document may require
or approve, such requirement or approval to be conclusively evidenced by the execution and delivery
thereof.

Section 3. The proposed form of Continuing Disclosure Certificate, in substantially the form on
file with the Clerk of the Board, is hereby approved. The Authorized Representatives are, and each of



1 them acting alone is, hereby authorized and directed, for and in the name of and on behalf of the County,
2 to execute and deliver the Continuing Disclosure Certificate in substantially the form on file with the
3 Clerk of the Board and presented to and considered at this meeting, with such changes therein as the
4 officer executing the same on behalf of the County may approve, in his or her discretion, as being in the
5 best interest of the County, such approval to be conclusively evidenced by such officer's execution and
6 delivery thereof.

7 **Section 4.** The proposed form of Purchase Contract (the "Purchase Contract"), by and among
8 the County, the Corporation and De La Rosa & Co. (the "Underwriter Representative"), acting on behalf
9 of itself and on behalf of Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriters, and in
10 substantially the form on file with the Clerk of the Board, is hereby approved. The Authorized
11 Representatives are, and each of them acting alone is, hereby authorized and directed to negotiate the
12 final terms and conditions of, and to execute and deliver to the Underwriter Representative, the Purchase
13 Contract, in substantially the form on file with the Clerk of the Board with such changes as the officer
14 executing and delivering such document may require or approve, such requirement or approval to be
15 conclusively evidenced by the execution and delivery thereof. In connection with the negotiation,
16 execution and delivery of the Purchase Contract, the Authorized Representatives are further authorized
17 and directed to negotiate the price, interest rates, discount provisions, dates, maturity dates, principal
18 amounts and prepayment provisions with respect to the 2012 Bonds, and are authorized to negotiate any
19 and all other terms and agreements relating to the execution and delivery of the 2012 Bonds, as an
20 Authorized Representative shall determine to be in the best interests of the County, all to be
21 conclusively evidenced by the execution and delivery of the Purchase Contract; provided, however, that
22 the all-in yield with respect to the 2012 Bonds shall not exceed 5.50% per annum; and provided further
23 that the maximum aggregate underwriter's discount (excluding original issue discount, if any) from the
24 principal amount of the 2012 Bonds shall not exceed 0.5% of the aggregate principal amount of the 2012
25 Bonds. All other terms and conditions shall be consistent with and shall carry out the intention of this
26 Board's approval, as set forth herein.

27 All or any portion of the 2012 Bonds may be sold with such credit enhancement (such as, but not
28 limited to, a letter of credit or policy of municipal bond insurance) as an Authorized Representative shall
determine to be in the best interests of the County, such determination to be conclusively evidenced by
the execution and delivery on behalf of the County of any documents required to be executed and
delivered by or on behalf of the County relating to such credit enhancement. The Authorized
Representatives are hereby further authorized to purchase a surety bond, letter or line of credit, or other
form of guarantee to satisfy the Reserve Requirement established under the Indenture and to execute one
or more financial guaranty agreements or other documents relating to such guarantee. The Authorized
Representatives are, and each of them is, hereby authorized and directed to enter into negotiations with
potential providers of such credit enhancements or guarantees and further authorized and directed to
enter into such agreements on behalf of the County as may be necessary or advisable in connection with
the foregoing arrangements.

24 **Section 5.** The County hereby approves the issuance by the Corporation of the 2012 Bonds by
25 the Trustee in an amount not to exceed \$40,000,000 and the sale of the 2012 Bonds pursuant to the
26 Purchase Contract.

27 **Section 6.** The proposed form of preliminary official statement with respect to the 2012 Bonds
28 (the "Preliminary Official Statement"), attached hereto as Exhibit A, is hereby approved. The
Authorized Representatives are, and each of them acting alone is, hereby authorized and directed, for
and in the name of and on behalf of the County, to execute and deliver the official statement with respect
to the 2012 Bonds (the "Official Statement"), in substantially the form of the Preliminary Official



1 Statement, attached hereto as Exhibit A, with such changes thereto as such Authorized Representative
2 executing and delivering such document may require or approve, such requirement or approval to be
3 conclusively evidenced by the execution and delivery thereof. The distribution of copies of the
4 Preliminary Official Statement and Official Statement to persons who may be interested in the purchase
5 of 2012 Bonds is hereby authorized and approved. The Authorized Representatives are, and each of
6 them acting alone is, hereby authorized to certify to the Underwriter Representative on behalf of the
7 County that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule
8 15c2-12 (except for the omission of certain information as permitted by such Rule).

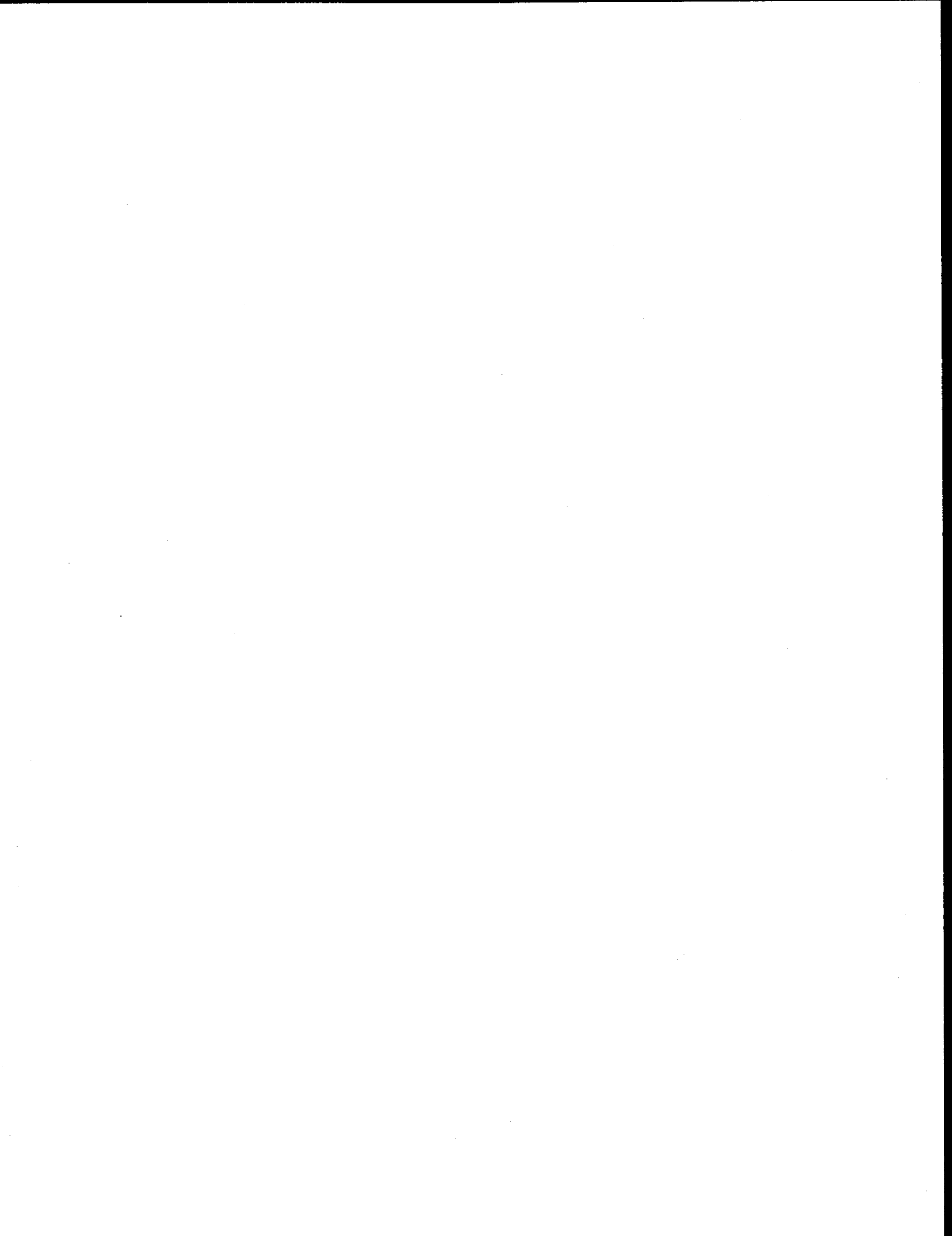
9 **Section 7.** The County hereby authorizes and approves the refunding and redemption of the
10 2001 Certificates and the financing of the acquisition of the Indio Properties. The refunding and
11 financing is in the County's best interests and will result in a lower Base Rental Payments.

12 **Section 8.** All actions heretofore taken by any officer of the County with respect to the
13 execution, delivery and sale of the 2012 Bonds, the refunding and redemption of the 2001 Certificates,
14 or in connection with or related to any of the agreements referred to herein, to the leasing or subleasing
15 of the Leased Premises or to the financing of the Project are hereby approved, confirmed and ratified.

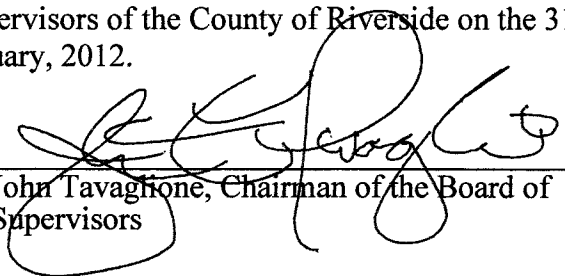
16 **Section 9.** The Authorized Representatives are, and each of them acting alone is, authorized and
17 directed to take any and all such actions, and to execute any and all such documents, including, without
18 limitation, documents terminating the Master Site Lease relating to the 2001 Certificates, the Prior
19 Facilities Lease and the Prior Assignment Agreement, as may be necessary or desirable to effectuate the
20 purposes of this Resolution.

21 **Section 10.** The County Clerk shall certify to the passage of this Resolution, shall transmit a
22 copy hereof to the Corporation, and shall cause the action of the Board of Supervisors in adopting the
23 same to be entered in the official minutes of this Board of Supervisors.

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25
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28
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1 PASSED and ADOPTED by the Board of Supervisors of the County of Riverside on the 31st day of
2 January, 2012.

3 
4 John Tavaglione, Chairman of the Board of
Supervisors

5 [SEAL]

6
7 ATTEST:

8 
9 Kecia Harper-Ihem,

10 Clerk of the Board

11
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16 ROLL CALL:

17 Ayes: Buster, Tavaglione, Stone, Benoit and Ashley

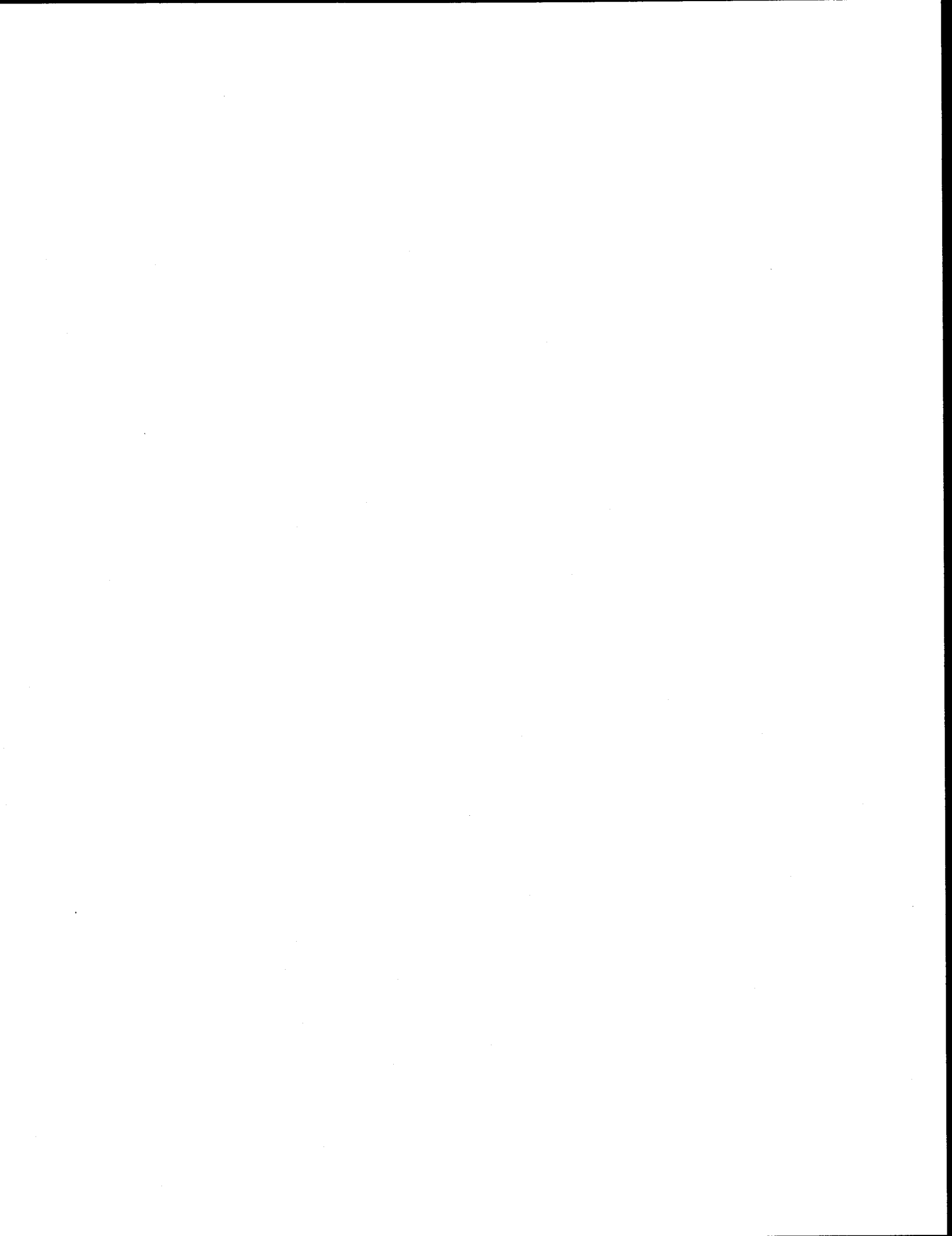
18 Nays: None

19 Absent: None
20

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

23 KECIA HARPER-IHEM,
24 Clerk of said Board

25 _____
26 Deputy
27
28



CERTIFICATE OF CLERK

I, Kecia Harper-Ihem, Clerk of the Board of Supervisors of the County of Riverside, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Supervisors of the County of Riverside duly and regularly held at the regular meeting place thereof on January 31, 2012, of which meeting all of the members of said Board had due notice.

AYES: Supervisors Buster, Tavaglione, Stone, Benoit and Ashley

NAYS: Supervisors None

ABSENT:Supervisors None

I do hereby further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, rescinded or revoked in any manner since the date of its adoption, and the same is now in full force and effect.

I do hereby further certify that an agenda for said meeting was posted at least 72 hours before said meeting at 4080 Lemon Street, Riverside, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

WITNESS my hand and the seal of the County of Riverside this 31st day of January, 2012.

Karen Barton
Deputy Clerk of the Board of Supervisors

[SEAL]



MASTER TRUST INDENTURE

by and between

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

Dated as of February 1, 2012

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MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE (this "*Indenture*"), made and entered into as of February 1, 2012, by and between the **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**, a California nonprofit public benefit corporation (the "*Corporation*"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created, as trustee (the "*Trustee*");

WITNESSETH:

WHEREAS, the Articles of Incorporation of the Corporation provide that it is organized as a nonprofit public benefit corporation, and that no gains, profits or dividends shall be distributed to any of its directors, and no part of the net earnings, funds or assets of the Corporations shall inure to the benefit of any director, private shareholder or individual or any other person, firm or corporation excepting only the County of Riverside (the "*County*"), and that the property of the Corporation is irrevocably dedicated to governmental purposes, and that upon the dissolution, liquidation or winding up or upon abandonment of the Corporation, the assets of the Corporation remaining after payment or provision for all debts or liability of the Corporation shall be distributed to the County; and

WHEREAS, the Corporation has determined that it is necessary and advisable to issue Bonds from time to time for the purposes set forth in this Indenture and that such Bonds be payable from and secured by Revenues (defined below); and

WHEREAS, the Corporation wishes to provide in this Indenture for the issuance, delivery execution and payment of its Bonds and the pledge of the Revenues thereto, and the Trustee is willing to accept the trusts provided in this Indenture

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the full and timely payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt thereof is hereby acknowledged, the Corporation does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. The definitions in any Supplemental Indenture shall control, where they

conflict or differ from definitions herein. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Master Lease.

“Annual Debt Service” means, for any Fiscal Year, the sum of: (a) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds, if any, are redeemed or paid from the respective Sinking Account as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds); (b) the principal amount of all Outstanding Serial Bonds, if any, maturing by their terms in such Fiscal Year; and (c) the principal amount of all Outstanding Term Bonds, if any, required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

“Assignment Agreement” has the meaning set forth in the Master Lease.

“Authorized Denominations” means the amount set forth in a Supplemental Indenture

“Authorized Representative” means, with respect to the Corporation, the Chairman of the Board and/or Vice Chairman of the Corporation and/or any officer or employee of the Corporation authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors of the Corporation, and, with respect to the County, the County Executive Officer, the Deputy County Executive Officer, the Finance Director of the County, and/or any officer or employee of the County authorized to perform specific acts or duties by resolution duly adopted by the Board of Supervisors of the County.

“Base Rental Payments” means all amounts payable to the Corporation from the County as Base Rental Payments pursuant to Section 3.04 of the Master Lease.

“Beneficial Owner” means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bond Counsel” means a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under this Indenture and acceptable to the Corporation and the County.

“Bond Fund” means the fund by that name established pursuant to Section 4.02 hereof.

“Bonds” means any debt obligation of the Corporation issued as a taxable or tax-exempt obligation under and in accordance with the provisions of Article III of this Indenture, including, but not limited to, bonds, notes, bond anticipation notes and other instruments creating an indebtedness of the Corporation and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and any Series of Bonds issued, and at any time Outstanding pursuant to, this Indenture.

“Business Day” means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in the State are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

“*Capitalized Interest*” means the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Trustee as may be described in a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*Certificate*,” “*Statement*,” and “*Requisition*” of the Corporation or of the County means, respectively, a written certificate, statement or requisition signed in the name of the Corporation by an Authorized Representative or signed in the name of the County by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto and any regulations promulgated thereunder.

“*Continuing Disclosure Certificate*” means that certain Continuing Disclosure Certificate, dated as set forth in a Supplemental Indenture executed and delivered by the County in connection with the issuance of the respective Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“*Corporate Trust Office of the Trustee*” means the principal corporate trust office of the Trustee located at Wells Fargo Bank, National Association, One California Street, Suite 1000, San Francisco, California 94111, Attention: Corporate Trust Services or such other or additional offices as may be specified to the Corporation by the Trustee in writing.

“*Corporation*” means the County of Riverside Asset Leasing Corporation, a California nonprofit public benefit corporation, and its successors.

“*Costs*” or “*Costs of a Project*” shall mean all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Corporation or independent consultant; (d) costs of the Corporation properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Bonds, costs of Reserve Fund Credit Facilities, capitalized interest, a Reserve Fund, if any, Trustee’s fees and expenses; and (f) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Corporation.

“*County*” means the County of Riverside, a political subdivision and body corporate and politic of the State.

“*Defeasance Securities*” means (a) Federal Securities which are not callable for redemption prior to their maturity by any person other than the owner thereof; and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities, and (ii) which at the time of their initial use as Defeasance Securities are rated in the highest generic rating category by S&P or Moody’s.

“*Event of Default*” shall have the meaning contained in Section 9.01 hereof.

“*Federal Securities*” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal (including State and Local Government Securities (“SLGS”)), or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities, as well as pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P.

“*Fiscal Year*” means the fiscal year of the Corporation, which period of time begins on July 1 of each given year and ends on June 30 of such given year, or such other similar periods as the Corporation designates as its fiscal year.

“*Fitch*” means Fitch Ratings, New York, New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

“*Indenture*” means this Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“*Initial Bonds*” shall mean those Bonds issued pursuant to Section 2.11 of this Indenture and the relevant Supplemental Indenture.

“*Insurance Proceeds and Condemnation Awards Fund*” means the Fund by that name established pursuant to Section 6.07 hereof.

“*Interest Accounts*” means the accounts established pursuant to a Supplemental Indenture in accordance with Section 4.03(a) hereof.

“*Interest Payment Date*” shall have the meaning set forth in the respective Supplemental Indenture.

“*Master Lease*” means that certain Master Lease Agreement, dated as of February 1, 2012, between the County and the Corporation under which the Corporation subleases to the County the Property, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“*Master Site Lease*” means the Master Site and Facilities Lease dated as of February 1, 2012 by and between the County, as lessor, and the Corporation, as lessee, including any amendments thereto, pursuant to which the County leases the Property to the Corporation.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

“*Net Proceeds*” means any insurance proceeds (including self-insurance proceeds) or condemnation award, paid with respect to any of the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Opinion of Bond Counsel*” means a written opinion of Bond Counsel.

“*Outstanding*” means, when used as of any particular time with reference to Bonds, (subject to the provisions of Section 8.02 pertaining to disqualified bonds) all Bonds theretofore or thereupon executed by the Corporation and authenticated and delivered by the Trustee pursuant hereto, except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 10.01 hereof; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Corporation and authenticated and delivered pursuant hereto.

“*Owner*” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.07 hereof.

“*Permitted Encumbrances*” has the meaning given such term in the Master Lease.

“*Permitted Investments*” means any of the following that at the time are legal investments under the laws of the State for moneys held hereunder and then proposed to be invested therein:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

- (i) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- (ii) Farmers Home Administration (FmHA)
Certificates of Beneficial Ownership
- (iii) Federal Financing Bank
- (iv) Federal Housing Administration Debentures (FHA)
- (v) General Services Administration
Participation Certificates
- (vi) Government National Mortgage Association (GNMA or Ginnie Mae)
GNMA—guaranteed mortgage-backed bonds GNMA—guaranteed pass-through obligations
- (vii) U.S. Maritime Administration
Guaranteed Title XI financing
- (viii) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Corporation Bonds
New Communities Debentures—U.S. government guaranteed debenture U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

- (i) Federal Home Loan Bank System
Senior debt obligations
- (ii) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
Participation Certificate Senior debt obligations
- (iii) Federal National Mortgage Association (FNMA or Fannie Mae)
Mortgage-backed securities and senior debt obligations

(iv) Student Loan Marketing Association (SLMA or Sallie Mae)
Senior debt obligations

(v) Resolution Funding Corp. (REFCORP) obligations

(vi) Farm Credit System
Consolidated systemwide bonds and notes

(d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G;" "AAA-m;" or "AA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2" including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks which may include the Trustee and its affiliates; provided that the collateral is held by a third party and the bondholders have a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF which may include those of the Trustee and its affiliates;

(g) investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements;

(h) commercial paper rated, at the time of purchase, "Prime -1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such rating agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) Repurchase Agreements ("Repos") for 30 days or less meeting the following criteria:

(i) Repos must be between the Corporation and a dealer bank or securities firm;

(A) primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and "A2" or better by Moody's; or

(B) banks rated "A" or better by S&P and "A2" or better by Moody's.

(ii) The written repurchase agreement must include the following:

(A) securities which are acceptable for transfer are:

(1) direct obligations of the United States of America referred to in clause (a) above; or

(2) obligations of federal agencies referred to in clause (b) above; or

(3) obligations of FNMA and FHLMC;

(B) the term of the Repos may be up to 30 days;

(C) the collateral must be delivered to the Corporation, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee is (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); and

(D) valuation of Collateral:

(1) the securities must be valued weekly, marked-to-market at current market price plus accrued interest; and

(2) the value of collateral must be equal to 104% of the amount of cash transferred by the Corporation to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Corporation, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(iii) A legal opinion must be delivered to the Corporation that states that the Repo meets guidelines under state law for legal investment of public funds;

(l) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Indenture; and

(m) the Riverside County Investment Pool, managed by the Treasurer-Tax Collector of the County of Riverside, California.

“Principal Accounts” means the accounts established pursuant to a Supplemental Indenture in accordance with Section 4.03(a) hereof.

“Principal Payment Date” shall have the meaning set forth in the respective Supplemental Indenture.

“Project” shall mean any and all facilities, improvements and other expenditures authorized by a Supplemental Indenture financed in whole or in part with proceeds of a Series of Bonds.

“Project Fund” means any fund by that name established pursuant to Section 4.05 hereof.

“Property” means the Property (as defined in the Master Lease) leased by the County from the Corporation under the Master Lease.

“Rating Agencies” means Moody’s, S&P or Fitch, or any other nationally recognized bond rating agency then maintaining a rating on any Series of Bonds, but, in each instance, only so long as Moody’s, S&P or Fitch or other nationally recognized rating agency then maintains a rating on any Series of Bonds.

“Rebate Fund” shall mean the fund created by the Corporation pursuant to a Supplemental Indenture in connection with the issuance of the Bonds or any Series of Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“Record Date” shall have the meaning set forth in the respective Supplemental Indenture.

“Redemption Fund” means the fund by that name established pursuant to Section 4.06 hereof.

“Reserve Fund” means any fund by that name, if any, established pursuant to Section 4.04 hereof.

“Reserve Fund Credit Facility” means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Fund, if any, in lieu of or in partial substitution for cash or securities on deposit therein; in each case, the provider of which shall be rated in one of the two highest long-term rating categories (without regard to subcategories) by Moody’s and S&P at the time of substitution.

“Reserve Requirement,” if any, shall have the meaning set forth in a Supplemental Indenture.

“Revenues” means all Base Rental Payments made pursuant to the Master Lease and interest or profits from the investment of money in any fund, account or subaccount (other than any Rebate Fund) deposited in the Bond Fund pursuant to Article IV and as permitted by Supplemental Indenture with respect to a particular Series of Bonds.

“S&P” means Standard & Poor’s Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

“*Serial Bonds*” means Bonds for which no sinking fund payments are provided.

“*Series*” means, whenever used herein with respect to Bonds, all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

“*Series 2012 Bonds*” means the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project).

“*Sinking Account*” means the account of that name established by a Supplemental Indenture.

“*Sinking Fund Installment*” means, with respect to any Series of Bonds, each amount so designated for the Term Bonds of such Series in this Indenture or in the Supplemental Indenture providing for the issuance of such Series of Bonds requiring payments by the Corporation to be applied to the retirement of such Series of Bonds on and prior to the stated maturity date thereof.

“*State*” means the State of California.

“*Supplemental Indenture*” means any indenture then in full force and effect which has been duly executed and delivered by the Corporation and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“*Tax Certificate*” means the Tax Compliance Certificate executed by the County and the Corporation at the time of the issuance and delivery of Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Term Bonds*” means Bonds which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“*Term of the Lease*” shall have the meaning set forth in the Master Lease.

“*Trustee*” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or any other association or authority which may at any time be substituted in its place as provided in Article VII hereof.

“*Written Request of the Corporation*” means a written request, certificate or requisition signed in the name of the Corporation by an Authorized Representative of the Corporation.

“Written Request of the County” means a written request, certificate or requisition signed in the name of the County by an Authorized Representative of the County.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Corporation and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, issued, executed and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, with respect to all Bonds which may from time to time be authorized, issued, executed and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Corporation shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, issuance, execution or delivery thereof or for any cause whatsoever, except as to timing of interest and principal payments as expressly provided herein or therein. Any Reserve Fund and any Reserve Credit Facility provided for at any time in satisfaction of all or a portion of the Reserve Requirement for a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds or one or more Series of Bonds and, therefore, shall not be included as security for all Bonds under this Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under Article X hereof shall be held solely for the payment of such specific Bonds.

ARTICLE II

ISSUANCE OF BONDS; REGISTRATION AND TRANSFER OF BONDS

Section 2.01. Authorization of Bonds. Bonds may be issued hereunder from time to time in order to obtain moneys to carry out the purposes of the Corporation and the County. The Bonds are designated generally as “County of Riverside Asset Leasing Corporation Lease Revenue Bonds,” and each Series thereof shall bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The Bonds may be issued in such Series as from time to time shall be established and authorized by the Corporation, subject to the covenants, provisions and conditions herein contained. This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the principal of and premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms, Medium and Place of Payment. The Bonds shall be issued in the principal amount, shall bear interest at a rate or rates, including a rate of 0% or by such other methods as the Corporation may from time to time determine, and such interest may be payable periodically, in whole or in part, or may be accumulated and paid at maturity or at such other time or times as the Corporation shall determine. Bonds shall mature and shall be subject to redemption prior to their respective maturities, all as shall be set forth in a Supplemental Indenture. The Bonds of each Series shall state that they are issued under and are secured by this

Indenture and the pledge of Revenues and state that regardless of the form thereof, they are "Bonds" issued hereunder and within the meaning of this Indenture.

Payments with respect to the Bonds shall be made as provided in the Supplemental Indenture providing for the issuance of such Bonds or as provided in the Bonds, which provisions shall include the designation of the currency in which such payments shall be made.

Section 2.03. Redemption of Bonds; Redemption From Net Proceeds.

(a) Bonds may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Indenture providing for the issuance of such Bonds. The Corporation may provide for the redemption of Bonds from any funds available to the Corporation and not obligated for other purposes.

(b) The Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as hereinafter provided, on any date, in whole or in part, from Net Proceeds, as provided in Section 6.07 herein and Section 5.02 of the Master Lease in accordance with the relevant Supplemental Indenture.

Section 2.04. Execution of Bonds. Any Authorized Representative of the Corporation is hereby authorized and directed to execute each of the Bonds on behalf of the Corporation and the Secretary or Assistant Secretary of the Corporation is hereby authorized and directed to countersign each of the Bonds on behalf of the Corporation. The signatures of such Authorized Representative of the Corporation and said seal may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds is an officer at the time his or her signature is placed on the Bonds and ceases to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in a Supplemental Indenture, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.05. Transfer and Payment of Bonds. Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.07 by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer substantially in the form set forth in a Supplemental Indenture. Whenever any Bond or Bonds shall be surrendered for transfer, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of a like aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid

with respect to such transfer as a condition precedent to the exercise of such privilege. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the County.

The Corporation and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the Corporation nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of any Bond (a) during the period commencing on the day which is five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (b) which has been selected for redemption in whole or in part.

Section 2.06. Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Corporation.

The Trustee shall not be required to register the exchange of any Bond (a) during any period commencing on the day which is five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (b) which has been selected for redemption in whole or in part.

Section 2.07. Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Corporation during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

Section 2.08. Mutilated, Destroyed, Stolen or Lost Bonds. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Bond of like series, maturity and Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender, at the Corporate Trust Office of the Trustee, of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the order of, the Corporation.

If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner,

shall thereupon authenticate and deliver a new Bond of like series, maturity and Authorized Denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses which may be incurred by the Corporation and the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Corporation nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; both the original and replacement Bond shall be treated as one and the same.

Section 2.09. Temporary Bonds. The Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Corporation, shall be in fully registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed and authenticated in accordance with the terms hereof. If the Corporation issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds delivered hereunder.

Section 2.10. Validity of Bonds. From and after the issuance of the Bonds, the findings and determinations of the Corporation respecting the Bonds shall be conclusive evidence of (a) the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds shall be required to see to the existence of any fact; (b) to the performance of any condition or to the taking of any proceeding required prior to such issuance; or (c) to the application of the proceeds of sale of the Bonds. The validity of the issuance of the Bonds shall not be dependent on or affected in any way by the proceedings taken by the Corporation for the financing and refinancing of the Project or by any contracts made by the Corporation or its agents in connection therewith, and shall not be dependent upon the completion of the acquisition or installation of the Project or upon the performance by any person, firm or Corporation of obligations with respect thereto. The recital contained in the Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 2.11. Issuance of Initial Bonds. The Initial Bonds shall be issued pursuant to a Supplemental Indenture, shall be designated "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project)" and are

authorized to be issued hereunder. The aggregate principal amount of the Initial Bonds which may be issued and Outstanding under this Indenture shall not exceed \$[_____].

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Conditions for the Issuance of Bonds. The Corporation may at any time issue any Series of Bonds payable from the Revenues as provided herein and secured by a pledge of the Revenues as provided herein equal to the pledge securing the Outstanding Bonds theretofore issued hereunder, but only subject to the following specific conditions, which are hereby made conditions precedent (except as otherwise indicated) to the issuance of any such Series of Bonds:

(a) excepting the Initial Bonds, the Corporation shall be, as evidenced by a Certificate of the Corporation, in compliance with all agreements and covenants contained herein and no Event of Default shall have occurred and be continuing under the Master Lease;

(b) the issuance of such Series of Bonds shall have been authorized by the Corporation and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purpose for which such Series of Bonds are to be issued;

(ii) the authorized principal amount and designation of such Series of Bonds;

(iii) the dated date and the maturity dates of, and the sinking fund payment dates, if any, for such Series of Bonds; provided, however, that (A) each maturity and sinking fund date shall occur on the date set forth in the Supplemental Indenture; (B) except as otherwise provided in the Supplemental Indenture, all such Series of Bonds of like maturity shall be identical in all respects, except as to number and denomination; and (C) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Series of Bonds on or before their respective longest maturity dates;

(iv) the interest payment dates for such Series of Bonds, which shall be Interest Payment Dates;

(v) the redemption premiums, if any, and the redemption terms, if any, for such Series of Bonds;

(vi) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the respective Interest Accounts;

(vii) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in an escrow fund or a Project Fund or similar fund, account or subaccount;

(viii) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Reserve Fund, if any, which amount shall be sufficient to cause the amount on deposit in the Reserve Fund, if any, to equal the Reserve Requirement for such Series of Bonds, if any, upon the issuance of such Series of Bonds;

(ix) the forms of such Series of Bonds; and

(x) such other provisions as are necessary or appropriate and not inconsistent herewith;

(c) excepting the Initial Bonds, the Master Lease shall have been further amended, if necessary, so as to increase the aggregate Base Rental Payments payable by the County thereunder in each Fiscal Year to at least the equal projected Annual Debt Service, including debt service on the new Series of Bonds to be issued in each Fiscal Year;

(d) excepting the Initial Bonds, a Certificate of the County stating that (i) the total fair rental value of the Property which may be based on, but not limited to the construction or acquisition cost of such Substitution or Addition to the County and the application of any Capitalized Interest after the issuance of such Series of Bonds, in each Fiscal Year during the remaining Term of the Lease, is at least equal to the maximum total Base Rental Payments payable in any future Fiscal Year under the Lease attributable to the Property after the issuance of such Series of Bonds, (ii) the fair market value of the Property is at least equal to the principal amount of Bonds which would be Outstanding upon the execution and delivery of the Series of Bonds, (iii) the Property has a remaining useful life of at least equal to the remaining term of the Master Lease, as amended and (iv) the Property is available for immediate use and occupancy by the County;

(e) if any property is added to the description of Property in connection with the issuance of such Series of Bonds, then (i) the Master Site Lease and Master Lease shall be amended to add such additional property to the Master Site Lease and Master Lease, and (ii) a policy of title insurance in an amount equal to the aggregate principal amount of Bonds, if any, then Outstanding and such Series of Bonds, insuring the County's leasehold interest in the Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds; and

(f) if any property is added to the description of Property in connection with the issuance of such new Series of Bonds, evidence that the County has complied with the covenants contained in Article VI of the Master Lease with respect to any such added property.

(g) a certificate of the County stating that the County is in compliance with the insurance requirements of the Master Lease.

Nothing contained herein shall limit the issuance of any lease revenue bonds of the Corporation payable from the Revenues and secured by a pledge of the Revenues if, after the issuance and delivery of such lease revenue bonds, none of the Bonds theretofore issued will be Outstanding.

Section 3.02. Procedure for the Issuance of Bonds. The Corporation may, at any time, execute and deliver any Series of Bonds for issuance hereunder and deliver them to the Trustee, and thereupon such Series of Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Corporation, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Series of Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(a) an executed copy of the Supplemental Indenture authorizing the issuance of such Series of Bonds and complying with the conditions set forth in Section 3.01;

(b) a Written Request of the Corporation as to the delivery of such Series of Bonds;

(c) an Opinion of Bond Counsel to the effect that (i) the Corporation has the right and power to execute and deliver the Supplemental Indenture and the Supplemental Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and no other authorization for the execution and delivery thereof is required; (ii) the Indenture, as amended and supplemented by the Supplemental Indenture creates the valid pledge of the Revenues which it purports to create as provided therein, subject to the application thereof to the purposes and on the conditions permitted hereby; (iii) such Series of Bonds are valid and binding special obligations of the Corporation, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and the terms hereof and entitled to the benefits hereof, and such Series of Bonds have been duly and validly authorized, executed, issued and delivered in accordance herewith and (iv) the amendments to the Master Lease and the Master Site Lease if required by Section 3.01(c) and (e) have been duly authorized, executed and delivered and the Master Lease and Master Site Lease, as amended, are valid and binding upon the Corporation and the County and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles); and (v) if applicable, the issuance of such Series of Bonds will not adversely affect the exclusion from gross income for federal tax purposes of interest on any Bonds then Outstanding;

(d) a Certificate of the Corporation certifying that the conditions for the issuance of such Series of Bonds contained herein have been complied with and satisfied; and

(e) such further documents, opinions, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Series of Bonds.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Bonds Secured by a Pledge of Revenues. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues, including any other amounts (including proceeds of the sale of the Bonds) held in the Bond Fund, are hereby pledged to secure the payment of the principal of, premium, if any, purchase price, and interest on the Bonds in accordance with their terms and the provisions of this Indenture, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted hereunder including the replenishment of draws upon the Reserve Fund, if any, established for a Series of Bonds. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of the principal of, premium, if any, purchase price and interest on the Bonds in accordance with the terms hereof. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the date of issuance for the Initial Bonds, without any physical delivery thereof or further act.

The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee.

The Trustee agrees to provide written notice to the County at least five Business Days prior to each Base Rental Payment Date of the amount, if any, on deposit in the Bond Fund which shall serve as a credit against, and shall relieve the County of making, the Base Rental Payments due from the County on such Base Rental Payment Date.

Section 4.02. Establishment of Bond Fund; Receipt and Deposit of Revenues in the Bond Fund. This Indenture shall create a separate special trust designated the "Bond Fund." In order to carry out and effectuate the pledge contained in Section 4.01 hereof, the Trustee agrees and covenants that all Revenues when and as received shall be received in trust hereunder for the benefit of the Owners of the Bonds and shall be deposited when and as received in the Bond Fund. All Revenues shall be accounted for and held in trust in the Bond Fund, and the Corporation shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Corporation in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to

the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Corporation.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Bond Fund. Subject to the allocation of money to any Rebate Fund, or any account therein, all money in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (created by Supplemental Indenture and each of which the Trustee hereby covenants and agrees to maintain) and shall be set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

(a) *Interest Accounts.* On or before each Interest Payment Date, the Trustee, after taking into account Capitalized Interest, shall set aside from any Base Rental Payments and deposit in the respective Interest Accounts, established pursuant to a Supplemental Indenture, that amount of money which, together with any money contained in the Interest Accounts, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made in the Interest Accounts if the amount contained in the Interest Accounts is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date. All money in the Interest Accounts shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) *Principal Account.* On or before the Principal Payment Dates, the Trustee shall set aside from the Bond Fund and deposit in the respective Principal Accounts, established pursuant to a Supplemental Indenture, an amount of money equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Dates, plus the aggregate amount of all sinking fund payments required to be made with respect to the Term Bonds on such Principal Payment Dates. No deposit need be made in the respective Principal Accounts if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Dates, plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Dates, for all Outstanding Term Bonds.

(c) *Reserve Fund.* The Trustee shall deposit in each Reserve Fund, if any, or any account therein, an amount, if any, required to cause the amount on deposit in such Reserve Fund, or any account therein, to equal the Reserve Requirement, if any, for such Bonds.

Any delinquent Base Rental Payments and any proceeds of rental interruption insurance with respect to the real property encumbered by the Master Lease shall be applied first to the respective Interest Accounts for the immediate payment of interest payments past due and then to the respective Principal Accounts for immediate payment of principal payments past due according to the tenor of any Bond, and then to any Reserve Fund, or account therein, pro rata among the Reserve Funds, to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, if any. Any remaining money representing delinquent Base Rental

Payments and any proceeds of rental interruption insurance shall be deposited in the Bond Fund to be applied in the manner provided herein.

Section 4.04. Authorization for Creation of Reserve Fund. The Corporation may, at the time of issuance of any Series of Bonds, provide by Supplemental Indenture for the creation of a Reserve Fund, or any account therein bearing the designation set forth in the Supplemental Indenture, as security for such Series, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Reserve Fund, or provide that such Series of Bonds participate in a Reserve Fund previously created for an Outstanding Series of Bonds when authorized by such Outstanding Series of Bonds' Supplemental Indenture. Any Reserve Fund established under a Supplemental Indenture shall be funded in an amount equal to the Reserve Requirement. The Corporation shall, by such Supplemental Indenture, provide for the manner of funding and replenishing of such Reserve Fund and shall establish such other terms with respect to such Reserve Fund as the Corporation may deem appropriate, including providing a Reserve Fund Credit Facility in lieu thereof.

Any moneys in the Reserve Fund, or any account therein, shall be used and withdrawn by the Trustee as provided in the Supplemental Indenture and may include one or more Reserve Fund Credit Facilities which may be substituted for the funds held by the Trustee in the Reserve Fund, and any account therein. All moneys in each Reserve Fund shall be held and disbursed as provided in the Supplemental Indenture or Supplemental Indentures under which such fund or funds were created. Notwithstanding this provision, no Reserve Fund shall be required for a given Series of Bonds if the Corporation determines that there is no need to create a Reserve Fund for such Series.

Section 4.05. Authorization for Creation of Project Fund. Proceeds of each Series of Bonds which are used to pay Costs of the Projects shall be deposited into a fund created for such Series of Bonds which shall be designated "County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series ____ Project Fund" (each, respectively, a "Project Fund"). All moneys in each Project Fund shall be held and disbursed as provided in the Supplemental Indenture or Supplemental Indentures under which such fund or funds were created.

Notwithstanding this provision, no Project Fund shall be required for such a given Series of Bonds if all of the proceeds thereof (except those deposited into the Bond Fund, if any) are spent at the time of issuance of such Series or are used to refund Bonds or the Corporation determines that there is no need to create a Project Fund for such Series.

Section 4.06. Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to the Supplemental Indenture; provided, however, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with the Supplemental Indenture.

Section 4.07. Authorization for the Creation and Funding of Additional Funds and Accounts. The Corporation may, at the time of issuance of any Series of Bonds, by Supplemental Indenture, create and provide for additional funding from Revenues, additional funds and accounts

for such purposes as the Corporation deems appropriate, including separate funds available only for specified Bonds or Series of Bonds.

ARTICLE V

INVESTMENTS

Section 5.01. Investments. Moneys held by the Trustee in the funds and accounts created herein and under any Supplemental Indenture shall be invested and reinvested as directed by the Corporation, in Permitted Investments subject to restrictions set forth in this Indenture and such Supplemental Indenture and subject to the investment restrictions imposed upon the Corporation by the laws of the State. The Corporation shall direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized Representative of the Corporation or by telephone instruction followed by prompt written confirmation by an Authorized Representative of the Corporation; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in Federal Securities.

The Trustee shall not be liable for any loss resulting from following the written directions of the Corporation or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Permitted Investment is held.

The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The Corporation and the County acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the County the right to receive brokerage confirmations of securities transactions as they occur, the Corporation and the County specifically waive receipt of such confirmations to the extent permitted by law. Securities and investment transactions made by the Trustee under this Indenture will be set forth in the cash transaction statements provided by the Trustee to the Corporation and the County.

Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder (except the Project Fund, the Reserve Fund and the Rebate Fund) shall be deposited by the Trustee in the Bond Fund, except that interest or gain derived from the investment of the amounts in: (a) any Reserve Fund, shall be retained therein to the extent required to maintain the Reserve Requirement thereof and if in excess of such Reserve Requirement, transferred on a pro rata basis to the Interest Account(s) for the Series of Bonds secured by such Reserve Fund; and (b) the Project Fund and any Rebate Fund, shall be retained therein.

ARTICLE VI

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 6.01. Punctual Payment and Performance. The Corporation will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on

every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained herein and in the Bonds.

Section 6.02. Against Encumbrances. The Corporation will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds. Subject to this limitation, the Corporation expressly reserves the right to enter into one or more other indentures for any of its purposes, and reserves the right to issue other obligations for such purposes not having a pledge on Revenues. Nothing in this section shall in any way limit the Corporation's ability to (i) encumber its assets other than the Property or (ii) encumber the Property in accordance with the terms of the Master Lease.

Section 6.03. Against Sale or Disposition of the Property. Except as provided in the Master Lease, the Corporation will not sell or otherwise dispose of the Property, enter into any agreement which impairs the use of the Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premiums, if any, with respect to the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Section 6.04. Payment of Claims. The Corporation will pay and discharge or cause to be paid and discharged any and all lawful claims for labor, materials or supplies which, if unpaid, might become a legal charge or lien upon the Property or the Revenues or any part thereof or upon any funds under the control of the Corporation or the Trustee superior to or on a parity with the charge and lien upon the Revenues securing the Bonds, or which might impair the security of the Bonds.

Section 6.05. Payment of Taxes and Compliance With Governmental Regulations. The Corporation will pay and discharge or cause to be paid and discharged all applicable taxes, assessments and other governmental charges that may be levied, assessed or charged upon the Property or any part thereof or upon the Revenues or any part thereof promptly as and when the same shall become due and payable. The Corporation will duly observe and conform with all valid applicable regulations and requirements of any governmental authority relative to the use of the Property or any part thereof, but the Corporation shall not be required to comply with any such regulations or requirements so long as the application or the validity thereof shall be contested in good faith.

Section 6.06. Insurance. The Corporation will maintain or cause to be maintained insurance with respect to the Property as required by the Master Lease.

Section 6.07. Insurance Proceeds and Condemnation Awards; Title Insurance.

(a) The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to Article VI of the Master Lease and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," and shall apply the proceeds of such insurance as provided herein. The Trustee

shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the County, stating that the County or the Corporation has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

(b) The Trustee shall not be responsible for the sufficiency of any insurance required by the Master Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County. Delivery to the Trustee of the schedule of insurance policies under the Master Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the County deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the schedule required to be delivered by the County to the Trustee pursuant to Section 6.06 of the Master Lease.

(c) Proceeds of any policy of insurance, title insurance or condemnation award received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(i) if the County determines that the damage, title defect or taking giving rise to such proceeds has not materially affected the operation of the Property and will not result in an abatement of Base Rental Payments payable by the County under the Master Lease, such proceeds shall at the election of the County as set forth in a Written Request of the County, be deposited: (A) in the Redemption Fund and such proceeds shall be applied to cause the redemption of Outstanding Bonds in the manner provided in the Supplemental Indenture; (B) in the Project Fund (and applicable account and subaccounts therein) and utilized to improve or enhance any remaining Property; or (C) in the respective Principal and Interest Accounts for application to the next two successive Base Rental Payments;

(ii) if any portion of the Property has been affected by such damage, title defect or taking, and if the County determines that such title defect or taking will result in an abatement of Base Rental Payments payable by the County under the Master Lease, and the County has not within 90 days of such damage, defect or taking notified the Trustee of its intent to repair or replace the damaged, defective or taken Property, then the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to cause the redemption of Outstanding Bonds in the manner provided in the Supplemental Indenture; or

(iii) if the Trustee receives a Written Request of the County within 90 days of such damage, defect or taking to the effect that the County desires to repair or replace the damaged, defective or taken Property, accompanied by a Certificate of the County to the effect that such repair or replacement will take

less than 24 months and, upon completion, the Property will have a fair rental value at least equal to the fair rental value of the Property prior to the damage, defect or taking, the Trustee shall disburse the proceeds pursuant to Section 6.07(a) above.

Section 6.08. Accounting Records and Reports. The Corporation will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to inspect), at reasonable hours and under reasonable conditions. The Corporation shall also keep or cause to be kept such other information as is required under the Tax Certificate.

Section 6.09. Master Lease and Other Documents. The Corporation will at all times maintain and vigorously enforce all of its rights under the Master Lease, and will promptly collect all rents and charges due for the use of the Property as the same become due under the Master Lease, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due under the Master Lease. The Corporation will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation, abatement or termination of the Master Lease by the respective lessees thereunder.

Section 6.10. Other Liens. The Corporation will keep the Property free from judgments, mechanics' and materialmen's liens (except those arising from the acquisition, construction and installation of the Property and except Permitted Encumbrances) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided herein will at all times be maintained and preserved free from any claim or liability which might hamper the Corporation in conducting its business or interfere with the County's use and occupancy of the Property, and the Trustee at its option (after first giving the Corporation 10 days' written notice to comply therewith and failure of the Corporation to so comply within such period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Corporation from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Revenues made herein and to perform such agreements and covenants.

Section 6.11. Prosecution and Defense of Suits.

(a) The Corporation will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from

all loss, cost, damage and expense, including attorneys' fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

(b) The Corporation will defend against every suit, action or proceeding except those arising out of the wrongful, willful act or actions of the Trustee at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee hereunder; provided, however, that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Section 6.12. Further Assurances. Whenever and so often as requested to do so by the Trustee, the Corporation will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

Section 6.13. Continuing Disclosure. Pursuant to Section 4.09 of the Master Lease, the County has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the Owners or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission. The Trustee hereby covenants and agrees that it will comply with and carry out all of its obligations under the provisions of Section 4.09 of the Master Lease. Notwithstanding any other provision of this Indenture, failure of the County or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under Section 4.09 of the Master Lease, or to cause the Trustee to comply with its obligations under this Section 6.13.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Corporation agrees and the respective owners of the Bonds, by their purchase and acceptance thereof, agree.

Section 7.02. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during

the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Corporation may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with Section 7.02(e), or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Corporation and by giving notice of such resignation by mail, first-class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Corporation, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Corporation or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation and the County shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such

successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first-class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Section shall be a trust company, authority or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. If such bank authority or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank authority or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Corporation, the County or any other party of any funds which the Trustee has released under this Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

Section 7.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under Section 7.02(e), shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 7.04. Compensation.

(a) The Corporation shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the

Trustee for reasonable expenses, including attorneys' fees, incurred by the Trustee in the performance of its obligations hereunder.

(b) The Corporation agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such compensation and indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

Section 7.05. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Master Site Lease, the Master Lease or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or under the Master Lease unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee and may rely conclusively on the Certificates provided hereunder to establish the compliance with financial covenants hereunder.

(f) All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(g) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(h) Before taking any action under Article IX hereof or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the County and the Corporation, having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein or where the Trustee has breached its standard of care as described in this Section. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

Section 7.06. Right To Rely on Documents.

(a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may but need not be counsel of or to the Corporation or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Corporation, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good

faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession until four years after no Bond is Outstanding (or such longer period as required by the Trustee's policies and procedures, or by applicable law) and shall be subject at all reasonable times to the inspection of the Corporation, the County and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

ARTICLE VIII

AMENDMENT OF THE INDENTURE

Section 8.01. Amendment of the Indenture.

(a) The Indenture and the rights and obligations of the Corporation, the County and of the Owners may be modified and amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.02, are filed with the Trustee. No such amendment shall (i) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Corporation to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided herein without the express written consent of the Owner of such Bond; (ii) permit the creation by the Corporation of any pledge of the Revenues as provided herein superior to or on a parity with the pledge created hereby for the benefit of the Bonds; or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) This Indenture and the rights and obligations of the Corporation, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Corporation and the Trustee may enter into with the consent of the County, but without the necessity of obtaining the consent of any Owners of the Bonds, for any purpose that will not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation contained in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Corporation;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision,

contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Corporation or the Trustee may deem necessary or desirable;

(iii) to modify, amend or supplement this Indenture in such a manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to facilitate and implement any book-entry system (or any termination of a book-entry system) with respect to the Bonds;

(v) to provide for the issuance, execution, delivery and payment of any Series of Bonds and to provide the terms of such Series of Bonds, subject to the conditions and upon compliance with the procedure set forth in Article III;

(vi) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code;

(vii) to permit the Trustee to comply with any duties imposed upon it by law;

(viii) to evidence the appointment of a separate trustee or the succession of a new trustee hereunder;

(ix) to make any amendments appropriate or necessary to provide for or facilitate the delivery of any credit enhancement for any Bonds; or

(x) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the Owners of the Bonds then Outstanding.

The Trustee shall have the right to require such opinions of counsel as it deems necessary concerning the lack of material affect of the amendment on the Owners of the Bonds.

Section 8.02. Disqualified Bonds. Bonds owned or held by or for the account of the Corporation or the County shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII; provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Corporation or the County unless the Corporation or the County is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Corporation or County.

Section 8.03. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified

and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Corporation, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Copies of any amendments made to the documents executed in connection with the issuance of the Bonds shall be sent to each Rating Agency.

Section 8.04. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Corporation may determine that the Bonds may bear a notation by endorsement in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of his Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Corporation shall so determine, new Bonds so modified as, in the opinion of the Corporation, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 8.05. Amendment by Mutual Consent. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by him or her; provided that due notation thereof is made on such Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 9.01. Events of Default. Any one or more of the following events shall be called an "Event of Default" under this Indenture:

- (a) default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) default by the Corporation or the County in the performance of any of the other agreements or covenants required herein to be performed by the Corporation or the County, respectively, and such default shall have continued for a period of 60 days after the Corporation and/or the County, as applicable, shall have been given notice in writing of such default by the Trustee;
- (d) the Corporation or the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Corporation

or the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Corporation or the County or of the whole or any substantial part of its property; or

(e) the occurrence and continuation of an event of default under and as defined in the Master Lease.

Section 9.02. Proceedings by Trustee.

(a) Upon the happening and continuance of any Event of Default the Trustee in its sole discretion may, and at the written request of the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding shall, do the following:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Corporation to enforce all rights of the Owners of Bonds, including the right to require the Corporation to receive and collect Revenues and to enforce its rights under the Master Lease and to require the Corporation to carry out any other covenant or agreement with Owners of Bonds and to perform its duties hereunder;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(iv) as a matter of right, have a receiver or receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer; and

(v) take custody and control of any Project Fund, if in existence, which the County shall promptly turn over to the Trustee.

(vi) Notwithstanding the foregoing, neither this Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

Section 9.03. Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Corporation, the County, the Trustee and the Owners shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.04. Rights of Owners.

(a) Anything in this Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in Section 9.02 above and Section 9.05 below, upon the happening and continuance of any Event of Default, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture.

(b) The Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

Section 9.05. Restriction on Owners' Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article IX, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under this Indenture, or any other remedy under this Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in this Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy under this Indenture; it being understood and intended that no one or more Owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under the Bonds, except in the manner in this Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in this Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this Section.

Section 9.06. Power of Trustee To Enforce. All rights of action under this Indenture or under any of the Bonds secured by this Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Bonds subject to the provisions of this Indenture.

Section 9.07. Remedies Not Exclusive. No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 9.08. Waiver of Events of Default; Effect of Waiver.

(a) The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration, upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Corporation and the County and shall give notice thereof by first-class mail, postage prepaid to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

(b) No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by this Article IX to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.09. Application of Moneys.

(a) Any moneys received by the Trustee pursuant to this Article IX, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts hereunder (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(i) unless the principal of all of the Outstanding Bonds shall be due and payable:

FIRST, to the payment of the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND, to the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this

Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD, to be held for the payment to the persons entitled thereto as the same shall become due of the principal of, interest, and premium, if any, on the Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof;

(ii) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 9.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first-class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Bonds.

(a) If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided herein, and all agreements, covenants and other obligations of the Corporation to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or

deliver to the Corporation all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Subject to the provisions of Section 10.01(a), when any of the Bonds shall have been paid and if, at the time of such payment, the Corporation shall have kept, performed and observed all the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Corporation or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Corporation hereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

(c) Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 7.04 relating to the compensation and indemnification of the Trustee shall remain in effect and shall be binding upon the Trustee and the Corporation.

(d) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in Sections 10.01(a), (b) and (c) if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the redemption procedures of any Supplemental Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the relevant Supplemental Indenture; and (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or Defeasance Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be; and (B) the principal of and redemption premiums, if any, with respect to such Bonds. Defeasance Securities

deposited with the Trustee may be replaced with other Defeasance Securities and profits, gains, income and any other economic benefits arising from such substitution shall inure to the benefit of, and be paid to, the County.

Section 10.02. Unclaimed Money. Notwithstanding the foregoing, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for one year after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee shall be repaid by the Trustee to the Corporation, and thereafter the holders of such Bonds shall look only to the Corporation for payment and the Corporation shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any paying agent, if any, shall have any responsibility with respect to any of such moneys. The Corporation hereby recognizes that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Corporation and County Limited to Revenues.

(a) Notwithstanding anything contained herein, neither the Corporation nor the County shall be required to advance any money derived from any source of income other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Corporation or the County may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

(b) The Bonds shall be limited obligations of the Corporation and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 4.04). The Bonds do not constitute a debt or liability of the County or of the State of California and neither the faith and credit nor the taxing power of the County or of the State are pledged to the payment of the principal of or interest on the Bonds.

Section 11.02. Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the County, the Trustee, and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Corporation or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Corporation, the Trustee, and the Owners of the Bonds.

Section 11.03. Successor Is Deemed Included in All References to Predecessor. Whenever herein either the Corporation or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and

functions that are presently vested in the Corporation or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04. Execution of Documents by Owners.

(a) Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the office of the Trustee. Nothing contained in this Section shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient in its sole discretion.

(b) Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Corporation in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer or employee of the Corporation or the County shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, with respect to the Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer or employee of the Corporation or the County from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 11.06. Acquisition of Bonds by Corporation. All Bonds acquired by the Corporation or the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 11.07. Destruction of Canceled Bonds. Whenever provision is made for the return to the Corporation of any Bonds which have been canceled pursuant to the provisions hereof, the Trustee shall destroy such Bonds and furnish to the Corporation a certificate of such destruction.

Section 11.08. Content of Certificates.

(a) Every Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (i) a statement that the person or persons making or giving such certificate have read such agreement,

condition, covenant or provision and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

(b) Any Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Bond Counsel unless the person making or giving such certificate knows that the Opinion of Bond Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Bond Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the Corporation, upon a representation by an officer or officers of the Corporation unless the counsel executing such Opinion of Bond Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.09. Funds, Accounts and Subaccounts. Any fund, account or subaccount required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account, subaccount or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account, subaccount or a fund; but all such records with respect to all such accounts, subaccounts and funds shall at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

Section 11.10. Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

Section 11.11. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Corporation, the County or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Corporation, the County and the Trustee hereby declare that they would have executed and delivered this Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof

and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.13. Law Governing. This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

Section 11.14. Notices. Any notice or request to or demand upon the Trustee shall be in writing and may be served or presented, and such demand may be made, at the Corporate Trust Office of the Trustee or at such other address as may have been filed in writing by the Trustee with the Corporation. Any notice to or demand upon the Corporation and the County shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by confirmed facsimile transmission or by being deposited, postage prepaid, in a post office letter box, addressed as follows:

to the County at:

County of Riverside
County Administrative Center
4th Floor
4080 Lemon Street
Attention: County Executive Officer

to the Corporation at:

County of Riverside Asset Leasing Corporation
County Administrative Center
4th Floor
4080 Lemon Street
Attention: Assistant Secretary

to the Trustee:

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Department

(or in each case at such other or additional addresses as may have been filed in writing with the Trustee).

Section 11.15. Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, COUNTY OF RIVERSIDE ASSET LEASING CORPORATION has caused this Indenture to be signed in its name by its duly authorized officers, and WELLS FARGO BANK, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its duly authorized officer, all as of the day and year first above written.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By _____
[Name, Title]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Officer



FIRST SUPPLEMENTAL TRUST INDENTURE

by and between

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

relating to

\$[]
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, Series 2012
(Administrative Annex Refunding Project)

Dated as of February 1, 2012

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FIRST SUPPLEMENTAL TRUST INDENTURE

THIS FIRST SUPPLEMENTAL TRUST INDENTURE (this "*First Supplemental Indenture*"), dated as of February 1, 2012, is made by and between the **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**, a California nonprofit public benefit corporation (the "*Corporation*"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created, as trustee (the "*Trustee*") and supplements that certain Master Trust Indenture, dated as of February 1, 2012, by and between the Corporation and the Trustee (the "*Master Trust Indenture*").

WHEREAS, the Master Trust Indenture provides, in Section 3.1 thereof, for the issuance of Bonds and, in Section 3.2 thereof, for the execution and delivery of Supplemental Indentures setting forth the terms of such Bonds; and

WHEREAS, the Corporation is empowered pursuant to its Articles of Incorporation to finance the Refunding Project (as hereinafter defined) through the issuance of its Series 2012 Bonds; and

WHEREAS, the Corporation now, for the purpose of providing money for the Refunding Project, by execution and delivery of this First Supplemental Indenture and in compliance with the provisions of the Master Trust Indenture, sets forth the terms of its \$[] County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project) (the "*Series 2012 Bonds*"), provides for the deposit and use of proceeds of the Series 2012 Bonds and makes other provisions relating to the Series 2012 Bonds.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following definitions shall apply to terms used in this First Supplemental Indenture unless the context clearly requires otherwise. Capitalized terms not otherwise defined in this Section 1.01 or elsewhere in this First Supplemental Indenture shall have the same meanings as set forth in the Master Trust Indenture or the Master Lease.

"*Authorized Denominations*" means \$5,000 principal amount and integral multiples thereof.

"*Book-Entry Bonds*" means the Series 2012 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of Section 2.05 hereof.

"*Cede & Co.*" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2012 Bonds.

"*Closing Date*" means February [], 2012.

“*Costs of Issuance*” means all costs and expenses incurred by the County or the Corporation relating to the issuance, sale and delivery of the Series 2012 Bonds and the execution and delivery of the Indenture, the Master Site Lease, the Master Lease, Assignment Agreement including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, including verification reports, costs of rating agencies for credit ratings, fees related to DTC, accounting fees, title insurance, fees for execution, transportation and safekeeping of the Bonds and any other charges and fees in connection or associated with the foregoing.

“*DTC*” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*First Supplemental Indenture*” means this First Supplemental Trust Indenture, dated as of February 1, 2012, as amended, by and between the Corporation and the Trustee.

“*Interest Payment Dates*” means May 1 and November 1 of each year, commencing on May 1, 2012.

“*Lease Year*” means the period from each November 1 to and including the following October 31, during the term of the Master Lease.

“*Master Trust Indenture*” means the Master Trust Indenture, dated as of February 1, 2012, by and between the Corporation and the Trustee, as amended and supplemented.

“*Participant*” means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

“*Permitted Investments*” means with respect to this First Supplemental Indenture, those investments designated as Permitted Investments under the Master Trust Indenture.

“*Principal Payment Dates*” means November 1, of each year, commencing on November 1, 2012.

“*Property*” means the Property (as defined in the Master Lease) leased by the County from the Corporation under the Master Lease.

“*Record Date*” means the fifteenth day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

“*Refunded Bonds*” means the Series 2001 Certificates being current refunded and defeased with proceeds of the Series 2012 Bonds.

“*Refunding Project*” means the current refunding and defeasing of the Series 2001 Certificates, finance the construction, renovation, equipping and furnishing of the County’s public defender building, paying the costs of issuance, and funding the Series 2012 Reserve Fund.

“*Representations Letter*” means the Blanket Issuer Letter of Representations Representation Letter, delivered to DTC by the Trustee on or before the date of issuance of the Series 2012 Bonds.

“*Reserve Requirement*” means, as of any date of calculation, the least of (a) 10% of the original principal amount of the Series 2012 Bonds, (b) the maximum Base Rental Payments payable by the County in any Lease Year between such date and the expiration of the Master Lease, and (c) 125% of the average annual Base Rental Payments on the Series 2012 Bonds Outstanding.

“*Series 2001 Certificates*” means County of Riverside Certificates of Participation (County Administrative Center Annex Project) originally executed and delivered in the aggregate principal amount of \$38,075,000 and outstanding in the aggregate principal amount of \$[_____].

“*Series 2001 Escrow Agreement*” means the Escrow Agreement, dated as of February 1, 2012 by and between the Corporation and Wells Fargo Bank, National Association, as escrow agent.

“*Series 2001 Escrow Fund*” means the fund of that designation established pursuant to the Series 2001 Escrow Agreement.

“*Series 2012 Bonds*” means the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project) issued in the aggregate principal amount of \$[_____].

“*Series 2012 Costs of Issuance Fund*” means the fund of such designation established pursuant to Section 4.01(c) of this First Supplemental Indenture and into which money is deposited to pay Costs of Issuance of the Series 2012 Bonds.

“*Series 2012 Interest Account*” means the account within the Bond Fund of that designation created pursuant to Section 4.01(a) of this First Supplemental Indenture and into which money is to be deposited to pay interest on the Series 2012 Bonds.

“*Series 2012 Principal Account*” means the account within the Bond Fund of that designation created pursuant to Section 4.01(b) of this First Supplemental Indenture and into which money is to be deposited to pay principal on the Series 2012 Bonds.

“*Series 2012 Project Fund*” means the fund of such designation established pursuant to Section 4.01(d) of this First Supplemental Indenture and into which proceeds of the Series 2012 Bonds are deposited to pay Project Costs.

“*Series 2012 Reserve Fund*” means the fund of that designation created pursuant to Section 4.01(e) of this First Supplemental Indenture.

“*Sinking Account*” means the account by that name established within the Series 2012 Principal Account pursuant to Section 3.03 hereof.

“*Sinking Fund Installments*” shall have the meaning set forth in Section 3.03 hereof.

“*Tax Certificate*” means that Tax Compliance Certificate, dated February [___], 2012, as amended from time to time, executed by the Corporation and executed with respect to the Series 2012 Bonds.

Section 1.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this First Supplemental Indenture.

ARTICLE II

THE SERIES 2012 BONDS

Section 2.01. Designation of the Series 2012 Bonds; Principal Amount. The Series 2012 Bonds authorized to be issued under the Master Trust Indenture and this First Supplemental Indenture shall be designated as “County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project),” which shall be issued in the original principal amount of \$[_____].

Section 2.02. Authorization for Series 2012 Bonds. The Corporation has reviewed all proceedings heretofore taken relative to the authorization of the Series 2012 Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2012 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Corporation is now duly authorized, to issue the Series 2012 Bonds in the form and manner provided herein for the purpose of providing funds to finance and refinance the Project, to pay costs of issuance in connection with the issuance of the Series 2012 Bonds, and to fund the Series 2012 Reserve Fund, and that the Series 2012 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

Section 2.03. Series 2012 Bonds Issued Under the Master Trust Indenture; Security; Parity. The Series 2012 Bonds are issued under and subject to the terms of the Master Trust Indenture and are secured by and payable from the Revenues and other security provided in the Master Trust Indenture and this First Supplemental Indenture and in accordance with the terms of the Master Trust Indenture and this First Supplemental Indenture. In addition, the Series 2012 Bonds are secured by and payable from moneys on deposit in the Series 2012 Reserve Fund or from the proceeds of a Reserve Fund Credit Facility provided in lieu thereof.

Section 2.04. General Terms of the Series 2012 Bonds.

(a) The Series 2012 Bonds shall be dated the Closing Date and shall be issued in book-entry form in Authorized Denominations.

(b) The Series 2012 Bonds shall be issued in the original principal amount of \$[_____] and shall mature in the years and in the amounts and bear interest at the annual rates set forth in the following schedule:

**November 1
of the Year**

Principal Amount

Interest Rate

(c) The principal of the Series 2012 Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee upon presentation and surrender of such Series 2012 Bonds.

(d) The Series 2012 Bonds shall bear interest at the rates set forth above, payable on the Interest Payment Dates in each year, commencing on May 1, 2012. Each Series 2012 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the Closing Date; provided, that if on the date of authentication of any Series 2012 Bond, interest is then in default on any Outstanding Bonds, such Series 2012 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

(e) Payment of interest on the Series 2012 Bonds due on or before the maturity or prior redemption thereof shall be made as provided in Section 2.05 hereof and the Representation Letter.

(f) Payment of interest on the Series 2012 Bonds which are not Book-Entry Bonds, shall be paid to the person in whose name such Series 2012 Bond is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to Section 2.07 of the Master Trust Indenture, such interest to be paid by check mailed by first-class mail on such Interest Payment Date to such Owner at his or her address as it appears on such books as of the Record Date; provided, however, that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Series 2012 Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Owner.

(g) Interest on the Series 2012 Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(h) Each Series of the Series 2012 Bonds shall be initially registered in the name of "Cede & Co.," as nominee of DTC, shall be in book-entry form, and shall be evidenced by one bond for each maturity bearing a specified interest rate (each, a "maturity") of the Series 2012 Bonds in the principal amount of the respective maturities of the Series 2012 Bonds.

Section 2.05. Book-Entry Bonds.

(a) Except as otherwise provided in paragraph (c) of this Section 2.05, the Owner of all of the Series 2012 Bonds shall be DTC and the Series 2012 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of and interest on each Series 2012 Bond registered in the name of Cede & Co. shall be made to the account, in the manner and at the address indicated in or pursuant to the Representation Letter delivered to DTC by the Corporation or the County.

(b) The Series 2012 Bonds shall be in the form of a single authenticated fully registered bond for each maturity bearing a specified interest rate. The ownership of all such Series 2012 Bonds shall be registered in the registration books maintained by the Trustee in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC may request. The Trustee, the Corporation and the County may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2012 Bonds registered in its name for the purposes of payment of the principal of and interest on such Series 2012 Bonds, selecting any Series 2012 Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to an Owner under this First Supplemental Indenture, registering the transfer of Series 2012 Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and neither the Trustee, the Corporation nor the County shall be affected by any notice to the contrary. Neither the Trustee, the Corporation nor the County shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section, securities brokers and dealers, banks, trust companies, clearing authorities and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2012 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Series 2012 Bonds; (iii) any notice which is permitted or required to be given to the Owners under this First Supplemental Indenture; (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial redemption of the Series 2012 Bonds; or (v) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal of and premium, if any, and interest on the Series 2012 Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2012 Bonds will be transferable to such new nominee in accordance with paragraph (f) of this Section.

(c) In the event that the Corporation determines that it is in the best interests of the beneficial owners of the Series 2012 Bonds that they be able to obtain Series 2012 Bonds, the Trustee shall, upon the written instruction of the Corporation, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of Series 2012 Bonds. In such event, the Series 2012 Bonds will be transferable in accordance with paragraph (f) of this Section. DTC may determine to discontinue providing its services with respect to the Series 2012 Bonds at any time by giving written notice of such discontinuance to the County, the Corporation or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 2012 Bonds will be transferable in accordance with paragraph (f) of this Section. Whenever DTC requests the County, the Corporation or the Trustee to do so, the Trustee, the Corporation and the County will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all Series 2012 Bonds evidencing the Series 2012 Bonds then Outstanding. In such event, the Series 2012 Bonds will be transferable to such securities depository in accordance with paragraph (f) of this Section, and thereafter, all reference in this First Supplemental Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this First Supplemental Indenture to the contrary, so long as all Series 2012 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal and interest represented by each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Corporation shall execute and deliver the Representation Letter and, in connection with any successor nominee for DTC and any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this First Supplemental Indenture.

(f) In the event that any transfer or exchange of Series 2012 Bonds is authorized under paragraph (b) or (c) of this Section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Series 2012 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of the Master Trust Indenture. In the event Series 2012 Bonds are issued to holders other than Cede & Co., its successor as nominee for DTC as Owner of all the Series 2012 Bonds, another securities depository as Owner of all the Series 2012 Bonds, or the nominee of such successor securities depository, the provisions of the Master Trust Indenture shall also apply to, among other things, the registration, exchange and transfer of the Series 2012 Bonds and the method of payment of principal of, premium, if any, and interest on the Series 2012 Bonds.

ARTICLE III

REDEMPTION

Section 3.01. Notice to Bondholders. Notice of redemption of any Series 2012 Bonds shall be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of the Series 2012 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first-class mail or (ii) with respect to Series 2012 Bonds held by DTC to DTC by registered mail or by overnight delivery. Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number, if any, of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2012 Bonds of such maturity to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2012 Bonds thereof and in the case of a Series 2012 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2012 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

Any notice of optional redemption of the Series 2012 Bonds delivered in accordance with this Section may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Corporation shall not be required to redeem the Series 2012 Bonds thereby called for redemption, and the redemption shall be cancelled and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. In addition, the Corporation may, at its option, on or prior to the date fixed for optional redemption in any notice of redemption of the Series 2012 Bonds, rescind and cancel such notice of redemption by Written Request of the Corporation to the Trustee, and any optional redemption of Series 2012 Bonds and notice thereof shall be rescinded and cancelled and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled pursuant to the provisions hereof. Any optional redemption of Series 2012 Bonds and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for optional redemption moneys are not available or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2012 Bonds called for optional redemption and such failure to optionally redeem the Series 2012 Bonds called for redemption shall not be a default hereunder.

Notice of redemption having been duly given as aforesaid or as otherwise provided in a Supplemental Indenture, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2012 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2012 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in this First Supplemental Indenture, together with interest accrued thereon to the date fixed for redemption, interest on the Series 2012 Bonds so called for

redemption shall cease to accrue, said Series 2012 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this First Supplemental Indenture, and the Owners of said Series 2012 Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption.

All Series 2012 Bonds redeemed pursuant to the provisions of this Section shall be canceled by the Trustee and shall be delivered to, or upon the order of, the Corporation and shall not be reissued.

Failure by the Trustee to give notice pursuant to this Section, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail or otherwise provide notice of redemption pursuant to this Section to any one or more of the respective Owners of any Series 2012 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

If any Series 2012 Bonds are at the time of redemption not Book-Entry Bonds, then the following additional requirements shall apply to any notice of redemption:

(a) at least two (2) days before the date of the mailing required by the first paragraph of this Section 3.01, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission or (iii) overnight delivery service, to the following securities depository:

The Depository Trust Company
711 Stewart Avenue
Garden City, NY 11530
Facsimile Transmission: (516) 227-4039
(516) 227-4190

(b) such redemption notice shall be given (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one or more of the following services selected by the Corporation and designated in writing to the Trustee:

- (i) Financial Information, Inc.'s Financial Daily Called Bond Service;
- (ii) Interactive Data Corporation's Bond Service;
- (iii) Kenny Information Service's Called Bond Service;
- (iv) Moody's Municipal and Government Called Bond Record; or
- (v) Standard & Poor's Called Bond Record

Failure to give the notice described in the immediately preceding paragraph or any defect therein shall not in any manner affect the redemption of any Series 2012 Bond.

Section 3.02. Optional Redemption of the Series 2012 Bonds. The Series 2012 Bonds maturing on or before November 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing on or after November 1, 20[] shall be subject to redemption prior to their respective stated maturities, at the option of the Corporation, from any source of available funds, in whole or in part on any date, at the following prepayment prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date fixed for redemption:

Redemption Dates	Prepayment Price
November 1, 20__ through May 1, 20__	%
November 1, 20__ through May 1, 20__	
November 1, 20__ and thereafter	

Section 3.03. [Mandatory Redemption From Sinking Fund Installments]. The Series 2012 Bonds with a stated maturity date of ____, 20[] are subject to mandatory redemption prior to their stated maturity, in part, by lot, from Sinking Fund Installments on each [November 1] a Sinking Fund Installment is due as specified in this Section 3.03, in the principal amount equal to the Sinking Fund Installment due on such date and at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium.

The Sinking Fund Installments for the Series 2012 Bonds with a stated maturity date of ____, 20[] shall be due in the amounts and on the dates as follows:

Sinking Fund Installment Dates (November 1)	Sinking Fund Installments
[]	\$
[]	
2031*	

*Final Maturity Date.

On or before the date such Sinking Fund Installments are due, the Trustee shall establish and maintain within the Series 2012 Principal Account, established pursuant to Section 4.03(b), a separate subaccount for the Term Bonds of each series and maturity, designated as the "2012 Bonds Sinking Subaccount" (the "*Sinking Account*"), inserting therein the series and maturity and, for maturities with more than one interest rate, for each such interest rate (if more than one such subaccount is established for such series) designation of such Series 2012 Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the

notice and in the manner provided herein pursuant to which such series of Series 2012 Bonds were issued; provided that, at any time prior to giving such notice of such redemption, the Trustee may apply moneys in such Sinking Account at the written direction of the County to the purchase of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Series 2012 Interest Account) as shall be determined by the County, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the 12-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

If (A) the Corporation purchases any Series 2012 Bonds and surrenders such Series 2012 Bonds to the Trustee for cancellation; or (B) if the Corporation optionally redeems any Series 2012 Bonds hereof, then the Corporation shall designate the Sinking Fund Installments, in an aggregate amount equal to the principal amount of Series 2012 Bonds so optionally redeemed, that are to be reduced as allocated to such redemption, and such Sinking Fund Installments shall be reduced accordingly.

Section 3.04. Purchase in Lieu of Redemption. If any Series 2012 Bond is called for optional redemption in whole or in part, the Corporation may elect, as provided in this Section 3.04, to have such Series 2012 Bond purchased in lieu of redemption in accordance with this Section.

(a) ***Purchase in Lieu of Redemption.*** Purchase in lieu of redemption shall be available to all Series 2012 Bonds called for optional redemption or for such lesser portion of such Series 2012 Bonds as constitute Authorized Denominations. In a written Certificate of the Corporation, the Corporation may direct the Trustee (or another agent appointed by the Corporation to make such purchase upon behalf of the Corporation), to purchase all or such lesser portion of the Series 2012 Bonds called for optional redemption. Any such direction to the Trustee (or other agent) must (i) be in writing, (ii) state either that all of the Series 2012 Bonds called for redemption are to be purchased or identify those Series 2012 Bonds to be purchased by maturity date and the outstanding principal amount in Authorized Denominations; and (iii) be received by the Trustee no later than 12:00 noon Pacific Time one (1) Business Day prior to the scheduled redemption date thereof.

(b) ***Withdrawal of Direction to Purchase.*** On or prior to the scheduled redemption date, any direction given to the Trustee pursuant to this Section may be withdrawn by the Corporation by delivering a written Certificate of the Corporation to the Trustee. Subject generally to the terms of this First Supplemental Indenture, should a direction to purchase be withdrawn, the scheduled redemption of such Series 2012 Bonds shall occur.

(c) ***Purchaser.*** If the purchase is directed by the Corporation, the purchase shall be made for the account of the Corporation or its designee.

(d) **Purchase Price.** The purchase price of the Series 2012 Bonds purchased in lieu of redemption shall be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Series 2012 Bonds on the scheduled redemption date for such redemption. To pay the purchase price of such Series 2012 Bonds, the Trustee shall not purchase the Series 2012 Bonds pursuant to this Section if, by no later than the redemption date, sufficient moneys have not been deposited with the Trustee or such moneys are deposited, but are not available.

(e) **No Notice to Bondholders.** No notice of the purchase in lieu of redemption shall be required to be given to the Owners (other than notice of redemption otherwise required under Section 3.01).

Section 3.05. Redemption From Net Proceeds. The Series 2012 Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as hereinafter provided, on any date, in whole or in part, from Net Proceeds, as provided in Section 6.07 of the Master Trust Agreement herein and Section 5.02 of the Master Lease, at the principal amount thereof together with accrued interest to the date of redemption, without premium. The redemption date shall be a date, selected by the County on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the County delivered to the Trustee pursuant to Section 6.07(a). Notwithstanding the foregoing, the Net Proceeds may be invested in a yield restricted account pursuant to the Tax Certificate and applied to the pro rata payment of principal of the Bonds, or such other selection of Bonds approved in an Opinion of Bond Counsel.

If less than all Outstanding Series 2012 Bonds are to be redeemed at any time pursuant to the provision of the immediately preceding paragraph above, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem, by lot among those Series and maturities of Series 2012 Bonds determined by the County and proportional if not designated, subject to the qualification that any redemption of Series 2012 Bonds pursuant to this section will not cause the total of all Master Lease Payments for the Property to be greater than the total fair rental value of the Property in accordance with Section 3.04 of the Master Lease. Subject to the foregoing, if less than all Outstanding Series 2012 Bonds maturing by their terms on any one date are to be so redeemed at any one time, the Trustee shall select by lot the Bonds of such maturity date to be redeemed in any manner that it deems appropriate.

Section 3.06. Selection of Series 2012 Bonds for Redemption. The Series 2012 Bonds are subject to redemption in such order or maturity (except mandatory sinking fund payments on the Term Bonds) as the Corporation may direct (and proportional if no specific order of redemption is designated by the Corporation) and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2012 Bonds) shall deem appropriate, within a maturity.

Upon surrender of a Series 2012 Bond to be redeemed, in part only, the Trustee will authenticate for the holder a new Series 2012 Bond or Series 2012 Bonds of the same maturity and interest rate equal to the principal amount to the unredeemed portion of the Series 2012 Bond surrendered.

ARTICLE IV

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 4.01. Establishment of Certain Funds. The Trustee shall establish the following special trust funds, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Series 2012 Bonds are Outstanding:

(a) the "County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2012 Interest Account" (the "*Series 2012 Interest Account*") created within the Bond Fund created by Section 4.02 of the Master Trust Indenture,

(b) the "County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2012 Principal Account" (the "*Series 2012 Principal Account*" and together with the Series 2012 Interest Account, the "*Series 2012 Bond Account*") created within the Bond Fund created by Section 4.02 of the Master Trust Indenture,

(c) the "County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2012 Costs of Issuance Fund" (the "*Series 2012 Costs of Issuance Fund*"),

(d) the "County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2012 Project Fund" (the "*Series 2012 Project Fund*"),

(e) the "County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2012 Rebate Account" (the "*Series 2012 Rebate Account*") created within the Rebate Fund created by Section 4.04 of the Master Trust Indenture, and

(f) the "County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2012 Reserve Fund" (the "*Series 2012 Reserve Fund*").

So long as any of the Series 2012 Bonds, or any interest thereon, remain unpaid, the moneys in the preceding funds shall be used for no purpose other than those required or permitted by this First Supplemental Indenture.

Section 4.02. Application of Proceeds of Series 2012 Bonds. The proceeds received from the sale of the Series 2012 Bonds (comprised of the par amount [plus/less] net issue [premium/discount] in the amount of \$[_____], less an underwriters' discount of \$[_____]) shall be deposited in trust with the Trustee, who shall forthwith set aside the following amounts:

(i) the Trustee shall deposit the amount of \$[_____] in the Series 2012 Costs of Issuance Fund;

(ii) the Trustee shall deposit the amount of \$[_____] in the Series 2012 Project Fund;

(iii) the Trustee shall deposit the amount of \$[] in the Series 2001 Escrow Fund, created pursuant to the Series 2001 Escrow Agreement; and

(iv) the Trustee shall deposit the amount of \$[] in the Series 2012 Reserve Fund.

Section 4.03. Series 2012 Bond Fund. The Trustee shall make deposits into the Series 2012 Bond Fund as follows:

(a) **Series 2012 Interest Account.** The Trustee shall deposit into the Series 2012 Interest Account (i) amounts received from the Corporation pursuant to Section 4.03 of the Master Trust Indenture to be used to pay interest on the Series 2012 Bonds. The Trustee shall also deposit into the Series 2012 Interest Account any other amounts deposited with the Trustee for deposit in the Series 2012 Interest Account or transferred from other funds and accounts for deposit therein including amounts designated for prepayment or redemption of the Series 2012 Bonds. Earnings on the Series 2012 Interest Account shall be retained in such account.

(b) **Series 2012 Principal Account.** The Trustee shall deposit into the Series 2012 Principal Account amounts received from the Corporation pursuant to Section 4.03 of the Master Trust Indenture to be used to pay principal of the Series 2012 Bonds at maturity. The Trustee shall also deposit into the Series 2012 Principal Account any other amounts deposited with the Trustee for deposit into the Series 2012 Principal Account or transferred from other funds and accounts for deposit therein, including amounts designated for the prepayment or redemption of the Series 2012 Bonds. All moneys remaining in the Series 2012 Principal Account fifteen (15) days following the Principal Payment Dates shall be transferred to the Series 2012 Interest Account for the payment of interest on the Series 2012 Bonds.

The Series 2012 Bond Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

Section 4.04. Series 2012 Cost of Issuance Fund.

(a) There shall be deposited into the Costs of Issuance Fund the amount provided herein.

(b) The Trustee shall make payments or disbursements from the Costs of Issuance Fund upon receipt from the Corporation of a written requisition (a form of which is attached as Exhibit B hereto) executed by an Authorized Representative of the Corporation, which requisition shall state, with respect to each amount requested thereby, (i) the Account, if any, within the Costs of Issuance Fund from which such amount is to be paid, (ii) that such amount is to be paid from such Account, if any, of the Costs of Issuance Fund, (iii) the number of the requisition, (iv) the amount to be paid, the name of the entity, if other than the Corporation, to which the payment is to be made and the manner in which the payment is to be made and (v) describe the Costs of Issuance represented by such payment.

(c) Moneys held in the Costs of Issuance Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

(d) Earnings on the Series 2012 Costs of Issuance Fund shall be deposited into the Series 2012 Interest Account. Any amounts remaining in the Series 2012 Costs of Issuance Fund on August [], 2012 shall be transferred to the Series 2012 Interest Account and the Series 2012 Costs of Issuance Fund shall be closed.

Series 2012 Reserve Fund. Moneys held in the Series 2012 Reserve Fund shall be used for the purpose of paying principal and interest on the Series 2012 Bonds if, on any principal or interest payment date on any such Series 2012 Bonds, the amounts in the Series 2012 Principal Account and the Series 2012 Interest Account are insufficient to pay in full the amount then due on the Series 2012 Bonds. Except with respect to any guaranteed investment contract, if any, used in funding the Series 2012 Reserve Fund, the Trustee shall annually, on or about June 1 of each year, commencing June 1, 2012 and at such other times as the Corporation shall deem appropriate, value the Series 2012 Reserve Fund on the basis of the lower of amortized cost or market value thereof, including accrued interest thereon and the basis of the cost thereof, adjusted for amortization of premium or discount on the investment thereof. For purposes of determining the amount on deposit in the Series 2012 Reserve Fund, any Reserve Fund Credit Facility held by, or the benefit of which is available to, the Trustee as security for the Series 2012 Bonds shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided except that, if the amount available under a Reserve Fund Credit Facility has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Credit Facility and not reinstated or another Reserve Fund Credit Facility provided, then, in valuing the Series 2012 Reserve Fund, the value of such Reserve Fund Credit Facility shall be reduced accordingly. Upon each such valuation, the Trustee shall prepare a written certificate setting forth the Reserve Requirement as of such valuation date and the value of the Series 2012 Reserve Fund and deliver a copy thereof to the Corporation. If, upon any valuation, the value of the Series 2012 Reserve Fund exceeds the Reserve Requirement, the excess amount, including investment earnings, shall be withdrawn and deposited by the Trustee into the Series 2012 Interest Account, unless otherwise directed by the Corporation.

Provided the Series 2012 Reserve Fund has been satisfied by both cash or securities and a Reserve Fund Credit Facility, any payment of principal or interest on the Series 2012 Bonds from the Series 2012 Reserve Fund shall first be made from any cash or securities then deposited in the Series 2012 Reserve Fund and only in the event no cash or securities remain in the Series 2012 Reserve Fund shall the Trustee be allowed to make a draw under the Reserve Fund Credit Facility. Additionally, in the event that two or more Reserve Fund Credit Facilities have been entered into, any payment of interest or principal to be made pursuant to any of the Reserve Fund Credit Facilities shall be made on a pro rata basis.

At such time as amounts in the Series 2012 Bond Fund are equal to all debt service payments remaining due on the Series 2012 Bonds, the amount in the Series 2012 Reserve Fund may be used to pay the final installments of principal and interest on the Series 2012 Bonds and otherwise may be withdrawn and transferred to the County to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Series 2012

Bonds, there shall be delivered to the Trustee with the request for such fund an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series 2012 Bonds in the gross income of the recipient thereof for federal income tax purposes.

A Reserve Fund Credit Facility shall be acceptable in lieu of an initial deposit of cash or securities or in substitution of cash or securities on deposit in the Series 2012 Reserve Fund created hereunder only if at the time of such deposit such Reserve Fund Credit Facility extends to the final maturity of the Series 2012 Bonds.

If moneys have been withdrawn from the Series 2012 Reserve Fund or a payment has been made under a Reserve Fund Credit Facility constituting all or a portion of the Series 2012 Reserve Fund, and deposited into the Series 2012 Bond Fund to prevent a default on the Series 2012 Bonds, then the Corporation will pay to the Trustee, from Revenues, but only as provided in Section 4.03 of the Indenture, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Credit Facility, or so much as shall be required to restore the Series 2012 Reserve Fund to the Reserve Requirement and to pay such interest, if any. If such repayment is with respect to a draw under a Reserve Fund Credit Facility, the Trustee shall pay to the provider of such Reserve Fund Credit Facility the amount received by the Trustee from the Corporation which is designated to be used to reimburse the provider of such Reserve Fund Credit Facility. The Trustee shall immediately notify the Trustee of such reimbursement, and the amount available to be drawn under the Reserve Fund Credit Facility shall increase by the amount of such reimbursement. Repayments owed to the provider of a Reserve Fund Credit Facility shall be paid prior to funding the unfunded cash portion of the Series 2012 Reserve Fund Requirement; provided, however, that the Corporation's obligation to fund the Series 2012 Reserve Fund shall be on the same priority as the Corporation's obligation to fund reserve funds for its other Bonds. Amounts provided by the Corporation to the Trustee to fund the Corporation's reserve fund obligations for its Bonds must be distributed between the Series 2012 Bonds and the Corporation's other Bonds on a pro rata basis without regard to the existence of a cash funded debt service reserve or a Reserve Fund Credit Facility.

Moneys in the Series 2012 Reserve Fund shall be invested and reinvested by the Trustee at the direction of the Corporation in Permitted Investments.

Section 4.05. Sources of Payment of Series 2012 Bonds. The Series 2012 Bonds shall be secured by and payable from the Revenues as provided in the Master Trust Indenture. Additionally, the Series 2012 Bonds shall be secured by and payable from moneys and other interests held by the Trustee in the Series 2012 Reserve Fund. The Corporation may, but is not obligated to, provide for payment of principal of and interest on the Series 2012 Bonds from any other source or from any other funds of the Corporation.

Section 4.06. Series 2012 Project Fund.

- (a) There shall be deposited into the Project Fund the amount provided herein.
- (b) The Trustee shall make payments or disbursements from the Project Fund upon receipt from the Corporation of a written requisition (a form of which is attached as

Exhibit C hereto) executed by an Authorized Representative of the Corporation, which requisition shall state, with respect to each amount requested thereby, (i) the Account, if any, within the Project Fund from which such amount is to be paid, (ii) that such amount is to be paid from such Account, if any, of the Project Fund, (iii) the number of the requisition, (iv) the amount to be paid, the name of the entity, if other than the Corporation, to which the payment is to be made and the manner in which the payment is to be made and (v) describe the Cost of the Project represented by such payment.

(c) Moneys held in the Project Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

(d) Earnings on the Series 2012 Project Fund shall be retained in the Series 2012 Project Fund. Any amounts remaining in the Series 2012 Project Fund on February [], 2014 shall be transferred to the Series 2012 Interest Account and the Series 2012 Project Fund shall be closed.

ARTICLE V

TAX COVENANTS

Section 5.01. Series 2012 Rebate Account. The Corporation hereby agrees that it will enter into the Tax Certificate and will, pursuant to this First Supplemental Indenture, create the Series 2012 Rebate Account, within the Rebate Fund created and established by the Master Trust Indenture, which fund will be funded if so required under the Tax Certificate and amounts in such Series 2012 Rebate Account shall be held and disbursed in accordance with the Tax Certificate.

Section 5.02. Preservation of Tax Exemption.

(a) The Corporation shall comply with those covenants and agreements set forth in the Tax Certificate.

(b) The Corporation shall not use or permit the use of any proceeds of Series 2012 Bonds or any other funds of the Corporation held by the Trustee under this First Supplemental Indenture, attributable to the Series 2012 Bonds, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Corporation or the Trustee with respect to the Series 2012 Bonds in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Series 2012 Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The Corporation shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. In the event the Corporation is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Trustee or to use such money in certain manners, in order to avoid the Series 2012 Bonds from being considered “arbitrage bonds” within the

meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Series 2012 Bonds at such time, the Corporation shall issue to the Trustee a certificate to such effect together with appropriate instructions, in which event the Trustee shall take such action as it is directed to take to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion.

(c) The Corporation shall at all times do and perform all acts and things permitted by law and this First Supplemental Indenture which are necessary or desirable in order to assure that interest paid on the Series 2012 Bonds will not be included in gross income for federal income tax purposes (other than interest paid to holders of the Series 2012 Bonds that are a "substantial user" of the facilities financed and refinanced with the Series 2012 Bonds or a "related person" within the meaning of Section 147(a) of the Code) and shall take no action that would result in such interest being included in gross income for federal income tax purposes (other than interest paid to holders of the Series 2012 Bonds that are a "substantial user" of the facilities financed and refinanced with the Series 2012 Bonds or a "related person" within the meaning of Section 147(a) of the Code).

ARTICLE VI

MISCELLANEOUS

Section 6.01. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this First Supplemental Indenture or the Series 2012 Bonds must be in writing except as expressly provided otherwise in this First Supplemental Indenture or the Series 2012 Bonds.

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when mailed by first-class mail, postage prepaid, addressed to the Corporation or the Trustee at the addresses provided in the Master Trust Indenture or when delivered by hand and received by the Corporation or the Trustee at the addresses provided in the Master Trust Indenture. Any addressee may designate additional or different addresses for purposes of this Section.

Section 6.02. Modification of Master Trust Indenture and this First Supplemental Indenture. The Corporation may, from time to time and at any time, execute and deliver Supplemental Indentures supplementing and/or amending the Master Trust Indenture and this First Supplemental Indenture in the manner set forth in Article VIII of the Master Trust Indenture.

Section 6.03. Parties Interested Herein. Nothing in this First Supplemental Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Corporation, the Trustee and the Registered Owners of the

Series 2012 Bonds, any right, remedy or claim under or by reason of this First Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this First Supplemental Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the Trustee and the Registered Owners of the Series 2012 Bonds.

Section 6.04. Severability. If any provision of this First Supplemental Indenture shall be determined to be unenforceable, that shall not affect any other provision of this First Supplemental Indenture.

Section 6.05. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made or the action taken on the stated date, and no interest shall accrue for the intervening period.

Section 6.06. Governing Law. This First Supplemental Indenture shall be governed by and construed in accordance with the laws of the State.

Section 6.07. Captions. The captions in this First Supplemental Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this First Supplemental Indenture.

Section 6.08. Counterparts. This First Supplemental Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

[End of First Supplemental Trust Indenture]

IN WITNESS WHEREOF, COUNTY OF RIVERSIDE ASSET LEASING CORPORATION has caused this First Supplemental Indenture to be signed in its name by its duly authorized officers, and WELLS FARGO BANK, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this First Supplemental Indenture to be signed in its corporate name by its duly authorized officer, all as of the day and year first above written.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By _____
Name _____
Title _____

Attest:

By _____
[Name, Title]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By _____
Name _____
Title _____

[Signature page to First Supplemental Trust Indenture]

EXHIBIT A
FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE BONDS
SERIES 2012
(ADMINISTRATIVE ANNEX REFUNDING PROJECT)

NEITHER THIS BOND NOR THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OF RIVERSIDE OR STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE COUNTY OF RIVERSIDE NOR THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THIS BOND.

No. R- _____ \$ _____

Interest Rate	Maturity Date	Original Issue Date	CUSIP
_____ %	November 1, 20[]	_____	_____

REGISTERED OWNER: ****CEDE & CO.****

PRINCIPAL AMOUNT: _____ DOLLARS

The County of Riverside Asset Leasing Corporation, a joint exercise of powers authority duly organized and existing under the laws of the State of California, particularly Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Corporation"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided therefor) the principal sum specified above, together with interest thereon from the interest payment date next preceding the date of authentication hereof (unless such date of authentication is during the

period commencing after the fifteenth day of the month immediately preceding an interest payment date, whether or not said day is a business day (the "Record Date") through and including the next succeeding interest payment date, in which event this Bond shall bear interest from such interest payment date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the Dated Date specified above); provided, however, that if on the date of authentication of this Bond, interest is then in default on any outstanding Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment.

The principal of this Bond shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee in Los Angeles, California upon presentation and surrender of this Bond or such other place as designated by the Trustee.

Payment of interest on this Bond due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Bond is registered, as of the Record Date preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first-class mail on such interest payment date to the registered owner at his address as it appears on such books as of the Record Date; provided that upon the written request of a registered owner of \$1,000,000 or more in aggregate principal amount of the Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Interest on this Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project)" (the "Bonds") in the aggregate principal amount of [] Dollars (\$[]), all of like tenor and original issue date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of an Master Trust Indenture, dated as of February 1, 2012 (the "Master Trust Indenture"), by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee") as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012 (the "First Supplemental Indenture," and together with the Master Trust Indenture, the "Indenture") (copies of which are on file at the office of the Secretary of the Corporation and at the Corporate Trust Office of the Trustee).

The Bonds are limited obligations of the Corporation and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the County of Riverside, California (the "County") for the use and occupancy of the Property (as defined in the Indenture) as long as the County has such use and occupancy of the Property, and amounts on deposit in the funds, accounts and subaccounts established under the relevant Supplemental Indenture (other than amounts on deposit in any Rebate Fund or any account therein), all as set forth in the respective Supplemental Indentures ("Revenues"). Any Reserve Fund and any Reserve Fund Credit Facility provided for a specific Series of Bonds or one or more Series of Bonds shall not be included as security for all Bonds under the Indenture unless otherwise provided by a Supplemental Indenture. All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which

Revenues shall be held in trust for the security and payment of the interest on, principal of and redemption premiums, if any, with respect to the Bonds as provided in the Indenture.

The Bonds are special, limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the County nor the State are pledged to the payment of the principal of or interest on the Bonds.

Additional lease revenue bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Indenture. Reference is hereby made to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms under which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the registered owners of the Bonds. All of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Corporation and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Corporation has agreed and covenanted that, for the payment of the interest on, the principal of and redemption premium, if any, with respect to this Bond and all other Bonds of this issue authorized by the Indenture when due, there has been created and will be maintained by the Trustee a special fund into which all Revenues (other than deposits to the Rebate Fund created by the Indenture, or any accounts therein) shall be deposited, and the Corporation has allocated such Revenues solely to the payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Corporation will pay promptly when due the interest on and the principal of and redemption premium, if any, on this Bond and all other Bonds of this issue authorized by the Indenture out of said special fund, all in accordance with the terms and provisions set forth in the Indenture.

Except as provided in the following three paragraphs, the Bonds are not subject to redemption prior to their respective stated maturities.

The Bonds maturing on or before after November, 20[] shall be subject to redemption prior to their respective stated maturities, at the option of the Corporation, from any source of available funds, in whole or in part on any date, at the following prepayment prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date fixed for redemption:

Redemption Dates	Prepayment Price
November 1, 20__ through May 1, 20__	%
November 1, 20__ through May 1, 20__	
November 1, 20__ and thereafter	

Any such redemption shall be in such order or maturity as the Corporation shall designate (and proportional if no specific order of redemption is designated by the Corporation) and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2012 Bonds) shall deem appropriate, within a maturity.

The Bonds with a stated maturity date of November 1, 20[] are subject to mandatory redemption prior to their respective stated maturity, in part, by lot, from Sinking Fund Installments required by and as specified in the Indenture, on November 1, 20[] at a redemption price equal to [100]% of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, in accordance with the sinking fund schedule set forth in the First Supplemental Indenture.

The Bonds are subject to redemption prior to their respective maturity dates, in authorized denominations, on any date, in whole or in part, from net insurance proceeds or condemnation awards, upon the terms and conditions of, and as provided in, the Indenture, at the principal amount thereof together with accrued interest to the date of redemption, without premium. If less than all outstanding Bonds are to be redeemed at any time, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken to redeem, by lot among all maturities of Bonds determined by the County. If less than all the outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select by lot the Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair.

As provided in the Indenture, notice of redemption of this Bond shall be given by first-class mail not less than 30 days nor more than 60 days before the redemption date to the registered owner hereof. If notice of redemption has been duly given and moneys for the payment of the redemption price is held by the Trustee, then on the redemption date designated in such notice, this Bond shall become due and payable, and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

Any notice of optional redemption of this Bond delivered in accordance with the Indenture may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Corporation shall not be required to redeem this Bond thereby called for redemption, and the redemption shall be cancelled and the Trustee shall within a reasonable time thereafter give notice, registered owner and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

This Bond is transferable only in the books required to be kept for that purpose at the corporate trust office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Indenture and upon surrender of this Bond together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer of or exchange any Bond (a) during the period commencing on the day which is five business days before the date on which Bonds are to be

selected for redemption and ending on such date of selection, or (b) which has been selected for redemption in whole or in part.

The Corporation and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Corporation nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

The rights and obligations of the Corporation and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture.

If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all outstanding Bonds the interest thereon, the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and in the Indenture, then the registered owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Corporation to the registered owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

It is hereby certified that all acts and proceedings required by law necessary to make this Bond, when executed by the Corporation, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Corporation have been done and taken, and have been in all respects duly authorized.

IN WITNESS WHEREOF, the County of Riverside Asset Leasing Corporation has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director and attested to by the manual or facsimile signature of its Secretary as of the Dated Date specified above.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By _____
[Name, Title]

ATTEST:

By _____
[Name, Title]

[FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This Bond is one of the Bonds described in the within mentioned Indenture and has been authenticated and registered on _____.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto _____, whose tax identification number is _____, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed: _____

NOTE: The signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B

FORM COSTS OF ISSUANCE FUND REQUISITION

To: [_____]

Re: County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series 2012

Requisition No. _____

The undersigned, on behalf of the County of Riverside Asset Leasing Corporation (the "Corporation"), hereby requests Wells Fargo Bank, National Association (the "Trustee"), as trustee under that certain Master Trust Indenture between the Corporation and the Trustee, dated as of February 1, 2012 (the "Master Trust Indenture") and the First Supplemental Trust Indenture, dated as of February 1, 2012 (the "First Supplemental Trust Indenture" and together with the Master Trust Indenture, the "Indenture") relating to the Corporation's Lease Revenue Bonds, Series 2012 (the "Bonds"), to pay the amounts indicated on Schedule A attached hereto to the therein-named individuals, firms and corporations for expenses incident to the issuance of said Bonds pursuant to the Indenture from the Costs of Issuance Fund.

The undersigned hereby certifies that obligations in the amounts stated below have been incurred, are presently due and payable, and that each item is a proper charge against the Costs of Issuance Fund and has not been previously paid from said fund or from the proceeds of the Bonds.

Dated: _____, _____

COUNTY OF RIVERSIDE

By _____
Authorized Representative

SCHEDULE A

Item No.	Payee	Amount	Purpose
-----------------	--------------	---------------	----------------

EXHIBIT C

FORM COSTS OF PROJECT FUND REQUISITION

To: []

Re: County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series 2012
(Administrative Annex Refunding Project)

Requisition No. _____

The undersigned, on behalf of the County of Riverside Asset Leasing Corporation (the "Corporation"), hereby requests Wells Fargo Bank, National Association (the "Trustee"), as trustee under that certain Master Trust Indenture between the Corporation and the Trustee, dated as of February 1, 2012 (the "Master Trust Indenture") and the First Supplemental Trust Indenture, dated as of February 1, 2012 (the "First Supplemental Trust Indenture" and together with the Master Trust Indenture, the "Indenture") relating to the Corporation's Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project) (the "Bonds"), to pay the amounts indicated on Schedule A attached hereto to the therein-named individuals, firms and corporations for Costs of the Project from the Project Fund.

The undersigned hereby certifies that (i) obligations in the amounts stated below have been incurred, are presently due and payable, and that each item is a proper charge against the Project Fund and has not been previously paid from said fund or from the proceeds of the Bonds, (ii) no Event of Default exists and is continuing under the Indenture, and (iii) there has not been filed with or served upon the County notice of any lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in this Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____, _____

COUNTY OF RIVERSIDE

By _____
Authorized Representative

SCHEDULE A

Item No.	Payee	Amount	Purpose
-----------------	--------------	---------------	----------------



RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Kutak Rock LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, California 90017
Attention: Sam S. Balisy, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

MASTER LEASE AGREEMENT

by and between

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION,
as the lessor

and the

COUNTY OF RIVERSIDE,
as the lessee

Dated as of February 1, 2012

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MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT, dated as of February 1, 2012, by and between **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION** (the "**Corporation**"), a California nonprofit public benefit corporation, as lessor, and the **COUNTY OF RIVERSIDE** (the "**County**"), a body corporate and politic and a political subdivision of the State of California, as lessee. (Capitalized terms used in the Whereas clauses and not defined herein shall have the meanings provided in Section 1.01 hereof.)

WITNESSETH:

WHEREAS, the County has heretofore caused the execution and delivery of \$38,075,000 County of Riverside Refunding Certificates of Participation Certificates of Participation (County Administrative Center Annex Project) evidencing and representing the undivided and proportionate interests in lease payments for certain property pursuant to a lease agreement with the Corporation, of which \$[] remains outstanding (the "**2001 Certificates**"); and

WHEREAS, the proceeds of the 2001 Certificates were used to finance the construction, installation and equipping of certain facilities to be used to carry out the County's administrative functions and the construction and installation of certain parking facilities to serve the County's facilities (the "**2001 Project**"); and

WHEREAS, the County has determined that it is in the public interest and there is a significant public benefit to the inhabitants of the County as there are demonstrable savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs that the County refinance the 2001 Project and refund the outstanding 2001 Certificates and to finance the construction, renovation, equipping and furnishing of the County's public defender building (together, the "**Project**"), through the delivery of this Master Lease; and

WHEREAS, the Corporation intends to assist the County in refinancing the 2001 Project and financing the Project by issuing the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2012 (Administrative Annex Refunding Project) (the "**Series 2012 Bonds**"), in an aggregate principal amount of [] dollars (\$[]) pursuant to a Master Trust Indenture, dated as of February 1, 2012, as supplemented by Supplemental Indentures including a First Supplemental Trust Indenture (collectively, the "**Indenture**"), all by and between the Corporation and Wells Fargo Bank, National Association (the "**Trustee**"), as trustee; and

WHEREAS, to provide for and accomplish the Project, the Corporation proposes to lease from the County certain land owned by the County and more particularly described in the attached Exhibit A which is incorporated herein by this reference, and the buildings and related improvements (the "**Property**") located thereon, pursuant to a Master Site Lease (the "**Master Site Lease**") dated as of the date hereof, and recorded concurrently herewith, and sublease the Property to the County pursuant to this Master Lease; and

WHEREAS, the County is authorized under applicable State law to lease the Property to the Corporation pursuant to the Master Site Lease, and to lease-back the Property pursuant to this

Master Lease and to consummate the Project; and has determined that the Project and the lease of the Property is a necessary and proper public purpose; and

WHEREAS, under this Master Lease, the County will be obligated to make Base Rental Payments to the Corporation for the lease of the Property and such other facilities as may from time to time be leased hereunder; and

WHEREAS, all acts, conditions and things required by law to exist, to have occurred and to have been performed precedent to and in connection with the execution and entering into of this Master Lease do exist, have occurred and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Master Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS HEREINAFTER CONTAINED AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Master Lease, have the meanings herein specified, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

“Addition” means the addition of Property to the leasehold hereof, and the lease of additional real property and improvements hereunder from the Corporation to the County, as provided in Section 4.07 hereof.

“Additional Bonds” means all lease revenue bonds or lease revenue refunding bonds of any Series authorized by and at any time Outstanding pursuant to the Indenture, as supplemented by Supplemental Indentures, thereto and executed, issued and delivered in accordance with Article III of the Indenture, excluding the Initial Bonds.

“Additional Payments” means the amounts payable by the County pursuant to Section 3.07 of this Master Lease.

“Assignment Agreement” means the Assignment Agreement, dated as of February 1, 2012, by and between the Corporation and the Trustee, and recorded concurrently herewith, whereby the Corporation assigns to the Trustee for the benefit of the Owners the Corporation’s rights under the Master Site Lease and this Master Lease, including the right to receive Base Rental Payments.

“Base Rental Payment Date” means the fifteenth day of April and October in each year during the Term of this Master Lease, commencing April 15, 2012.

“*Base Rental Payments*” means all amounts payable to the Corporation from the County as Base Rental Payments pursuant to Section 3.04 of this Master Lease.

“*Base Rental Payment Schedule*” means the schedule of Base Rental Payments payable to the Corporation from the County pursuant to Section 3.04 of this Master Lease.

“*Base Rental Period*” means each 12-month period during the Term of this Master Lease commencing on October 15 in any year and ending on October 14 in the next succeeding year; except that the first Base Rental Period during the term of this Master Lease shall commence on the Closing Date and end on October 14, 2012.

“*Bonds*” means the Series 2012 Bonds and all Additional Bonds.

“*Closing Date*” means February [], 2012.

“*Code*” means the Internal Revenue Code of 1986, as amended and the United States Treasury Regulations applicable with respect thereto.

“*Corporate Trust Office of the Trustee*” means the principal corporate trust office of the Trustee located at Wells Fargo Bank, National Association, 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017, Attention: Corporate Trust Department or such other or additional offices as may be specified to the Corporation by the Trustee in writing.

“*Corporation*” means the County of Riverside Asset Leasing Corporation, a California nonprofit public benefit corporation, and its successors.

“*County*” means the County of Riverside, a political subdivision and body corporate and politic of the State.

“*Expiry Date*” means November 1, 2031, except as extended or sooner terminated pursuant to Sections 3.02 or Section 5.03 hereof, or such other date or dates as set forth in an amendment to this Master Lease.

“*Indenture*” means the agreement, as supplemented by Supplemental Indentures, entitled “Master Trust Indenture” and dated as of February 1, 2012, by and between the Trustee and the Corporation, together with any duly authorized and executed amendments and supplements thereto.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the State in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the County.

“*Insurance Proceeds and Condemnation Awards Fund*” means the fund by that name established and held by the Trustee pursuant to Section 6.07 of the Indenture.

“*Master Lease Agreement*” or “*Master Lease*” means this Master Lease Agreement together with any duly authorized and executed amendments hereto.

“*Master Lease Payments*” shall mean the Base Rental Payments and the Additional Payments.

“*Master Site Lease*” means the Master Site Lease, dated as of February 1, 2012, by and between the County, as lessor, and the Corporation, as lessee, including any amendments thereto, pursuant to which the County leases the Property to the Corporation.

“*Net Proceeds*” means any insurance proceeds (including self-insurance proceeds) or condemnation award, paid with respect to any of the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Official Statement*” means the Official Statement dated February [], 2012 relating to the Series 2012 Bonds.

“*Permitted Encumbrances*” means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of Section 4.01 and Section 4.06 hereof, permit to remain unpaid; (b) the Master Site Lease; (c) this Master Lease (including any amendment thereto); (d) the pledge under the Indenture; (e) any encumbrance, indebtedness and leases permitted under Section 4.06 hereof; (f) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law or any mechanics or other liens permitted under Section 4.02 hereof; (g) easements, rights of way, licenses, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date (or, in the case of any property added in connection with the issuance of Additional Bonds or any Substituted Property, which exist of record as of the date any such property is added to the description of Property) and which the County certifies in writing will not materially impair the County’s right to use and occupy the Property or its ability to meet the requirement under Section 3.04(c) herein; (h) restrictions arising under the terms of a redevelopment plan of any California redevelopment agency; (i) easements, rights of way and licenses granted to persons who develop or use the real property adjacent to the Property which the County certifies in writing will not damage, reduce the fair market value of or materially impair the use of the Property; and (j) right grants by the County pursuant to Section 4.06 hereof.

“*Property*” means that certain real property together with improvements located thereon that are owned by the County, which is the subject of the Master Site Lease comprising those parcels described in Exhibit A, as the same may be changed from time to time by Removal, Addition or Substitution as provided in Section 4.07 hereof; subject, however, to Permitted Encumbrances.

“*Removal*” means the release of all or a portion of the Property from the leasehold hereof and of the Master Site Lease as provided in Section 4.07.

“*State*” means the State of California.

“*Substituted Property*” shall have the meaning as set forth in Section 4.07 herein.

“*Substitution*” means the release of all or a portion of the Property from the leasehold hereof and of the Master Site Lease, and the lease of substituted real property and improvements hereunder and under the Master Site Lease as provided in Section 4.07.

“*Supplemental Indenture*” means any indenture then in full force and effect which has been duly executed and delivered by the Corporation and the Trustee amendatory to the Indenture or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

“*Tax Certificate*” means the Tax Compliance Certificate executed by the County and the Corporation at the time of the issuance and delivery of Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Term of this Master Lease*” or “*Term*” means the time during which this Master Lease is in effect, as provided for in Section 3.02 hereof.

“*Trustee*” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or any other association or authority which may at any time be substituted in its place pursuant to the Indenture.

“*2001 Project*” has the meaning set forth in the recitals.

Section 1.02. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Master Lease:

- EXHIBIT A: Description of the Property.
- EXHIBIT B: Base Rental Payments Schedule.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the County. The County represents and warrants to the Corporation as follows:

(a) **Existence.** The County is validly existing as a political subdivision of the State, duly organized and created and validly existing under the Constitution of the State, with full right and power to execute, deliver and perform its obligations hereunder and under any related documents to which it is a party.

(b) **Authorization.** The execution, delivery and performance by the County of this Master Lease and the Master Site Lease and any related documents to which it is a party are within the County's powers, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any governmental body, agency or official applicable to the County and do not violate or contravene, or constitute a default under, any provision of applicable law, charter, ordinance or regulation or of any material agreement, judgment, injunction, order, decree or material instrument binding upon the County or result in the creation or imposition of any lien or encumbrance on any asset of the County (other than pursuant to such enumerated documents).

(c) **Binding Effect.** Assuming due authorization, execution and delivery by each of the other parties hereto and thereto, this Master Lease and the Master Site Lease and any related documents to which the County is a party, each constitutes the legal, valid and binding obligation of the County enforceable against the County in accordance with its respective terms, subject, as to enforceability, to applicable bankruptcy, moratorium, insolvency or similar laws affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) **No Default.** The County is not, in any material respect, in violation of any applicable law or administrative regulation of the State or of the United States of America, relating, in each case, to the issuance of debt securities by it, or any applicable judgment, decree, loan agreement, note, resolution, ordinance or other material agreement to which it is a party or is otherwise subject. Late delivery of financial statements or other reporting documentation shall not be deemed material for purposes of this subsection.

(e) **Litigation.** There is no action, suit or proceeding against, or to the knowledge of the County threatened against or affecting, the County before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the financial condition of the County or which in any manner draws into question the validity or enforceability of this Master Lease and the Master Site Lease or any related documents to which the County is a party.

(f) **Legislation.** No legislation has been enacted which would materially adversely affect or prohibit (i) the execution and delivery of this Master Lease and the Master Site Lease or any related documents to which the County is a party, or (ii) the performance by the County of its obligations under this Master Lease or any related documents to which the County is a party.

(g) **No Violations.** Neither the execution and delivery of this Master Lease and the Master Site Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the County is now a party or by which the County is bound or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the Property or assets of the County, or upon the Property, except Permitted Encumbrances.

Section 2.02. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the County as follows:

(a) **Due Organization and Existence.** The Corporation is a nonprofit public benefit corporation organized, existing and operating pursuant to the Constitution and laws of the State and has full legal power to enter into this Master Lease, the Master Site Lease, the Assignment Agreement and the Indenture, to enter into the transactions contemplated hereby and to carry out its obligations under this Master Lease, the Master Site Lease, the Assignment Agreement and the Indenture, and the Corporation, by proper actions of its board of directors, has duly authorized the execution and delivery of this Master Lease, the Master Site Lease, the Assignment Agreement and the Indenture.

(b) **Binding Effect.** Assuming due authorization, execution and delivery by each of the other parties hereto and thereto, this Master Lease, the Master Site Lease, the Assignment Agreement and the Indenture, and any related documents to which the Corporation is a party, each constitutes the legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its respective terms, subject, as to enforceability, to applicable bankruptcy, moratorium, insolvency or similar laws affecting the rights of creditors generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) **No Default.** The Corporation is not, in any material respect, in violation of any applicable law or administrative regulation of the State or of the United States of America, relating, in each case, to the issuance of debt securities by it, or any applicable judgment, decree, loan agreement, note, resolution, ordinance or other material agreement to which it is a party or is otherwise subject.

(d) **No Litigation.** There is no action, suit or proceeding against, or to the knowledge of the Corporation threatened against or affecting, the Corporation before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the

financial condition of the Corporation or which in any manner draws into question the validity or enforceability of this Master Lease or any related document to which the Corporation is a party.

(e) **No Encumbrances.** The Corporation will not pledge the Base Rental Payments or other amounts derived from the Property and from its other rights under this Master Lease, and will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Corporation, the Trustee and the County as provided herein and in the Indenture, the Assignment Agreement and Permitted Encumbrances. Except as expressly provided in this Master Lease, the Corporation shall promptly take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time.

(f) **No Violations.** Neither the execution and delivery of this Master Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the Property or assets of the Corporation, or upon the Property, except Permitted Encumbrances.

ARTICLE III

AGREEMENT TO MASTER LEASE; TERMINATION OF THIS MASTER LEASE; MASTER LEASE PAYMENTS

Section 3.01. Master Lease of the Property; Title to the Property.

(a) The Corporation hereby subleases the Property to the County, and the County hereby subleases the Property from the Corporation, on the terms and conditions hereinafter set forth. The County hereby agrees and covenants during the Term of this Master Lease that, except as hereinafter expressly provided, it will use the Property solely for public and municipal purposes so as to afford the public the benefit contemplated by this Master Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it will not abandon or vacate the Property.

(b) During the Term of this Master Lease, the Corporation shall hold leasehold title to the Property and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for any items added to the Property by the County pursuant to Section 4.02 hereof.

(c) If both the Trustee's and the County's estate under this or any other lease relating to the Property or any portion thereof shall at any time for any reason become

vested in one owner, this Master Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the County and the Trustee so elect as evidenced by recording a written declaration so stating; and unless and until the County and the Trustee so elect, the Corporation shall continue to have and hold a leasehold estate in the Property pursuant to the Master Site Lease throughout the Term thereof and the term of this Master Lease, and this Master Lease shall be deemed and constitute a sublease of the Property. The County hereby covenants not to permit or consent to any such merger as long as any Bonds are Outstanding.

Section 3.02. Term of Agreement. The term of this Master Lease shall commence on the Closing Date and shall end on the Expiry Date, unless such Expiry Date is otherwise terminated or extended as hereinafter provided. If on the Expiry Date, the Indenture shall not be discharged by its terms, or if the Base Rental Payments payable under this Master Lease shall have been abated at any time and for any reason, then the Term of this Master Lease shall be extended until the Indenture shall be discharged by its terms (but not later than ten (10) years after the then existing Expiry Date). If prior to the Expiry Date, the Indenture shall be discharged by its terms, the Terms of this Master Lease shall thereupon end.

Section 3.03. Possession. The County agrees to accept possession and use of the Property as the owner of the leasehold interest thereof on the Closing Date, and shall pay the first Base Rental Payment with respect to the Property following the commencement of use and occupancy of the same by the County.

Section 3.04. Master Lease Payments, Base Rental Payments.

(a) **Base Rental Payments.** Subject to the provisions of Articles V and X hereof, the County agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Base Rental Period, the Base Rental Payments for all of the Property in the respective amounts as set forth in the Base Rental Payment Schedule attached hereto as Exhibit B, to be due and payable on the respective Base Rental Payment Dates specified in Exhibit B, plus the Additional Payments required under Section 3.07 hereof; and provided, further, no Base Rental Payment need be made to the extent any Capitalized Interest is used pursuant to the Indenture or Supplemental Indenture, as supplemented to make such Base Rental Payment. Any amount held in an Interest Account or a Principal Account of the Bond Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base Rental Payments in part but not in whole pursuant to Article X hereof and other amounts required for payment of past due principal of or interest on any Bonds not presented for payment or otherwise) shall be credited towards the Base Rental Payment next due and payable; and no Base Rental Payment need be made on any Base Rental Payment Date if the amounts then held in an Interest Account and a Principal Account of the Bond Fund and available for such purpose are at least equal to the Base Rental Payment then required to be paid. The Master Lease Payments for the Property payable in any Base Rental Period shall be for the use of such Property for such Base Rental Period. Notwithstanding any dispute between the Corporation and the County, the County shall make all Base Rental Payments when due, without deduction or offset, and shall not withhold any Base Rental Payment pending final resolution of the dispute.

(b) **Rate on Overdue Payments.** If the County should fail to make any of the Base Rental Payments required in this Section 3.04, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid. The County hereby agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate equal to the applicable Bond Yield (or, if less, the maximum rate permitted by law).

(c) **Fair Rental Value.** The Master Lease Payments for the Property for each Base Rental Period shall constitute the total rental for such Property for such Base Rental Period or portion thereof, and shall be paid by the County in each Base Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of the Property during such Base Rental Period. The parties hereto have agreed and determined that the total Master Lease Payments for the Property for any Base Rental Period is not greater than the total fair rental value of the Property for such Base Rental Period. In making such determination, consideration has been given to the appraised or market value of the Property, the cost of improvements made or to be made to the Property, the replacement costs of existing improvements on the Property, third party or County appraisals, and other obligations of the parties under this Master Lease, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public.

The parties hereby acknowledge that the parties may amend this Master Lease from time to time to increase the Base Rental Payments payable hereunder so that Additional Bonds may be executed and delivered pursuant to Section 3.08 hereto and Sections 3.01 and 3.02 of the Indenture. Notwithstanding anything to the contrary herein contained, this Master Lease may not be amended in a manner such that the sum of the Base Rental Payments (including Base Rental Payments payable pursuant to such amendment) and Additional Payments with respect to Outstanding Bonds and Additional Bonds, in any Base Rental Period is in excess of the annual fair rental value of the Property and other land and improvements leased to the County hereunder for such Base Rental Period, after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

(d) **Budget and Appropriation.** The County covenants to take such action as may be necessary to include all Master Lease Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such Master Lease Payments. In so providing for the payment of Master Lease Payments in its annual budgets, the County may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make Master Lease Payments. In addition, to the extent permitted by law, the County covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under this Master Lease at any time and from time to time during any fiscal year in the event that the actual Master Lease Payments paid in any fiscal year exceeds the pro rata portion of the appropriations then contained in the County's budget. The covenants on the part of the County herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the

performance of the official duty of such official to enable the County to carry out and perform the covenants and agreements in this Master Lease agreed to be carried out and performed by the County. The obligations of the County to make Base Rental Payments or Additional Payments do not constitute obligations for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to make Base Rental Payments or Additional Payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

(e) **Assignment.** The County understands and agrees that this Master Lease and the right to receive all Base Rental Payments have been assigned by the Corporation to the Trustee in trust for the benefit of the Owners of the Bonds pursuant to the Assignment Agreement and the Indenture, and the County hereby consents to such assignment. The Corporation hereby directs the County, and the County hereby agrees to pay to the Trustee at the Corporate Trust Office of the Trustee, all payments payable by the County pursuant to this Section 3.04 and all amounts payable by the County pursuant to Article X.

(f) **Application of Master Lease Payments.** All Master Lease Payments received shall be applied: first to the Base Rental Payments due hereunder (including any prepayment premium components); and thereafter to all Additional Payments due hereunder, but no such application of any payments which are less than the total Master Lease Payments due and owing shall be deemed a waiver of any default hereunder.

Section 3.05. Quiet Enjoyment. During the Term of this Master Lease, the Corporation shall provide the County with quiet use and enjoyment of the Property, and the County shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Master Lease. The Corporation will, at the request of the County and at the County's cost, join in any legal action in which the County asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in Section 7.02.

Section 3.06. Leasehold Interest. During the Term of this Master Lease, the Corporation shall hold a leasehold interest in the Property. If the County prepays the Master Lease Payments for all of the Property in full pursuant to Article X, or pays all Master Lease Payments for all of the Property during the Term of this Master Lease as the same become due and payable, all right, title and interest of the Corporation in the Property, respectively, shall be transferred to and vested in the County and the Master Site Lease and this Master Lease shall terminate with respect to such Property.

Section 3.07. Additional Payments. In addition to the Base Rental Payments, the County shall pay as Additional Payments: (a) all taxes, fees or assessments levied upon the Property or upon any interest therein of the Corporation or the Trustee; (b) insurance premiums, if any, on insurance required under this Master Lease; (c) all fees and expenses of the Trustee, and expenses of the County required to comply with this Master Lease and the Indenture; (d) any

other fee, costs, or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Master Lease or the Indenture, including any amounts necessary to indemnify and defend the Corporation; and (e) any amounts required to be paid to the United States government pursuant to Section 148 of the Internal Revenue Code.

Additional Payments due under this Section shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or within 30 days after notice in writing from the Trustee to the County stating the amount of Additional Payments then due and payable and the purpose therefor.

Section 3.08. Additional Bonds. In addition to the Series 2012 Bonds to be executed and delivered under the Indenture, the Corporation may, from time to time at the request of the County, but only upon satisfaction of the conditions to the execution and delivery of an additional Series of Bonds set forth in Sections 3.01 and 3.02 of the Indenture, enter into a Supplemental Indenture to authorize such additional Series of Bonds the proceeds of which may be used as provided in Section 3.01 of the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of such Bonds, the County and the Corporation shall have entered into an amendment to this Master Lease providing for an increase in the Base Rental Payments to be made hereunder to pay Annual Debt Service on such additional Series of Bonds, subject to the limitations set forth in Section 3.04(c) hereof.

ARTICLE IV

MAINTENANCE; TAXES; AND OTHER MATTERS

Section 4.01. Maintenance; Utilities, Taxes and Assessments. During the Term of this Master Lease, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County. In exchange for the Master Lease Payments herein provided, the Corporation agrees to sublease the Property to the County. The County shall, at its own expense, during the Term of this Master Lease maintain the Property, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Property which is destroyed; provided that the County shall not be required to repair or replace any such portion of the Property pursuant to this Section 4.01 if there shall be applied to the prepayment of Base Rental Payments insurance proceeds or other legally available funds sufficient to prepay (a) all of the Bonds Outstanding, or (b) any portion thereof relating to the Property or such portion thereof and the Base Rental Payments allocable to the remaining portion of the Property equals the pro rata portion of Base Rental Payments allocable to the Bonds Outstanding after such prepayment. The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Property. It is understood and agreed that in consideration of the payment by the County of the rental herein provided for, the County is entitled to occupy and use the Property, and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Property during the Term of this Master Lease. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Property. The County hereby expressly waives the right to

make repairs or to perform maintenance of the Property at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The County shall keep the Property free and clear of all liens, charges and encumbrances, subject only to the provisions of Section 4.06 hereof. The County shall pay for the furnishing of all utilities which may be used in or upon the Property during the Term of this Master Lease. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the County affecting the Property or the respective interests therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the Term of this Master Lease as and when the same become due.

The County may, at the County's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee.

Section 4.02. Modification of Property. The County shall, at its own expense, have the right to make additions, modifications and improvements to the Property. All such additions, modifications and improvements, including those which comprise fixtures, repairs, replacements, additions or modifications to the Property shall thereafter comprise part of the Property and be subject to the provisions of this Master Lease. The County shall have the right to conduct a survey of any parcel of land constituting any Property and to alter or change the boundaries of said parcel as a result of said survey so long as such change or alteration does not interfere with the improvements constructed on said parcel and so long as the remaining parcel together with the improvements thereon does not have a fair rental value less than the Base Rental Payments attributable to said Property. Additions, modifications and improvements shall not cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and such Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section, shall have a fair rental value which is approximately equal to or greater than the fair rental value of the Property immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or remain against any of the Property for labor or materials furnished in connection with any repair or replacements made by the County pursuant to this Section; provided that if any such lien is established and the County shall first notify the Corporation (or cause the Corporation to be notified) of the County's intention to do so, the County may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the

period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

Section 4.03. Reserved.

Section 4.04. Advances. If the County shall fail to perform any of its obligations under this Article, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the County shall be obligated to repay all such advances as Additional Payments as soon as possible, with interest at the rate equal to the maximum rate permitted by law from the date of the advance to the date of repayment.

Section 4.05. Installation of County's Personal Property. The County may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County, in which neither the Corporation nor the Trustee shall have any interest, and such items may be modified or removed by the County. Nothing in this Master Lease shall prevent the County from purchasing or leasing items to be installed pursuant to this Section under a Master Lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof; provided that no such lien or security interest shall attach to any part of the Property.

Section 4.06. Liens. The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Property, except Permitted Encumbrances, and except those incident to the execution and delivery of Additional Bonds and the Initial Bonds as contemplated by Article III of the Indenture. The County and the Corporation will not sell or otherwise dispose of the Property or any property essential to the proper operation of the Property, except as otherwise provided herein.

Notwithstanding anything to the contrary herein contained, the County may assign, transfer or sublease any and all of the Property or its other rights hereunder; provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation hereunder; (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations hereunder; (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section hereof; (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Property for all purposes shall be first allocated to this Master Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Property unless concurrently with granting such remedy the same shall be also granted hereunder by an amendment to this Master Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease. Except as expressly provided in this Article, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County shall reimburse the

Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 4.07. Substitution, Removal or Addition of Property.

(a) The County may amend this Master Lease and the Master Site Lease to (i) substitute other real property and/or improvements (the "***Substituted Property***") for all or any portion of the existing Property; (ii) remove all or a portion of real property (including undivided interests therein) and/or improvements ("***Removal***") from the definition of Property; or (iii) add real property and/or improvements ("***Added Property***") to the Property, upon compliance with all of the conditions set forth in paragraph (b) below. After a Substitution or Removal, the part of the Property for which the Substitution or Removal has been effected shall be released from the leasehold hereunder and under the Master Site Lease.

(b) No Substitution, Addition or Removal shall take place hereunder and under the Master Site Lease until the County delivers to the Corporation and the Trustee the following:

(i) executed counterparts (in proper recordable form) of amendments to the Master Site Lease and this Master Lease, containing: (A) in the event of a Removal, a legal description of all or part of the Property to be released; (B) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (C) in the case of an Addition, a legal description of the Added Property;

(ii) a Certificate of the County (A) stating that the total fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the County) of the property that will constitute the Property after such Addition, Substitution or Removal, for the remaining Term of this Master Lease, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Base Rental Period or in any subsequent Base Rental Period during the Term of this Master Lease; provided, however, at the sole discretion of the County, in the alternative, in the event of a Substitution only, the Certificate of the County may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property; and (B) stating that the useful life of the Property after Substitution or Removal equals or exceeds the remaining term of this Master Lease;

(iii) an Opinion of Bond Counsel to the effect that (A) the amendments hereto and to the Master Site Lease contemplating Substitution, Addition or Removal have been duly authorized, executed and delivered and this Master Lease and the Master Site Lease as so amended constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms; and (B) the Substitution, Addition or Removal is authorized or permitted under this Master Lease;

(iv) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Corporation and Trustee as the insured, and shall insure the leasehold estate of the Corporation and the Trustee, as assignee of the Corporation, in such real property subject only to Permitted Encumbrances;

(v) in the event of a Substitution or Addition, an opinion of the County Attorney of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above (A) constitute Permitted Encumbrances and (B) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the County for the purposes of leasing or using the Substituted Property or Added Property;

(vi) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal does not cause the interest on any Bonds issued on a tax-exempt basis to be includable in gross income of the Owners thereof for federal income tax purposes; and

(vii) evidence that the County has complied with the covenants contained in Article VI hereof with respect to the Substituted Property or Added Property.

Section 4.08. Hazardous Waste. The County shall not cause or permit the Property or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials (as defined below), except in compliance with all applicable federal, state and local laws or regulations, nor shall the County cause or permit, as a result of any intentional or unintentional act or omission on the part of the County or any tenant or subtenant, a release of Hazardous Materials onto the Property. The County shall comply with and ensure compliance by all tenants and subtenants with all applicable federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The County shall (a) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Property: (i) in accordance with all applicable federal, state and local laws, ordinances, rules, regulations, and policies; (ii) to the satisfaction of the Trustee; and (iii) in accordance with the orders and directives of all Federal, state and local governmental authorities, and (b) defend, indemnify, and hold harmless the Trustee from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to: (i) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or

otherwise; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; and/or (iii) any violation of laws, orders, regulations, requirements or demands of government authorities, or any policies or requirements of the mortgage trustee, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event that the Trustee elects to control, operate, sell or otherwise claim property rights in the Property, the County shall deliver the Property free of any and all Hazardous Materials so that the conditions of the Property shall conform with all applicable federal, state and local laws, ordinances, rules or regulations affecting the Property. Prior to any such delivery of the Property, the County shall pay the Trustee, from its own funds, any amounts then required to be paid under clause (b) above. For purposes of this paragraph, "**Hazardous Materials**" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 9601 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, State or local environmental law, ordinance, rule, or regulation.

Section 4.09. Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate in accordance with its terms. Notwithstanding any other provision of this Master Lease, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder. However, the Trustee, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Section 4.09.

ARTICLE V

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 5.01. Damage; Eminent Domain. The County covenants that if the Property is damaged in a manner which substantially interferes with its use, such Property will be promptly repaired or replaced at the County's expense, unless (a) such damage would not result in the abatement of any portion of the Master Lease Payments; or (b) the County elects to apply the proceeds of insurance and any other legally available funds to the redemption of Bonds pursuant to Sections 6.07 and 2.03(b) of the Indenture such that the remaining Base Rental Payments for the undamaged Property will not be reduced pursuant to Section 5.03 hereof. If all of the Property shall be taken permanently under the power of condemnation or eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Master Lease shall cease as of the day possession shall be so taken. If less than all of the Property shall

be taken permanently, or if all of the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) this Master Lease shall continue in force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (ii) there shall be a partial abatement of Master Lease Payments as a result of the application of the Net Proceeds of any condemnation or eminent domain award to the prepayment of the Master Lease Payments hereunder, in an amount to be agreed upon by the County and the Corporation such that the resulting Master Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Section 5.02. Application of Net Proceeds.

(a) *From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of any of the Property by fire or other casualty shall be deposited in the Insurance Proceeds and Condemnation Awards Fund by the Trustee promptly upon receipt thereof and applied as set forth in Section 6.07 of the Indenture.

(b) *From Eminent Domain Award.* The Net Proceeds of any condemnation or eminent domain award resulting from any event described in Section 5.01 hereof shall be deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as set forth in Section 6.07 of the Indenture.

Section 5.03. Abatement of Rent. Except to the extent of (a) amounts held by the Trustee in the Bond Fund or in a Reserve Fund, if any; (b) amounts received in respect of rental interruption insurance; and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Property, Master Lease Payments due hereunder with respect to the Property shall be abated to the extent that the total fair rental value of the portion of the Property in respect of which there is no substantial interference is less than the remaining scheduled Base Rental Payments and Additional Payments, in which case Master Lease Payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and end with the restoration of the Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned. For purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Payments, annual fair rental value of the Property shall first be allocated to this Master Lease as provided in Section 3.04(f) hereof.

Any abatement of Master Lease Payments pursuant to this Section shall not be considered an Event of Default as defined in Article IX hereof, but shall result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payments have not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payments for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this

Master Lease by virtue of any such interference and this Master Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned.

In the event that Master Lease Payments are abated, in whole or in part, pursuant to this Section due to damage, destruction, title defect or condemnation of any part of the Property and the County is unable to repair, replace or rebuild the Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate State and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Property.

The County hereby acknowledges and agrees that during any period of abatement with respect to all or any part of the Property, the Trustee on behalf of the County shall use the proceeds of use and occupancy insurance and moneys on deposit in the Reserve Fund, if any, to make payments of principal and interest on the Bonds.

The County has the option, but not the obligation, to deliver Substituted Property for all or a portion of the Property pursuant to Section 4.07 hereof during any period of abatement.

ARTICLE VI

INSURANCE

Section 6.01. Fire and Extended Coverage Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Master Lease, a policy or policies of property insurance against loss or damage to the Property known as "all risk," including earthquake (as scheduled) and flood. Such insurance shall be maintained with respect to the Property at any time in an amount not less than the aggregate principal amount of Bonds at such time Outstanding with respect to the Property. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (i) \$50,000, in the case of all risk insurance; (ii) in the case of flood insurance, 2% of the value per structure with respect to locations situated within a 100-year flood plain (as defined by FEMA), subject to a minimum of \$100,000 and a maximum of \$500,000 per occurrence; and (iii) 5% of total value per structure per occurrence subject to a \$100,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance under this clause is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Property in accordance with the provisions of Section 4.01 hereof; provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost.

Section 6.02. Liability Insurance. Except as hereinafter provided, the County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Master Lease, commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Property. Such insurance shall afford protection with a combined single limit of not less than

\$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose; provided, however, that the County's obligations under this Section 6.02 may be satisfied by self-insurance.

Section 6.03. Rental Interruption or Use and Occupancy Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Master Lease, rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the insurance required pursuant to clause (a) above in an amount sufficient at all times to pay the total rent payable under this Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental Payments; and provided further that the County's obligations under this Section 6.03 shall not be satisfied by self insurance.

Section 6.04. Workers' Compensation. The County shall also maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

Section 6.05. Title Insurance. The County shall obtain, for the benefit of the Corporation and the Trustee, upon the execution and delivery of this Master Lease, a CLTA title insurance policy on the Property in an amount equal to the aggregate principal amount of the Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Section 6.06. Boiler and Machinery Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Master Lease, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Premises in an amount not less than \$2,000,000 per accident.

Insurance Proceeds; Form of Policies. All policies or certificates of insurance issued by the respective insurers or insurance with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee. A certificate executed by an Authorized Representative of the County certifying that such policies required or self-insurance permitted by this Section 6.07 have been obtained and that the requirements of this Section 6.07 have been fulfilled shall be deposited with the Trustee by the County before December 31 of each calendar year. To the extent to which the County self-insures, the County's risk manager, or an independent insurance consultant, shall certify to the Trustee before December 31 of each calendar year, the sufficiency of such self-insurance. Certificates of commercial general liability

and workers' compensation insurance shall be furnished by applicable insurers, unless the County chooses to self-insure against such liability (in which case the County shall provide the Trustee evidence of such self-insurance), and, at least 10 days prior to the expiration dates of such policies, if any, evidence of renewals or self-insurance shall be deposited with the Trustee.

All policies or certificates of insurance provided for herein shall name the County as a named insured, and the Corporation and its directors and the Trustee as additional insureds. All insurance policy claims payments received under Sections 6.01, 6.03, 6.05 and 6.06 above, shall be deposited with the Trustee for application pursuant to the Indenture. All proceeds of insurance, other than self-insurance, maintained under clauses 6.02 and 6.04 shall be deposited with the County.

Notwithstanding the foregoing, but subject to the proviso in Section 6.01 the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.01. Disclaimer of Warranties. The Corporation and its assigns make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Property, or any other representation or warranty with respect to the Property. In no event shall the Corporation or its assigns be liable for incidental, indirect, special or consequential damages in connection with existence, furnishing, functioning or the County's use of the Property.

Section 7.02. Access to the Property. The County agrees that the Corporation and any Authorized Representative of the Corporation, and the Corporation's successors or assigns, shall have the right at all reasonable times to inspect the Property. The County further agrees that the Corporation, any Authorized Representative of the Corporation, and the Corporation's successors or assigns shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the County to perform its obligations hereunder; provided, however, that the Corporation's assigns shall have no obligation to cause such proper maintenance.

Section 7.03. Release and Indemnification Covenants. The County shall and hereby agrees to indemnify and save the Corporation and the Trustee, and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of, or from any work or thing done on the Property by the County including, without limitation, as a result of the use, presence, storage, disposal or release of any hazardous waste on or about the Property; (b) any breach or default on the part of the County in the performance of any of its obligations under this Master Lease; (c) any act of negligence of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Property; or (d) the construction and acquisition of the Property or the authorization of payment

of the construction costs by the Corporation. No indemnification is made under this Section or elsewhere in this Master Lease for willful misconduct, negligence, or breach of duty under this Master Lease by the Corporation, its officers, agents, employees, successors or assigns.

ARTICLE VIII

ASSIGNMENT AND AMENDMENT

Section 8.01. Assignment by the Corporation. The Corporation's rights under this Master Lease, including the right to receive and enforce payment of the Master Lease Payments to be made by the County under this Master Lease have been pledged and assigned to the Trustee pursuant to the Assignment Agreement and the Indenture, to which pledge and assignment the County hereby consents.

Section 8.02. Amendment. This Master Lease and the Master Site Lease may be amended in writing as may be mutually agreed by the Corporation and the County, subject to the written approval of the Trustee; provided, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds and Additional Bonds Outstanding; and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond and Additional Bond so affected; or (b) reduce the percentage of the principal amount of the Bonds and Additional Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment hereof.

Notwithstanding the foregoing, this Master Lease and the Master Site Lease may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the County or the Corporation, other agreements, conditions, covenants and terms hereafter to be observed or performed by the County or the Corporation, or to surrender any right reserved herein to or conferred herein on the County or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the County or the Corporation may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Property to add or delete the description of Property, or to provide for any Substitution, Addition and/or Removal;

(d) to make any modifications or changes to this Master Lease or the Master Site Lease including any increase or decrease in Base Rental Payments resulting therefrom in order to enable the execution and delivery of any Series of Additional Bonds

(unless otherwise provided in any Supplemental Indenture) in accordance with Article III of the Indenture and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of any Series of Additional Bonds, and which shall not materially adversely affect the interests of the Owners;

(e) to make any modifications or amendments related to any Substitution, Addition and/or Removal under Section 4.07 of this Master Lease; or

(f) to make any other modification or change to the provisions of this Master Lease or the Master Site Lease which does not materially adversely affect the interests of the Owners of the Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default. The following shall be “events of default” under this Master Lease and the terms “events of default” and “default” shall mean, whenever they are used in this Master Lease, with respect to the Property, any one or more of the following events:

(a) failure by the County to pay any Base Rental Payment or other payment required to be paid hereunder at the time specified herein, and the continuation of such failure for a period of 10 days; provided, that failure to deposit any Base Rental Payments abated pursuant to Section 5.03 shall not constitute an event of default; or

(b) failure by the County to observe and perform any covenant, condition or agreement in this Master Lease or the Indenture on its part to be observed or performed, other than as referred to in clause (a) of this Section, for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation or the Trustee; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation and the Trustee shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from an Authorized Representative of the County to the effect that corrective action is being instituted by the County within the applicable period and is being diligently pursued to correct the default; or

(c) the filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Section 9.02. Remedies on Default. Upon the happening of any Event of Default, the Trustee, as assignee of the rights of the Corporation pursuant to the Assignment Agreement, may exercise those remedies granted to it pursuant to law or hereunder, subject to the terms of this

Master Lease. The Trustee, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(a) to terminate this Master Lease in the manner hereinafter provided on account of default by the County, notwithstanding any retaking of possession or re-letting of the Property as hereinafter provided for in clause (b), and to retake possession of the Property. In the event of such termination, the County agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Property. Neither notice to pay rent nor to deliver up possession of the Property given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Property nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under this Master Lease shall of itself operate to terminate this Master Lease, and no termination of this Master Lease on account of default by the County shall be or become effective by operation of law or acts of the parties hereto, unless and until the Trustee shall have given written notice to the County of the election on the part of the Trustee to terminate this Master Lease; or

(b) without terminating this Master Lease, (i) to collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision hereof to be kept or performed by the County, and/or (ii) to exercise any and all rights to retake possession of the Property. In the event the Trustee does not elect to terminate this Master Lease in the manner provided for in clause (b) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the County and to pay the Base Rental Payments to the end of the term of this Master Lease or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or any deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments hereunder (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years Base Rental Payments in excess of the Base Rental Payments herein specified and notwithstanding any retaking of possession of the Property by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Property. Should the Trustee elect to retake possession of the Property as herein provided, the County hereby irrevocably appoints the Trustee as the agent and attorney-in-fact of the County to re-let the Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the County hereby indemnifies and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Property by the Trustee or its duly authorized agents in accordance with the provisions herein contained. The County agrees that the terms of this Master Lease constitute full and sufficient notice of the right of the Trustee to re-let the Property in the event of such reentry without effecting a surrender of this Master Lease, and further agrees that no acts of the Trustee in

effecting such re-letting shall constitute a surrender of termination of this Master Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that on the contrary, in the event of such default by the County, the right to terminate this Master Lease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in clause (a). The County further waives the right to Base Rental Payments obtained by the Trustee in excess of the Base Rental Payments herein specified and hereby conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Property or any items thereof.

The County hereby waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be on or about the Property. Notwithstanding anything to the contrary contained in this Master Lease, the Trustee shall not re-enter or re-let the Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the County's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder.

The Corporation expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

Section 9.03. Agreement To Pay Attorneys' Fees and Expenses. If either party to this Master Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.04. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Master Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.05. Application of Proceeds. All Net Proceeds received from the disposition of the Property under this Article IX, and all other amounts derived by the Corporation or the Trustee as a result of an event of default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and shall be deposited with the Trustee to be applied in accordance with Article IX of the Indenture.

Section 9.06. Trustee and Bond Owners To Exercise Rights. The Corporation has assigned certain rights and remedies under this Article IX to the Trustee pursuant to the Assignment Agreement and Article IV of the Indenture, to which assignment the County hereby

consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

ARTICLE X

PREPAYMENT OF MASTER LEASE PAYMENTS

Section 10.01. Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable hereunder, all of the obligations of the County hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied; provided, however, if any Outstanding Bonds and Additional Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments hereunder pursuant to Section 10.01 of the Indenture, then the obligation of the County hereunder to make Base Rental Payments hereunder shall continue in full force and effect until the Outstanding Bonds and Additional Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by Section 10.01 of the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Corporation and the Trustee specified in the second paragraph of Section 10.02 hereof shall not apply to the payment to the Owners of all Outstanding Bonds and Additional Bonds in accordance with Section 10.01 of the Indenture.

Section 10.02. Prepayment of Base Rental Payments. If the Corporation is permitted to redeem Bonds pursuant to Sections 2.03(a) and (b) of the Indenture, the County may prepay (together with any premium), from any source of available moneys, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under this Master Lease then unpaid.

Before making any prepayment pursuant to this Section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of principal payments dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Corporation and the Trustee. In the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Reserve Fund(s), the Insurance Proceeds and Condemnation Awards Fund and the Bond Fund, will be sufficient to pay the aggregate unpaid Base Rental Payments on said due date as set forth in Exhibit B hereto, together with any Base Rental Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by \$5,000) together with any Base Rental Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Base Rental Payments in such manner as the County shall determine and if the County shall fail to make such determination, starting with the next succeeding payment dates. Base Rental Payments due after any such partial prepayment shall be in the amounts set forth in a revised Base Rental Payment Schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit B attached hereto taking into account said partial prepayment.

Section 10.03. Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain Award. The County shall be obligated to prepay the Master Lease Payment allocable to any portion of the Property, in whole or in part, on any Base Rental Payment Date, from and to the extent of any Net Proceeds of an insurance award or a condemnation or eminent domain award with respect to such portion of the Property theretofore deposited with the Trustee for such purpose pursuant to Article V hereof and Section 6.07 of the Indenture. Net Proceeds of an insurance award or condemnation or eminent domain award shall be applied in the manner permitted under Section 10.02. The County and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Master Lease Payments and not used to repair or replace the damaged or taken Property, shall be credited towards the County's obligations under this Section 10.03.

Section 10.04. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Master Lease Payments in full for all of the Property under this Article X, such that the Indenture shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Bond Fund (including a Reserve Fund, if any) and the Insurance Proceeds and Condemnation Awards Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon actual receipt, by first-class mail, personal delivery or overnight courier:

to the County at:

County of Riverside
County Administrative Center
4th Floor
4080 Lemon Street
Attention: County Executive Officer

to the Corporation at:

County of Riverside Asset Leasing Corporation
County Administrative Center
4th Floor
4080 Lemon Street
Attention: Assistant Secretary

to the Trustee:

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Department

The Corporation, the County and the Trustee by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.02. Binding Effect. This Master Lease shall inure to the benefit of and shall be binding upon the Corporation and the County and their respective successors and assigns.

Section 11.03. Validity. If any one or more of the terms, provisions, promises, covenants or conditions of this Sublease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of this Sublease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law. If for any reason this Master Lease shall be held by a court of competent jurisdiction void, voidable, or unenforceable by the Corporation or by the County, or if for any reason it is held by such a court that any of the covenants and agreements of the County hereunder, including the covenant to pay Base Rental Payments and Additional Payments hereunder, is unenforceable for the full Lease Term, then and in such event for and in consideration of the right of the County to possess, occupy and use the Property, which right in such event is hereby granted, this Master Lease shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental Payments and Additional Payments herein specified will be paid by the County.

Section 11.04. Net-Net-Net Lease. This Master Lease shall be deemed and construed to be a "net-net-net" Lease and the County hereby agrees that the Master Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or setoffs whatsoever. The County's obligation to make Master Lease Payments in the amount and on the terms and conditions specified in this Master Lease shall be absolute and unconditional without any right of setoff or counterclaim.

Section 11.05. Further Assurances and Corrective Instruments. The Corporation and the County agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Master Lease. In addition, the County shall, on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and recordings necessary or desirable in order to perfect, preserve and protect the interest of the Trustee in the Property to the extent possible under applicable law.

Section 11.06. Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Master Lease, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Master Lease.

Section 11.07. Governing Law. This Master Lease shall be construed and governed in accordance with the laws of the State.

Section 11.08. Execution in Counterparts. This Master Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Master Lease.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Master Lease as of the date first above written.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, as lessor

By _____
Name _____
Title _____

Attest:

By _____
[Name, Title]

COUNTY OF RIVERSIDE, as lessee

By _____
Name _____
Title _____

Attest:

By _____
[Name, Title]

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

ACKNOWLEDGMENT

State of California
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

ACKNOWLEDGMENT

State of California
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property leased by the Master Lease to which this certificate is attached and made a part thereof, which Master Lease is dated February 1, 2012, to the County of Riverside from the County of Riverside Asset Leasing Corporation is hereby accepted on behalf of said County of Riverside pursuant to authority conferred by Resolution adopted on [_____], 2012 and said County of Riverside hereby consents to the recordation thereof by its duly authorized officer.

COUNTY OF RIVERSIDE

By _____
Name _____
Title _____

Dated as of February 1, 2012

EXHIBIT A
LEGAL DESCRIPTION

All that certain real property situated in the County of Riverside, State of California, described as follows:

Blocks 10 and 11, Range 4 of the Town of Riverside map as shown by map on file in Book 7 of Maps, at page 17 thereof, records of San Bernardino County, California.

Together with Lots 1 through 7, inclusive of the Riverside Land & Irrigation Co. map as shown in Book 2 of Maps, at page 45 thereof, Records of Riverside County, California.

Also together with that portion of Eleventh Street (vacated) lying between the right-of-way of Lime Street (66 feet wide) and the right-of-way of Lemon Street (66 feet wide) as shown on said Town of Riverside map.

Also together with that portion of a 10.00 foot wide alley granted to the City of Riverside as described in deed recorded January 16, 1902 lying between the right-of-way of Lime Street (66 feet wide) and the right-of-way of Lemon Street (66 feet wide) as vacated by document recorded June 1, 1965 as instrument no. 63364 of official records of Riverside County, California.

Excepting therefrom that portion of said Block 10 as condemned by the City of Riverside by document recorded October 6, 1972 as Instrument No. 134217 of Official Records of Riverside County, California.

Also excepting therefrom the following described parcel,

Commencing at the intersection of the northwesterly right-of-way line of Lime Street (66 feet wide) and the southwesterly right-of-way line of Tenth Street (66 feet wide),

thence South 29°43'52" West, along said northwest right-of-way line a distance of 175.53 feet to the POINT OF BEGINNING

thence North 60°16'08" West, a distance of 30.04 feet;

thence North 60°20'52" West, a distance of 135.27 feet;

thence South 29°46'23" West, a distance of 72.18 feet;

thence North 60°07'15" West, a distance of 50.71 feet;

thence South 29°46'25" West, a distance of 37.85 feet;

thence South 60°14'12" East, a distance of 50.69 feet;

thence South $29^{\circ}42'47''$ West, a distance of 97.95 feet;

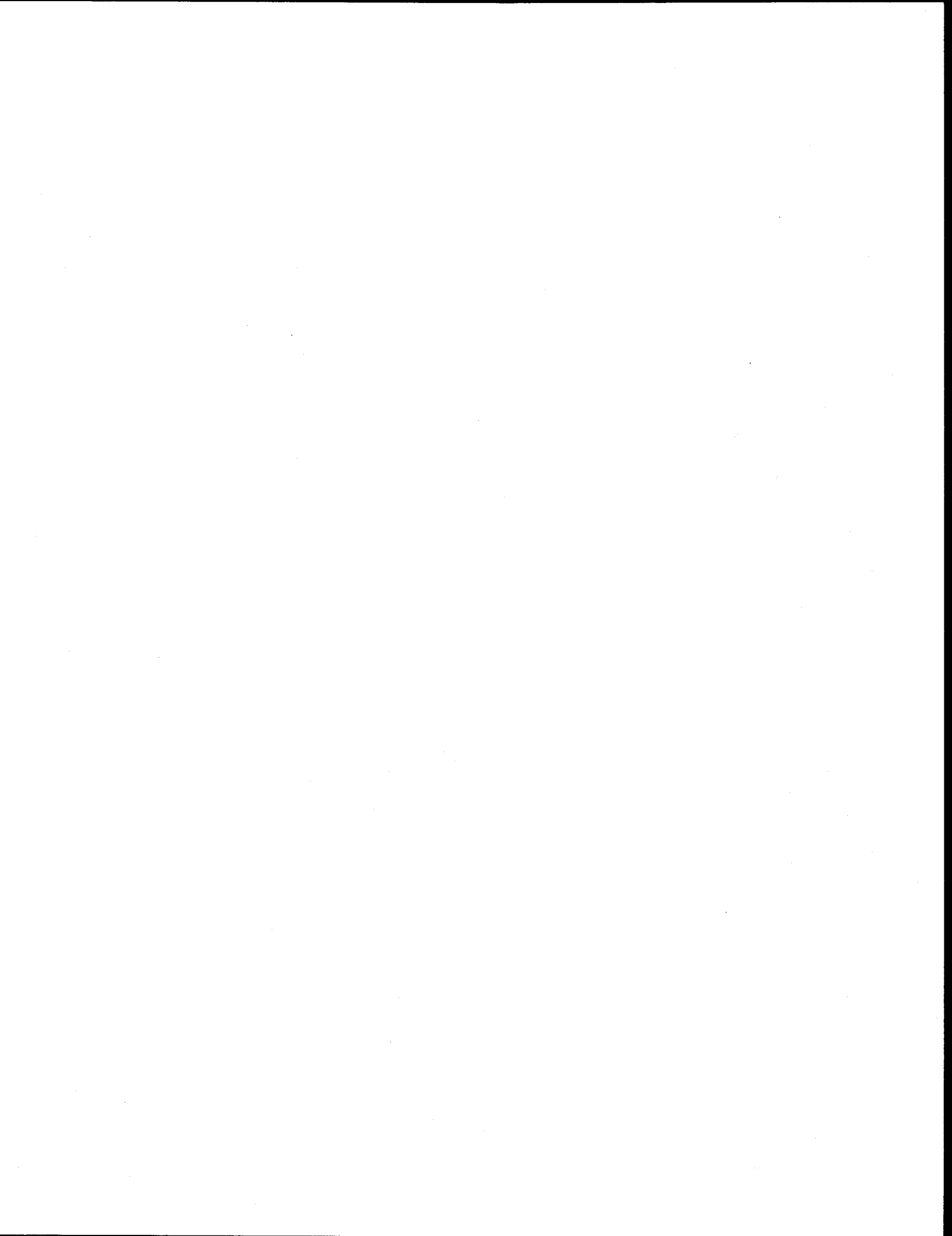
thence South $60^{\circ}17'25''$ East, a distance of 135.45 feet;

thence South $60^{\circ}17'02''$ East, a distance of 29.93 feet to said northwest right-of-way line

thence North $29^{\circ}43'47''$ East, a distance of 208.01 feet to the POINT OF BEGINNING.

Containing 4.69 acres, more or less.

EXHIBIT B
BASE RENTAL PAYMENT SCHEDULE



RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Kutak Rock LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, California 90017
Attention: Sam S. Balisy, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

MASTER SITE AND FACILITIES LEASE

by and between the

COUNTY OF RIVERSIDE,
as lessor

and the

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION,
as lessee

Dated as of February 1, 2012

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MASTER SITE AND FACILITIES LEASE

THIS MASTER SITE AND FACILITIES LEASE, dated as of February 1, 2012 ("*Site Lease*"), by and between the **COUNTY OF RIVERSIDE**, a body corporate and politic and a political subdivision of the State of California (the "*County*"), as lessor, and the **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**, a California nonprofit public benefit corporation (the "*Corporation*"), as lessee. (Capitalized terms used in the Whereas clauses which are not defined therein shall have the meaning provided in Section 1 hereof).

W I T N E S S E T H:

WHEREAS, the County has determined that it is in the public interest and there is a significant public benefit to the inhabitants of the County as there are demonstrable savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs that the County refinance the 2001 Project and refund the related Series 2001 Certificates and finance the construction, renovation, equipping and furnishing of the County's public defender building (together, the "*Project*"); and

WHEREAS, to accomplish this Project, the County will enter into this Site Lease with the Corporation pursuant to which the County will lease to the Corporation certain real property belonging to the County, together with the improvements located thereon that are owned by the County (collectively the "*Property*," as more particularly described in Exhibit A hereto); and

WHEREAS, concurrently with the execution of this Site Lease, the Corporation and the County are entering into a Master Lease Agreement, dated as of February 1, 2012 (the "*Master Lease*"), pursuant to which the Corporation will lease the Property back to the County; and

WHEREAS, to provide funds to accomplish the Project, the County has requested the Corporation to issue its Lease Revenue Refunding Bonds, Series 2012 (the "*Series 2012 Bonds*") pursuant to the Master Trust Indenture, dated as of February 1, 2012 (the "*Master Indenture*"), by and between the Corporation and Wells Fargo Bank, National Association, as trustee thereunder (the "*Trustee*") as supplemented by a First Supplemental Trust Indenture, dated as of February 1, 2012, by and between the Corporation and the Trustee (the "*First Supplemental Indenture*," and together with the Master Indenture, the "*Indenture*"); and

WHEREAS, the County is authorized by law to lease the Property and to consummate the Project, and the lease of the Property and the Project are necessary and proper public purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER

VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms pursuant to the Master Lease, as it may be amended pursuant to its terms, and, if such terms are not defined in the Master Lease, then such terms shall have the meanings given such terms pursuant to the Indenture, as it may be amended pursuant to its terms.

Section 2. Property. The County hereby leases to the Corporation and the Corporation hereby leases from the County all of the County's right, title and interest in the Property described in Exhibit A hereto (which Exhibit A is hereby incorporated herein by this reference), subject to the terms and conditions set forth herein. In consideration of the lease by the County to the Corporation of all the County's right, title and interest in the Property, the Corporation shall sublease the Property back to the County pursuant to the Master Lease, and recorded concurrently herewith.

Section 3. Term. The term of this Site Lease shall commence on the Closing Date for the Series 2012 Bonds and shall end on November 1, 2031 (the "**Term**"), unless such term is otherwise terminated or extended as hereinafter provided, or such other date or dates as set forth in an amendment to this Site Lease (the "**Expiry Date**"). If on November 1, 2031, the Indenture shall not be discharged by its terms, or if the Base Rental Payments payable under the Master Lease shall have been abated at any time and for any reason, then the Term of this Site Lease shall be extended until the Indenture shall be discharged by its terms (but not later than November 1, 2041). If prior to November 1, 2031, the Indenture shall be discharged by its terms, the Term of this Site Lease shall thereupon end.

Section 4. Rental. The Corporation shall pay to the County as and for rental hereunder the sum of One Dollar (\$1.00), all of which shall be payable within ten (10) days after the date hereof. The Corporation hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Corporation of the Property or portion thereof as a result of material damage, destruction or condemnation.

Section 5. Ownership. The County represents and covenants that it is the sole owner of and holds fee title to the Property free and clear of any encumbrances other than Permitted Encumbrances, and has full power and authority to enter into this Site Lease and the Master Lease.

Section 6. Assignments and Subleases. Except as provided in the Master Lease and the Indenture, as security for the Bonds, the Corporation shall not assign, mortgage, hypothecate or otherwise encumber this Site Lease or any rights hereunder or the leasehold created hereby, by indenture or deed of trust or otherwise or sublet the Property without the written consent of the County (unless a default or Event of Default under the Master Lease or the Indenture shall have occurred and be continuing, in which case the consent of the County shall not be required), except that the County expressly approves and consents to the Master Lease, the Assignment Agreement, dated as of February 1, 2012, and recorded concurrently herewith, by and between

the Corporation and Wells Fargo Bank, National Association, as Trustee, the Indenture, and the pledge and assignment to the Trustee of, and the granting to the Trustee of a security interest in and lien on, all of the Corporation's right, title and interest in and to the Property, including the Corporation's right to receive Lease Payments, pursuant to the Indenture.

Section 7. Purpose. The Corporation shall use the Property solely for the purpose of subleasing the same to the County pursuant to the Master Lease and the County hereby leases the Property to the Corporation expressly on said condition; provided, however, that in the event of default by the County under the Master Lease, the Corporation may exercise the remedies provided in the Master Lease.

Section 8. Right of Entry: Easements. The County reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

The County agrees, upon written request from the Corporation, to grant to the Corporation a nonexclusive easement of ingress and egress for persons, vehicles and utilities, twenty (20) feet wide, from each parcel of the Property not having access to a public street, and appurtenant to such parcel, over property owned by the County to a public street. The County may, at any time, satisfy its obligation contained in the preceding sentence as to any such parcel of the Property by granting to the Corporation an easement complying with the requirements of the preceding sentence from such parcel of the Property to a public street.

Section 9. Termination. Upon the termination or expiration of this Site Lease, the Corporation shall quit and surrender the Property in the same good order and condition as the same was in at the time of commencement of the term hereunder, except for acts of God and reasonable wear and tear and any actions taken by the County that may affect the condition of the Property, and agrees that any permanent improvements and structures existing upon the Property at the time of such termination or expiration of this Site Lease shall remain thereon and title thereto shall vest in the County.

Section 10. Quiet Enjoyment. The Corporation at all times during the term of this Site Lease, shall peaceably and quietly have, hold and enjoy all of the Property.

Section 11. Waiver of Personal Liability. All liabilities under this Site Lease on the part of the Corporation shall be solely liabilities of the Corporation, as a public entity and agency, and the County hereby releases each and every member, director, officer, agent or employee of the Corporation of and from any personal or individual liability under this Site Lease. No member, director, officer, agent or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under this Site Lease to the County or to any other party whomsoever for anything done or omitted to be done by the Corporation hereunder.

The Corporation and its members, directors, officers, agents, employees and assignees shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. The County, to the extent permitted by law, shall indemnify and hold the

Corporation and its members, directors, officers, agents, employees and assignees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from the construction or operation of the Property, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Property regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking indemnity.

Section 12. Taxes. The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Section 13. Eminent Domain. If the Property shall be taken under the power of eminent domain, the interest of the Corporation shall be recognized and is hereby determined to be the aggregate amount of unpaid Lease Payments with respect to the Property under the Master Lease through the remainder of its Term (excluding any contingent or potential liabilities), and such proceeds shall be paid to the Trustee, as assignee of the interest of the Corporation hereunder, in accordance with the terms of the Assignment Agreement, the Master Lease and the Indenture.

Section 14. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand by the County for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of this Site Lease and the Master Lease shall be deemed to occur as a result thereof; provided, however, prior to the Expiry Date, the County shall have no power to terminate this Site Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Site Lease then in effect between the Corporation and the Trustee.

Section 15. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, pursuant to a finding, order or decree that becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 16. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon actual receipt, by first class mail, personal delivery or overnight courier:

to the County at:

County of Riverside
County Administrative Center
4th Floor
4080 Lemon Street
Attention: County Executive Officer

to the Corporation at:

County of Riverside Asset Leasing Corporation

County Administrative Center
4th Floor
4080 Lemon Street
Attention: Assistant Secretary

to the Trustee:

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Department

The Corporation, the County and the Trustee by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 17. Observance and Performance Under the Indenture. The County hereby agrees and covenants that during the term hereof and so long as the Master Indenture remains in effect, it will observe and perform the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Master Indenture.

Section 18. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

Section 19. Amendment. This Site Lease may be amended: (a) for the purpose of effecting a substitution, removal or addition to the Property as provided in Section 4.07 of the Master Lease, and (b) for any other purpose subject to and in accordance with Section 8.02 of the Master Lease.

Section 20. Governing Law. This Site Lease shall be governed by and interpreted in accordance with the laws of the State of California.

Section 21. Execution in Counterparts. This Site Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Site Lease.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties have executed this Site Lease as of the date first written.

COUNTY OF RIVERSIDE, as lessor

By _____
Name _____
Title _____

Attest:

By _____
[Name, Title]

**RIVERSIDE COUNTY ASSET
LEASING CORPORATION**, as lessee

By _____
Name _____
Title _____

Attest:

By _____
[Name, Title]

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

ACKNOWLEDGMENT

State of California
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

ACKNOWLEDGMENT

State of California
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

DESCRIPTION OF THE PROPERTY

All that certain real property situated in the County of Riverside, State of California, described as follows:

Blocks 10 and 11, Range 4 of the Town of Riverside map as shown by map on file in Book 7 of Maps, at page 17 thereof, records of San Bernardino County, California.

Together with Lots 1 through 7, inclusive of the Riverside Land & Irrigation Co. map as shown in Book 2 of Maps, at page 45 thereof, Records of Riverside County, California.

Also together with that portion of Eleventh Street (vacated) lying between the right-of-way of Lime Street (66 feet wide) and the right-of-way of Lemon Street (66 feet wide) as shown on said Town of Riverside map.

Also together with that portion of a 10.00 foot wide alley granted to the City of Riverside as described in deed recorded January 16, 1902 lying between the right-of-way of Lime Street (66 feet wide) and the right-of-way of Lemon Street (66 feet wide) as vacated by document recorded June 1, 1965 as instrument no. 63364 of official records of Riverside County, California.

Excepting therefrom that portion of said Block 10 as condemned by the City of Riverside by document recorded October 6, 1972 as Instrument No. 134217 of Official Records of Riverside County, California.

Also excepting therefrom the following described parcel,

Commencing at the intersection of the northwesterly right-of-way line of Lime Street (66 feet wide) and the southwesterly right-of-way line of Tenth Street (66 feet wide),

thence South 29°43'52" West, along said northwest right-of-way line a distance of 175.53 feet to the POINT OF BEGINNING

thence North 60°16'08" West, a distance of 30.04 feet;

thence North 60°20'52" West, a distance of 135.27 feet;

thence South 29°46'23" West, a distance of 72.18 feet;

thence North 60°07'15" West, a distance of 50.71 feet;

thence South 29°46'25" West, a distance of 37.85 feet;

thence South 60°14'12" East, a distance of 50.69 feet;

thence South 29°42'47" West, a distance of 97.95 feet;

thence South 60°17'25" East, a distance of 135.45 feet;

thence South 60°17'02" East, a distance of 29.93 feet to said northwest right-of-way line

thence North 29°43'47" East, a distance of 208.01 feet to the POINT OF BEGINNING.

Containing 4.69 acres, more or less.

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property leased by the Site Lease to which this certificate is attached and made a part thereof, which Site Lease is dated February 1, 2012, to the County of Riverside Asset Leasing Corporation from the County of Riverside is hereby accepted on behalf of said County of Riverside Asset Leasing Corporation pursuant to authority conferred by Resolution adopted on [_____], 2012 and said County of Riverside Asset Leasing Corporation hereby consents to the recordation thereof by its duly authorized officer.

**RIVERSIDE COUNTY ASSET
LEASING CORPORATION**

By _____
Name _____
Title _____

Dated as of February 1, 2012



RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Kutak Rock LLP
601 South Figueroa Street, Suite 4200
Los Angeles, California 90017
Attention: Sam S. Balisy, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

by and between the

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION,
as assignor

and the

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as assignee

Dated as of February 1, 2012

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of February 1, 2012 ("*Assignment Agreement*"), by and between the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a California nonprofit public benefit corporation (the "*Corporation*"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, being qualified to accept and administer the trusts hereby created, as trustee (the "*Trustee*")

WITNESSETH:

WHEREAS, the County of Riverside, California (the "*County*") and the Corporation have entered into a Master Site and Facilities Lease, dated as of the date hereof, and recorded concurrently herewith, (the "*Master Site Lease*"), pursuant to which the County agrees, among other things, to lease to the Corporation the real property, buildings and improvements described in Exhibit A hereto and made a part hereof (collectively, the "*Property*")

WHEREAS, the County and the Corporation have entered into a Master Lease Agreement, dated as of the date hereof, and recorded concurrently herewith, (the "*Master Lease*"), pursuant to which the Corporation agrees, among other things, to sublease the Property to the County in consideration for which the County has agreed to pay base rental payments ("*Base Rental Payments*") and additional rental, all as more particularly described in the Master Lease;

WHEREAS, the Corporation and the Trustee have entered into a Master Trust Indenture, dated as of the date hereof (the "*Master Trust Indenture*") by and between the Corporation and the Trustee, as supplemented by the First Supplemental Trust Indenture, dated as of the date hereof (the "*First Supplemental*" and together, collectively, with the Master Trust Indenture, the "*Indenture*"), pursuant to which the Corporation is issuing its Lease Revenue Refunding Bonds, Series 2012 (the "*Series 2012 Bonds*") for the purpose of current refunding and defeasing certain certificates of the County; and

WHEREAS, the Corporation desires to assign and transfer certain of its rights, title and interest in and to the Master Site Lease and the Master Lease to the Trustee on the terms and conditions set forth herein in order to facilitate the issuance of the Series 2012 Bonds;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.

Section 2. Assignment. The Corporation, for good and valuable consideration the receipt of which is hereby acknowledged, does hereby presently and unconditionally sell, assign and transfer to the Trustee, for the benefit of the Owners, from time to time, of the Series 2012 Bonds, all of the Corporation's rights, title and interest in and to the Master Site Lease and the Master Lease, including without limitation the Corporation's right to receive Base Rental Payments, as well as its rights to enforce payment of such Base Rental Payments when due and

otherwise to protect its interest and exercise all remedies in the event of a default or termination by the County under the Master Lease, in accordance with the terms thereof; provided, however, that the Corporation retains the right to indemnification and payment or reimbursement for any costs or expenses. The right to receive Base Rental Payments and other rights of the Corporation assigned hereunder shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture and the Master Lease. This Assignment constitutes a collateral assignment of the Master Site Lease and the Master Lease by the Corporation to the Trustee as security for the Corporation's obligations under the Indenture.

Section 3. Acceptance of Assignment. The Trustee hereby accepts the assignment of such of the Corporation's rights under the Master Site Lease and the Master Lease as are assigned pursuant to the terms of this Assignment Agreement, for the purpose of securing such Base Rental Payments and rights to the Owners, from time to time, of the Series 2012 Bonds.

Section 4. No Additional Rights or Duties. This Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the Master Site Lease, the Master Lease and the Indenture. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Corporation or the County beyond those expressly provided in the Master Site Lease, the Master Lease and the Indenture or as otherwise set forth herein.

Section 5. Further Assurances. The Corporation will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and to further assure and confirm to the Trustee and the Owners, from time to time, of the Series 2012 Bonds the rights and benefits intended to be conveyed pursuant hereto.

Section 6. Governing Law. This Assignment Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 7. Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same agreement.

Section 8. Amendment. This Assignment Agreement may be amended by the parties hereto in writing, but only in accordance with and as permitted by the terms of the Indenture.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement as of the date first written.

**COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION**

By _____
Name _____
Title _____

Attest:

By _____
[Name, Title]

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By _____
Name _____
Title _____

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

ACKNOWLEDGMENT

State of California

County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ALL PURPOSE ACKNOWLEDGEMENT

ACKNOWLEDGMENT

State of California
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
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Signature _____ (Seal)

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Together with Lots 1 through 7, inclusive of the Riverside Land & Irrigation Co. map as shown in Book 2 of Maps, at page 45 thereof, Records of Riverside County, California.

Also together with that portion of Eleventh Street (vacated) lying between the right-of-way of Lime Street (66 feet wide) and the right-of-way of Lemon Street (66 feet wide) as shown on said Town of Riverside map.

Also together with that portion of a 10.00 foot wide alley granted to the City of Riverside as described in deed recorded January 16, 1902 lying between the right-of-way of Lime Street (66 feet wide) and the right-of-way of Lemon Street (66 feet wide) as vacated by document recorded June 1, 1965 as instrument no. 63364 of official records of Riverside County, California.

Excepting therefrom that portion of said Block 10 as condemned by the City of Riverside by document recorded October 6, 1972 as Instrument No. 134217 of Official Records of Riverside County, California.

Also excepting therefrom the following described parcel,

Commencing at the intersection of the northwesterly right-of-way line of Lime Street (66 feet wide) and the southwesterly right-of-way line of Tenth Street (66 feet wide),

thence South $29^{\circ}43'52''$ West, along said northwest right-of-way line a distance of 175.53 feet to the POINT OF BEGINNING

thence North $60^{\circ}16'08''$ West, a distance of 30.04 feet;

thence North $60^{\circ}20'52''$ West, a distance of 135.27 feet;

thence South $29^{\circ}46'23''$ West, a distance of 72.18 feet;

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thence North 29°43'47" East, a distance of 208.01 feet to the POINT OF BEGINNING.

Containing 4.69 acres, more or less.

PRELIMINARY OFFICIAL STATEMENT DATED [FEBRUARY] __, 2012

NEW ISSUE – FULL BOOK ENTRY

Ratings: Moody's: __
Standard & Poor's: __
See: "RATINGS" herein.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2012 Bonds is exempt from personal income taxes of the State of California under present state law. For a more complete description, see "TAX MATTERS" herein.

§ _____ *

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE BONDS
(2012 COUNTY ADMINISTRATIVE CENTER REFUNDING PROJECT)**

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or terms of the above-captioned bonds. Investors are advised to read the entire Official Statement, including the section entitled "RISK FACTORS" to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the "Series 2012 Bonds") are being issued pursuant to a Master Trust Indenture, dated as of February 1, 2012, (the "Master Indenture") by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012, (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture") by and between the Corporation and Trustee. The Series 2012 Bonds are being issued to provide funds to: (i) current refund and defease all of the outstanding County of Riverside (the "County") Certificates of Participation (County Administrative Center Annex Project), (ii) finance the acquisition of two office buildings currently leased by the County located in Indio, California, (iii) fund a reserve fund, and (iv) pay costs of issuance of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

The Series 2012 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2012 Bonds, and individual purchases of the Series 2012 Bonds will be made in book-entry form only. Principal of, premium, if any, and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2012 Bonds, as described herein. See APPENDIX B: "BOOK-ENTRY SYSTEM." The Series 2012 Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2012 Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2012, at the rates shown on the inside cover. See "DESCRIPTION OF THE SERIES 2012 BONDS – General."

The Series 2012 Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described herein.

The Series 2012 Bonds are payable from and secured solely by Revenues of the Corporation pledged under the Indenture, consisting primarily of Base Rental Payments to be received by the Corporation from the County of Riverside, California (the "County") under a Master Lease Agreement, dated as of February 1, 2012 (the "Master Lease"), by and between the Corporation and the County, for the right to use and occupy certain real property and improvements (the "Property"), as more fully described herein. The County has agreed in the Master Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event, and to the extent, of material damage, destruction, title defect or condemnation of the Property that substantially interferes with the County's use and possession of any portion of the Property. Subsequent to the issuance of the Series 2012 Bonds, the Corporation may at any time, subject to conditions described in the Indenture, issue Additional Bonds payable from the Revenues and secured by a pledge of the Revenues equal to the pledge securing the Series 2012 Bonds under the Indenture. The Property may be used to secure such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Additional Bonds."

The Series 2012 Bonds are limited obligations of the Corporation and are payable from the Revenues comprised primarily of Base Rental Payments paid by the County pursuant to the Master Lease for the use and occupancy of the Property and from amounts on deposit in certain funds pledged under the Indenture. The Series 2012 Bonds are equally and ratably secured solely by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the principal of, redemption premiums, if any, purchase price, and interest on the Series 2012 Bonds as provided in the Indenture. The Series 2012 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing is pledged to the payment of the principal of or interest on the Series 2012 Bonds. The Corporation has no taxing power.

The Series 2012 Bonds are offered when, as and if issued, subject to approval of validity by Kutak Rock LLP, Los Angeles, California, Bond Counsel to the Corporation, and subject to certain other conditions. Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP, Los Angeles, California, served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Nossaman LLP, Irvine, California. It is expected that the Series 2012 Bonds in book-entry form will be available for delivery through DTC in New York, New York, on or about February __, 2012.

De La Rosa & Co.

BofA Merrill Lynch

Dated: [February] __, 2012

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification or filing under the securities laws of any such jurisdiction.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS®

\$ _____^{*}
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE BONDS
(2012 COUNTY ADMINISTRATIVE CENTER REFUNDING PROJECT)

Base CUSIP®: _____

Maturity Date (November 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® Suffix	Maturity Date (November 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® Suffix
---------------------------------------	-----------------------------	--------------------------	---------------------------	--------------------------	---------------------------------------	-----------------------------	--------------------------	---------------------------	--------------------------

^{*} Preliminary, subject to change.

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COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

Larry Parrish, Interim County Executive Officer
Don Kent, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Larry Ward, Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel
Ed Corser, Finance Director

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Harold Trubo, President
Bernard Simon, Secretary and Vice President
Joe Deledonne, Vice President
Kari Middleton Vice President

SPECIAL SERVICES

Special Counsel

Kutak Rock LLP
Los Angeles, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Series 2012 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

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

The County maintains a website at <http://www.acgov.org>. However, the information presented there is not part of this Official Statement and is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2012 Bonds.

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OFFICIAL STATEMENT

§ _____ *

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE BONDS
(2012 COUNTY ADMINISTRATIVE CENTER REFUNDING PROJECT)**

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2012 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction or on the cover page and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement or APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the County of Riverside, California (the "County"), the County has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" herein.

Purpose and Overview

The purpose of this Official Statement, including the cover page, inside front cover and appendices hereto (the "Official Statement"), is to provide certain information concerning the issuance of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued to provide funds to: (i) current refund and defease all of the outstanding County of Riverside Refunding Certificates of Participation, Series 2001, (ii) finance the acquisition of two office buildings currently leased by the County and located in Indio, California (the "Indio Properties"), (iii) fund a reserve fund and (iv) pay costs of issuance of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

Pursuant to a Master Site Lease, dated as of February 1, 2012 as initially executed and as it may from time to time be amended or supplemented in accordance with its terms (the "Site Lease"), between the County and the County of Riverside Asset Leasing Corporation (the "Corporation") the County has leased to the Corporation certain real property and the buildings and improvements located thereon (the "Property"). Pursuant to a Master Lease Agreement, dated as of February 1, 2012, as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof (the "Master Lease"), by and between the Corporation and the County, the Corporation has leased the Property back to the County for the County's use and occupancy. On or before each Base Rental Payment Date, the County will be obligated under the Master Lease to pay Base Rental Payments and other payments to the Trustee (described herein) each year during the term of the Master Lease. The Trustee will apply the Base Rental Payments it receives to pay the principal of, premium, if any, and interest with respect to the Series 2012 Bonds when due, in accordance with a Master Trust Indenture, dated as of February 1, 2012, (the "Master Trust Indenture") by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012, by and between the Corporation and Trustee (the "First Supplemental Indenture," and together with the Master Trust Indenture, the "Indenture"). The Indenture

¹Preliminary, subject to change.

provides the terms of the Series 2012 Bonds and governs the security and payment of the principal of, premium, if any, and interest on the Series 2012 Bonds.

Security and Sources of Payment for the Series 2012 Bonds

The Series 2012 Bonds are limited obligations of the Corporation payable solely from, and secured solely by, Revenues of the Corporation, consisting primarily of Base Rental Payments to be received by the Corporation from the County under the Master Lease, and from moneys on deposit in the Reserve Fund (defined herein) or from the proceeds of a Reserve Fund Credit Facility (described herein) provided in lieu thereof. The Base Rental Payments are to be paid by the County for its right of use and occupancy of the Property. The County has agreed in the Master Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event, and to the extent, that by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – The Property."

The County will be obligated under the Master Lease to pay the Base Rental Payments and Additional Payments to the Corporation (together, the "Master Lease Payments") each year during the term of the Master Lease. The County has covenanted in the Master Lease to take such action as may be necessary to include all Master Lease Payments in each of its annual budgets and to make the necessary annual appropriations for all Master Lease Payments. The covenants of the County are deemed to be and shall constitute duties imposed by law. Additionally, the County has covenanted to procure, or cause to be procured and maintained, throughout the term of the Master Lease, insurance on the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments; Additional Payments" and "– Insurance." See also APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER LEASE AGREEMENT – Fire and Extended Coverage Insurance" and "– Rental Interruption or Use and Occupancy Insurance."

Additional Bonds

Subsequent to the issuance of the Series 2012 Bonds, the Corporation may at any time, subject to conditions described in the Indenture, issue additional Series of Bonds ("Additional Bonds"), pursuant to a Supplemental Indenture, payable from Revenues and secured by a pledge and lien upon Revenues as provided in the Indenture equal to and on a parity with the pledge and lien securing the Series 2012 Bonds. The Corporation expects to issue Additional Bonds under the Indenture within the next five years, which Additional Bonds may be secured by the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds" and APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE–Additional Bonds." The Series 2012 Bonds and any Additional Bonds issued under the Indenture are collectively referred to herein as the "Bonds."

Assignment

Pursuant to an Assignment Agreement, dated as of February 1, 2012, the Corporation has assigned to the Trustee for the benefit of the Owners of the Series 2012 Bonds (i) its rights, title and interests in the Site Lease and the Master Lease, including the Corporation's right to receive Base Rental Payments, and (ii) its rights to enforce payment of the Base Rental Payments when due and to exercise its remedies in the event of a default.

Bonds Constitute Limited Obligations

The Series 2012 Bonds are limited obligations of the Corporation and are payable, as to interest thereon and principal thereof, from the Revenues comprised primarily of Base Rental Payments paid by the County pursuant to the Master Lease for the use and occupancy of the Property and from amounts on deposit in certain funds pledged under the Indenture. The Series 2012 Bonds are equally and ratably secured solely by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the principal of, redemption premiums, if any, purchase price and interest on the Series 2012 Bonds as provided in the Indenture. The Series 2012 Bonds do not constitute a debt, liability or obligation of the County or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing is pledged to the payment of the principal of or interest on the Series 2012 Bonds. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge Under the Indenture" and "– Base Rental Payments; Additional Payments – *Limited Obligation.*"

Risk Factors

There are certain risks associated with the purchase of the Series 2012 Bonds, some of which are set forth herein. See "RISK FACTORS." Risk factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Series 2012 Bonds.

Continuing Disclosure

The County will agree to file with the EMMA System, during the time the Series 2012 Bonds are Outstanding, certain financial information and operating data and notices of the occurrence of certain events in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). See "CONTINUING DISCLOSURE."

Summaries Not Definitive

Brief descriptions of the Series 2012 Bonds, the Corporation, the County and the Property are included in this Official Statement, together with summaries of the Site Lease, the Master Lease, the Assignment Agreement and the Indenture. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Series 2012 Bonds, the Site Lease, the Master Lease, the Assignment Agreement and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the Series 2012 Bonds, the forms thereof included in the Indenture, copies of all of which are available for inspection at the corporate trust office of the Trustee at Wells Fargo Bank, National Association, One California, Suite 1000, San Francisco, California 94111.

Reserve Fund

Pursuant to the Indenture, a Reserve Fund for the Series 2012 Bonds will be established in the amount of the Reserve Requirement with a portion of the proceeds of the Series 2012 Bonds. See "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2012 BONDS - Reserve Fund for the Series 2012 Bonds" herein and APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

Additional Information

The County regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Owner of the Series 2012 Bonds may obtain a copy of any such report, as available, from the Trustee. Additional information regarding this Official Statement may be obtained by contacting the Trustee.

DESCRIPTION OF THE SERIES 2012 BONDS

The following is a summary of certain provisions of the Series 2012 Bonds. Reference is made to the Series 2012 Bonds for the complete text thereof and to the Indenture for a more detailed description of these provisions. The discussion herein is qualified by such reference. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

General

The Series 2012 Bonds will be issued in the aggregate principal amount and will mature on the maturity dates shown on the inside cover page of this Official Statement. The Series 2012 Bonds will be dated the date of original issuance and will bear interest on the unpaid principal amount thereof as described below.

The Depository Trust Company, or DTC, will act as the initial securities depository for the Series 2012 Bonds, which will be issued initially pursuant to a book-entry only system. See APPENDIX B: "BOOK-ENTRY SYSTEM." Under the Indenture, the Corporation may appoint a successor securities depository to DTC for the Series 2012 Bonds. The holders of the Series 2012 Bonds have no right to a book-entry only system for the Series 2012 Bonds. The information under this caption, "DESCRIPTION OF THE SERIES 2012 BONDS" is subject in its entirety to the provisions described in APPENDIX B: "BOOK-ENTRY SYSTEM" while the Series 2012 Bonds are in the book-entry only system.

Interest on the Series 2012 Bonds will be payable semiannually on May 1 and November 1 of each year, commencing May 1, 2012 (each an "Interest Payment Date"), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Series 2012 Bond will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof, and will bear interest from the Interest Payment Date next preceding its date of authentication, unless such date of authentication is during the period commencing after the fifteenth (15th) day of the month (whether or not such day is a Business Day) immediately preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the date of issuance of the Series 2012 Bonds; provided, that if on the date of authentication of any Series 2012 Bond, interest is then in default on any Outstanding Series 2012 Bonds, such Series 2012 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of Principal and Interest

The Series 2012 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, in book-entry form and shall be evidenced by one bond for each maturity bearing a specified interest rate, in the principal amount of the respective maturities. Individual purchases of interests in the Series 2012 Bonds will be made in book-entry form only in Authorized Denominations. Purchasers of interests will not receive certificates representing their interests in the Series 2012 Bonds. For a description of the method of payment of principal, premium, if any, and interest on the Series 2012 Bonds and matters pertaining to transfers and exchanges while in the book-entry system, see APPENDIX B: "BOOK-ENTRY SYSTEM."

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, the Trustee for the Series 2012 Bonds will pay principal of and interest on the Series 2012 Bonds to DTC, which will remit principal, premium, if any, and interest payments to the Beneficial Owners of the Series 2012 Bonds (as described in APPENDIX B: "BOOK-ENTRY SYSTEM").

In the event the Series 2012 Bonds are no longer in a book-entry system, principal or redemption price of the Series 2012 Bonds will be payable at the Corporate Trust Office of the Trustee, and interest payments on the Series 2012 Bonds will be paid by check from the Trustee mailed by first class mail on such Interest Payment Date to such Owner of the Series 2012 Bonds as of the applicable Record Date; provided, however, that if an Owner of \$1,000,000 or more aggregate principal amount of the Series 2012 Bonds gives the Trustee written notice received by the Trustee prior to the applicable Record Date, the payment of principal and redemption price of, and interest on the Series 2012 Bonds (other than the final payment of principal thereof), will be payable by wire transfer of immediately available funds.

Redemption of the Series 2012 Bonds*

Optional Redemption. The Series 2012 Bonds maturing on or before November 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing after November 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the Corporation, from any source of available funds, in whole or in part, on any date on or after November 1, _____, at a redemption price equal to [100 percent] of the principal amount of Bonds called for redemption, without premium, together with accrued interest to the date fixed for redemption.

Selection of the Series 2012 Bonds for Optional Redemption. The Series 2012 Bonds are subject to optional redemption in such order or maturity (except mandatory sinking fund payments on the Series 2012 Bonds subject to mandatory sinking fund redemption) as the Corporation may direct (and proportional if no specific order of redemption is designated by the Corporation) and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2012 Bonds) shall deem appropriate, within a maturity.

Upon surrender of a Series 2012 Bond to be redeemed, in part only, the Trustee will authenticate for the Owner thereof a new Series 2012 Bond or Series 2012 Bonds of the same maturity and interest rate equal to the principal amount of the unredeemed portion of the Series 2012 Bond surrendered.

Mandatory Redemption from Sinking Fund Installments. The Series 2012 Bonds with a stated maturity date of November 1, 20__ (the "Term Bonds") are subject to mandatory redemption prior to their stated maturity, in part, by lot, from Sinking Fund Installments at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, and shall be due in the amounts and on the dates as follows:

Sinking Fund Installment Dates (November 1)	Sinking Fund Installments
	\$

*Final Maturity Date

If (a) the Corporation purchases any Series 2012 Bonds and surrenders such Series 2012 Bonds to the Trustee for cancellation; or (b) if the Corporation optionally redeems any Series 2012 Bonds hereof,

*Preliminary, subject to change.

then the Corporation shall designate the Sinking Fund Installments, in an aggregate amount equal to the principal amount of Series 2012 Bonds so purchased or optionally redeemed, that are to be reduced as allocated to such purchase or redemption, and such Sinking Fund Installments shall be reduced accordingly.

Purchase in Lieu of Redemption. In lieu of redemption, the Corporation may direct the Trustee (or another agent appointed by the Corporation for such purpose) to purchase all, or a lesser portion in Authorized Denominations, of the Series 2012 Bonds called for optional redemption upon direction to the Trustee (or such other agent) as set forth in the Indenture. No notice of the purchase in lieu of redemption is required to be given to the Owners (other than the notice of redemption otherwise required). On or prior to the scheduled redemption date, any such direction to purchase may be withdrawn by the Corporation, in which case the scheduled optional redemption of the Series 2012 Bonds shall occur as set forth in the redemption notice related thereto.

Extraordinary Redemption from Net Proceeds. The Series 2012 Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as provided in the Indenture, on any date, in whole or in part, as provided in the Indenture, from net insurance proceeds (including self-insurance proceeds) or condemnation awards with respect to any of the Property destroyed, damaged, stolen or taken, at the principal amount thereof together with accrued interest to the date of redemption, without premium.

If less than all Outstanding Series 2012 Bonds are to be redeemed at any time from net insurance proceeds (including self-insurance proceeds) or condemnation awards, the Trustee shall use the net insurance proceeds (including self-insurance proceeds) or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem, by lot among those Series and maturities of Series 2012 Bonds determined by the County, and proportionally if not so designated, provided however that the redemption of Series 2012 Bonds pursuant hereto shall not cause the total of all Master Lease Payments for the Property to be greater than the total fair rental value of the Property in accordance with the Master Lease. Subject to the foregoing, if less than all Outstanding Series 2012 Bonds maturing by their terms on any one date are to be so redeemed at any one time, the Trustee shall select by lot the Series 2012 Bonds of such maturity date to be redeemed in any manner that it deems appropriate.

Notice of Redemption. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (a) the respective Owners of the Series 2012 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail or (b) with respect to the Series 2012 Bonds held by DTC to DTC by registered mail or by overnight delivery. Each notice of redemption will state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2012 Bonds of such maturity to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds thereof, and in the case of a Series 2012 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2012 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

Failure to give the notice described herein or any defect therein shall not in any manner affect the redemption of any Series 2012 Bond.

Any notice of optional redemption of the Series 2012 Bonds may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Corporation will not be required to redeem the

Series 2012 Bonds thereby called for redemption, and the redemption will be cancelled. In addition, the Corporation may, at its option, on or prior to the date fixed for optional redemption in any notice of redemption of the Series 2012 Bonds, rescind and cancel such notice of redemption.

Effect of Redemption. Provided that notice of redemption has been duly given as described above and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2012 Bonds (or portions thereof) so called for redemption shall be held by the Trustee, on the redemption date designated in such notice, the Series 2012 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. In such case, interest on the Series 2012 Bonds so called for redemption shall cease to accrue, said Series 2012 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2012 Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption.

PLAN OF REFUNDING

Proceeds of the Series 2012 Bonds will be used to defease and prepay on May 1, 2012 (the "Prepayment Date") all of the outstanding County of Riverside Certificates of Participation (County Administrative Center Annex Project), evidencing and representing the proportionate undivided interests in lease payments for certain property pursuant to a lease agreement with the Corporation, of which \$31,365,000 remains outstanding (the "2001 Certificates") at a prepayment price of 102 percent of the principal amount thereof together with the unpaid accrued interest to the Prepayment Date. See also "ESTIMATED SOURCES AND USES OF FUNDS." The Corporation issued the 2001 Certificates to finance the costs of the acquisition, construction and installation of certain capital projects.

Pursuant to the terms of the First Supplemental Indenture, the Corporation will transfer a portion of the proceeds of the Series 2012 Bonds, together with certain moneys available in the Series 2001 Reserve Account relating to the 2001 Certificates, to the prepayment fund (the "Series 2001 Prepayment Fund") created and established pursuant to the Trust Agreement, dated as of July 1, 2001 (the "2001 Trust Agreement"), by and among the County, the Corporation and Wells Fargo Bank, National Association, as trustee (the "Prior Trustee"). Amounts in the Series 2001 Prepayment Fund will be held as cash. Sufficient moneys will be deposited in the Series 2001 Prepayment Fund to pay interest on the 2001 Certificates as the same shall become due through the Prepayment Date, and to pay the prepayment price of the 2001 Certificates on the Prepayment Date. The Series 2001 Prepayment Fund shall be held by the Prior Trustee in irrevocable trust and used solely for the payment of the prepayment price of the 2001 Certificates and any unpaid interest accrued thereon to the Prepayment Date, subject only to the transfer to the Series 2012 Interest Account of any monies not required for such purpose.

Upon such deposit and investment and compliance with certain notice requirements set forth in the 2001 Trust Agreement, the liability of the Corporation with respect to the 2001 Certificates will cease, and the 2001 Certificates will no longer be outstanding, except that the Owners of the 2001 Certificates will be entitled to payment thereof solely from the amounts on deposit in the Series 2001 Prepayment Fund.

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of the estimated sources and uses of funds with respect to the Series 2012 Bonds:

Sources of Funds	
Par Amount	\$
Plus/Less Premium/Discount	

[Transfer from the Base Rental Fund relating to the 2001 Certificates]

Transfer from the 2001 Reserve Account

Total Sources

Uses of Funds

Prepayment Fund

Acquisition of Indio Properties

Series 2012 Reserve Fund

Costs of Issuance Fund⁽¹⁾

Total Uses

\$ _____

⁽¹⁾Includes certain legal fees, financing and consulting fees, Underwriters' discount, fees of Bond Counsel, Disclosure Counsel, Underwriters' Counsel, Trustee, and the Financial Advisor, printing costs, rating agency fees, title insurance and other miscellaneous expenses.

DEBT SERVICE REQUIREMENTS

Under the Master Lease, Base Rental Payments payable by the County to the Corporation are due and payable by the County on each April 15 and October 15, commencing April 15, 2012. Pursuant to the Indenture, on May 1 and November 1 of each year, commencing on May 1, 2012, the Trustee will apply such amounts as are necessary to make principal, premium, if any, and interest payments with respect to the Series 2012 Bonds as the same shall become due and payable, as shown in the following table:

DEBT SERVICE SCHEDULE

Payment Date	Series 2012 Principal	Series 2012 Interest	Series 2012 Total Principal and Interest(1)
	\$	\$	\$

Total	\$ _____	\$ _____	\$ _____
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⁽¹⁾Represents total debt service of the Series 2012 Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, which like the Series 2012 Bonds, are payable from lease payments by the County made from its General Fund. See "CURRENT AND FUTURE FINANCINGS" in APPENDIX A.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Pledge Under the Indenture

The Indenture provides that the Series 2012 Bonds and any Additional Bonds, are payable from, and secured solely by a lien on, (a) all Base Rental Payments paid by the County pursuant to the Master

Lease as further described below and (b) interest and profits from the investment of money in any fund, account and subaccount established in the Indenture, other than any Rebate Fund, deposited in the Bond Fund, all on the terms and conditions set forth in the Indenture (collectively, the "Revenues"). As and to the extent set forth in the Indenture, all the Revenues are pledged for the security and payment of the Series 2012 Bonds and any Additional Bonds, provided, however that out of the Revenues certain amounts may be applied for other purposes as provided in the Indenture. In addition, the Series 2012 Bonds are secured by and payable from moneys on deposit in the Series 2012 Reserve Fund or from proceeds of a Reserve Fund Credit Facility provided in lieu therefor.

The Corporation may, from time to time, enter into Supplemental Indentures without the consent of the Owners of the Series 2012 Bonds for the purpose of issuing Additional Bonds, payable from and secured by a pledge of Revenues as provided in the Indenture, equal to the pledge securing the Outstanding Series 2012 Bonds, subject to the limitations and conditions set forth in the Indenture. See "Additional Bonds" below.

Base Rental Payments; Additional Payments

General. Revenues of the Corporation pledged under the Indenture to the payment of the Series 2012 Bonds consist primarily of the Base Rental Payments to be made by the County to the Corporation under the Master Lease. The County has covenanted in the Master Lease to pay to the Corporation, on or before the Base Rental Payment Dates, as rental for the use and occupancy of the Property, the Base Rental Payments for all of the Property plus Additional Payments in amounts required by the Corporation for the payment of all costs and expenses incurred by the Corporation in connection with the Property as described in the Master Lease, including without limitation, the fees, costs and expenses to the Property. The County must make all Base Rental Payments and Additional Payments (together, the "Master Lease Payments") when due, without any deduction or offset of any kind, and, notwithstanding any dispute between the County and the Corporation regarding a Lease Payment, the County shall not withhold any such Lease Payment pending final resolution of the dispute.

The Trustee, as assignee of the Corporation, will receive the Base Rental Payments for the benefit of the Owners of the Series 2012 Bonds and credit such Base Rental Payments to the Bond Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Bond Fund on each Interest Payment Date to pay principal and interest due on such date on the Series 2012 Bonds.

Under the Master Lease, such payments of Base Rental Payments and Additional Payments for each Base Rental Period or portion thereof during the term of the Master Lease will constitute the total rental for such Base Rental Period or portion thereof and will be paid or payable by the County from funds of the County lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Property by the County for and during such Base Rental Period.

Covenant to Budget and Appropriate. Pursuant to the Master Lease, the County covenants to take such action as may be necessary to include Master Lease Payments due under the Master Lease in its annual budgets and to make the necessary annual appropriations for all such payments. In addition, to the extent permitted by law, the County covenants to take such action as may be necessary to amend or supplement the budget appropriations for Master Lease Payments, at any time and from time to time during any fiscal year, in the event that the actual Master Lease Payments paid in any fiscal year exceed the pro rata portion of the appropriations then contained in the County's budget. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants.

Limited Obligation. The Bonds are limited obligations of the Corporation and payable, as to principal thereof, premium, if any, and interest thereon solely from the Revenues comprised primarily of Base Rental Payments paid by the County for the use and occupancy of the Property, pursuant to the Master Lease, and from amounts on deposit in certain funds pledged under the Indenture. The obligation of the County to make Base Rental Payments and Additional Payments under the Master Lease does not constitute an obligation for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012 Bonds nor the obligation of the County to make these Master Lease Payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See “RISK FACTORS – Base Rental Payments Not County Debt.”

Abatement. Base Rental Payments are paid by the County in each Base Rental Period for and in consideration of the right of use and occupancy of the Property during each such period. Except to the extent of (a) amounts held by the Trustee in the Bond Fund or in the Series 2012 Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012 Bonds, during any period in which by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Property, Master Lease Payments will be abated to the extent that the total fair rental value of the portion of the Property of which there is no substantial interference, if any, is less than the remaining scheduled Base Rental Payments and Additional Payments, in which case Master Lease Payments will be abated only by the amount equal to the difference. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned.

In order to mitigate the risk that an abatement event will cause a disruption in the payment of Master Lease Payments, the Master Lease requires the County to maintain use and occupancy insurance against loss of use caused by hazards covered by property insurance required by the Master Lease. During any period of abatement with respect to all or any part of the Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal and interest on the Series 2012 Bonds. In lieu of abatement of Master Lease Payments, the County in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Property, or portion thereof, pursuant to the substitution provisions of the Master Lease. See “– Substitution, Removal or Addition of Property” below.

In the event the Property cannot be repaired, replaced or rebuilt from the proceeds of insurance, if any, the County agrees to apply for and use its best efforts to obtain any state and/or federal disaster relief funds to repair, replace or rebuild the Property. See “– Insurance” below and APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Fire and Extended Coverage Insurance” and “– Rental Interruption or Use and Occupancy Insurance.”

Any abatement of Master Lease Payments shall not be considered an Event of Default under the Master Lease, but shall result in the extension of the date on which the Master Lease’s term expires (the “Expiry Date”) by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payment for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon.

Reserve Fund for the Series 2012 Bonds

The First Supplemental Indenture establishes a Reserve Fund for the Series 2012 Bonds (the "Series 2012 Reserve Fund"). The Series 2012 Reserve Fund is required to be funded in the amount of the Reserve Requirement. The Reserve Requirement, with respect to the Series 2012 Bonds as of any date of calculation, is the least of (a) 10% of the original principal amount of the Series 2012 Bonds, (b) the maximum Base Rental Payments payable by the County in any Lease Year between such date and the expiration of the Master Lease, and (c) 125% of the average annual Base Rental Payments on the Series 2012 Bonds Outstanding. Moneys held in the Series 2012 Reserve Fund shall be used for the purpose of paying principal and interest on the Series 2012 Bonds if, on any principal or interest payment date on any such Series 2012 Bonds, the amounts in the Series 2012 Principal Account and the Series 2012 Interest Account are insufficient to pay in full the amount then due on the Series 2012 Bonds. At such time as amounts in the Series 2012 Bond Fund are equal to all debt service payments remaining due on the Series 2012 Bonds, the amount in the Series 2012 Reserve Fund may be used to pay the final installments of principal and interest on the Series 2012 Bonds and may be withdrawn and transferred to the County to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Series 2012 Bonds, there shall be delivered to the Trustee with the request for such withdrawal and transfer an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the Act and that such use shall not result in the inclusion of interest on any Series 2012 Bonds in the gross income of the Owners thereof for federal income tax purposes. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Reserve Fund."

At the option of the County, one or more Reserve Fund Credit Facilities may be initially deposited or later substituted for the funds held in the 2012 Reserve Account to meet the Reserve Requirement so long as at the time of such deposit or substitution such Reserve Fund Credit Facility extends to the final maturity of the Series 2012 Bonds, subject to the terms and conditions of the Indenture. The term "Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Fund, if any, in lieu of or in partial substitution for cash or securities on deposit therein; in each case, the provider of which shall be rated in one of the two highest long-term rating categories (without regard to subcategories) by Moody's and S&P at the time of substitution.

The Property

The Property is a part of the Riverside County Administrative Center ("CAC") located at 4080 Lemon Street in downtown Riverside, California. The Property is composed of the land and the facilities located thereon. The Property consists of various parcels of real property which comprise a part of the CAC property at Twelfth and Lemon Streets. The facilities consist of two components: an annex to the historical portion of the CAC (the "CAC Annex"), and a parking structure (the "Parking Structure"). The Property leased under the Master Lease excludes the historical portion of the CAC and excludes the Indio Properties which will be acquired with proceeds of the Series 2012 Bonds.

The CAC Annex, constructed in [], is a five-story, 96,526 square foot administrative building built on County-owned property and houses [] County employees and several departments that are critical to County governance. The CAC Annex includes a 29,000 square foot, 290 seat Board of Supervisors room equipped with state-of-the-art audio and visual systems that allow for a variety of presentation options on the first floor. In addition to the Board of Supervisors room, the first floor consists of offices for the Clerk of the Board, café space, as well as a five-story high sky lit lobby area. The second floor is utilized primarily for mechanical, support and storage space. The third floor consists of office space and is leased to other government agencies. The fourth floor is occupied by the County Executive Office, and the fifth floor is occupied by the Board of Supervisors' offices. The Parking

Structure is a multi-story structure consisting of 750 parking spaces and located on County-owned property adjacent to the CAC.

[Discuss earthquake standards and flood zone for Property.] The Property will be insured to the extent set forth in the Master Lease. See “– Insurance” below.

The County estimates that the current value of the Property, including the land and the improvements thereon, is \$[_____]. In connection with the execution and delivery of the Series 2012 Bonds, the County will certify that the insured value of the facility and the underlying land is at least equal to par amount of the Series 2012 Bonds and that annual fair rental value of the Property is at least equal to the Base Rental Payment payable under the Master Lease.

Under the Master Lease, during any period in which by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Property, Master Lease Payments may be abated. Any abatement of Master Lease Payments will not be considered an Event of Default under the Master Lease. For a description of the abatement provisions of the Master Lease, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments; Additional Payments – Abatement” above.

Under the Site Lease and Master Lease, the County may substitute all or a portion of the Property upon compliance with the conditions set forth therein. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Substitution, Removal or Addition of Property.” The Property may also be used to secure Additional Bonds.

Insurance

Fire and Extended Coverage Insurance. The Master Lease provides that the County will secure and maintain or cause to be secured and maintained throughout the term of the Master Lease for the Property, insurance or self-insurance against the risks and in the amounts set forth in the Master Lease. Such insurance includes “all risk” insurance against loss or damage to the Property. Such insurance is required to be maintained with respect to the Master Lease at any time in an amount not less than the aggregate principal amount of Bonds at such time Outstanding with respect to such Property. This insurance may include deductible clauses, on a per loss basis in any one year, not to exceed (i) \$50,000, in the case of all risk insurance, (ii) in the case of flood insurance, 2% of the value per structure with respect to locations situated within a 100 year flood plain (as defined by Federal Emergency Management Agency), subject to a minimum of \$100,000 and a maximum of \$500,000 per occurrence and (iii) 5% of total value per structure per occurrence subject to a \$100,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Property in accordance with the Master Lease, provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost. The County will also obtain rental interruption insurance from a provider rated at least “A” by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the “all risk” insurance in an amount sufficient at all times to pay the total rent payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that, the amount payable under such policy will not be less than the amount equal to two years’ maximum Base Rental and that the County’s obligations with respect to rental interruption insurance shall not be satisfied by self-insurance. The County will obtain a title insurance policy covering the Property in an aggregate amount not less than the aggregate principal amount of the Bonds Outstanding.

Rental Interruption or Use and Occupancy Insurance. The Master Lease requires the County to procure or cause to be procured, and to maintain or cause to be maintained, throughout the term of the

Master Lease, rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the fire and extended coverage insurance described above in an amount sufficient at all times to pay the total rent payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental Payments; and provided further that the County's obligations with respect to rental interruption or use and occupancy insurance shall not be satisfied by self insurance.

Title Insurance. Pursuant to the Master Lease, the County will obtain, for the benefit of the Corporation and the Trustee, a CLTA title insurance policy on the Property, subject only to Permitted Encumbrances, in an amount equal to the aggregate principal amount of the Series 2012 Bonds less the Reserve Requirement, issued by a company of recognized standing.

See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER LEASE – Fire and Extended Coverage Insurance" and "– Rental Interpretation or Use and Occupancy Insurance."

Default and Remedies.

Upon an Event of Default, the County will be deemed to be in default under the Master Lease and the Trustee, as assignee of the rights of the Corporation, may exercise any and all remedies available pursuant to law or under the Master Lease to enforce payment of Base Rental Payments, when due, or to exercise all remedies. Events of Default under the Master Lease are as follows:

(a) the failure of the County to pay any Base Rental Payment or other payment required to be paid under the Master Lease when the same becomes due and payable and the continuation of such failure for a period of ten (10) days, provided that failure to deposit any Base Rental Payments abated pursuant to the Master Lease shall not constitute an event of default;

(b) the failure of the County to observe or perform any covenant, condition or agreement in the Master Lease or the Indenture to be observed or performed by the County, except those obligations listed in (a) above, after notice as provided in the Master Lease and the elapse of a 60-day grace period; or

(c) the filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors.

(d) The Trustee, in addition to all other rights and remedies it may have at law, has the option to do any of the following upon the occurrence of an Event of Default:

(e) to terminate the Master Lease and retake possession of the Property. In the event of such termination, the County agrees to immediately surrender possession of the Property, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the County. No termination of the Master Lease on account of default by the County will be or become effective by operation of law or acts of the parties to the Master Lease, unless and until the Trustee has given written notice to the County of the election on the part of the Trustee to terminate the Lease.

(f) without terminating the Master Lease, (i) collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision of the Master Lease to be

kept or performed by the County, and/or (ii) exercise any and all rights to retake possession of the Property. In the event the Trustee does not elect to terminate the Master Lease in the manner provided for in subparagraph (a) immediately above, the County will remain liable and agrees to keep or perform all covenants and conditions contained in the Master Lease and to pay the Base Rental Payments to the end of the term of the Master Lease or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or any deficiency thereof punctually at the same time and in the same manner as provided for under the Master Lease (without acceleration).

Should the Trustee elect to retake possession of the Property, under the terms of the Master Lease, the County irrevocably appoints the Trustee as the agent and attorney-in-fact of the County to re-let the Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the County indemnifies the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Property by the Trustee or its duly authorized agents in accordance with the Master Lease.

Triple Net Lease

The Master Lease is a "net-net-net lease" and the County agrees that the Master Lease Payments will be an absolute net return to the Corporation free and clear of any expenses, charges or set-offs whatsoever. The obligation of the County to make Base Rental Payments may be abated in whole or in part if the County does not have use and possession of the Property. See "-- Base Rental Payments; Additional Payments - Abatement" above.

Substitution, Removal or Addition of Property

Pursuant to the Master Lease, the County may amend the Master Lease and the Site Lease to (a) substitute other real property and/or improvements (the "Substituted Property") for all or any portion of the existing Property; (b) to remove all or a portion of real property (including undivided interests therein) and/or improvements ("Removal") from the existing Property; or (c) add real property and/or improvements ("Added Property") to the Property, upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Property for which the Substitution or Removal has been effected shall be released from the Master Lease and the Site Lease.

No Substitution, Addition or Removal shall take place hereunder until the County delivers to the Corporation and the Trustee the following:

(a) executed counterparts (in proper recordable form) of amendments to the Site Lease and the Master Lease, containing: (i) in the event of a Removal, a legal description of all or part of the Property to be released; (ii) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (iii) in the case of an Addition, a legal description of the Added Property;

(b) a Certificate of the County (i) stating that the total fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the County) of the property that will constitute the Property after such Addition, Substitution or Removal, for the remaining term of the Master Lease, is at least equal to 100 percent of the maximum amount of Base Rental Payments becoming due in the then current Base Rental Period or in any subsequent Base Rental Period during the term of the Master Lease; provided, however, at the sole discretion of the County, in the alternative, in the event of a Substitution only, the Certificate of the County may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property; and (ii) stating that the useful

life of the Property after Substitution or Removal equals or exceeds the remaining term of the Master Lease;

(c) an Opinion of Bond Counsel to the effect that (i) the amendments to the Master Lease and to the Site Lease contemplating Substitution, Addition or Removal have been duly authorized, executed and delivered and the Master Lease and the Site Lease as so amended constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms; and (ii) the Substitution, Addition or Removal is authorized or permitted under this Master Lease;

(d) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Corporation and Trustee as the insured, and shall insure the leasehold estate of the Corporation and the Trustee, as assignee of the Corporation, in such real property subject only to Permitted Encumbrances;

(e) in the event of a Substitution or Addition, an opinion of the County Counsel to the effect that the exceptions, if any, contained in the title insurance policy referred to in (d) above (i) constitute Permitted Encumbrances and (ii) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the County for the purposes of leasing or using the Substituted Property or Added Property;

(f) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal does not cause the interest on any Bonds issued on a tax-exempt basis to be includable in gross income of the Owners thereof for federal income tax purposes;

(g) evidence that the County has complied with the insurance covenants contained in the Master Lease with respect to the Substituted Property or Added Property; and

(h) in the event of a Substitution or Addition, a certified copy of a resolution duly adopted by the Board authorizing the amendments to the Master Lease and to the Site Lease in connection with such Substitution or Addition.

Additional Bonds

In addition to the Series 2012 Bonds, the Corporation may issue additional Series of Bonds ("Additional Bonds") under the Indenture, subject to the satisfaction of certain conditions contained in the Indenture, including, among others:

(a) the Corporation shall be in compliance with all agreements and covenants of the Indenture, and no Event of Default shall have occurred and be continuing under the Master Lease;

(b) the Master Lease shall have been amended, if necessary, so as to increase the aggregate Base Rental Payments payable by the County thereunder in each Fiscal Year to at least equal the projected Annual Debt Service, including debt service on such Additional Bonds in each Fiscal Year;

(c) a Certificate of the County stating that (i) the total fair rental value of the Property will, in each year during the remaining Term of the Master Lease, at least equal the maximum total remaining Base Rental Payments payable in any future fiscal year under the

Master Lease attributable to the Property after the issuance of such Additional Bonds, (ii) the fair market value of the Property will equal or exceed the principal amount of all Bonds Outstanding under the Indenture upon the execution and delivery of the Additional Bonds, (iii) the Property has a remaining useful life at least equal to the remaining term of the Master Lease, as amended, and (iv) the Property is available or will be available for immediate use and occupancy by the County;

(d) the Corporation has been advised in writing by each Rating Agency then rating the Outstanding Series 2012 Bonds, and which Rating Agency shall have received notice of such the proposed issuance of such Additional Bonds, that the issuance of such Additional Bonds will not, in and of itself, result in a reduction of the ratings of the Series 2012 Bonds by such Rating Agency;

(e) no new property may be added to the description of Property in connection with the issuance of such Additional Bonds; and

(f) a certificate of the County stating that the County is in compliance with the insurance requirements of the Master Lease.

The Series 2012 Bonds and any Additional Bonds issued pursuant to the Indenture will be payable from the Revenues as provided in the Indenture, and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the Outstanding Series 2012 Bonds and any Additional Bonds previously issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Additional Bonds."

For a further description of the provisions of the Master Lease, including the terms thereof and a description of certain covenants therein, including maintenance, utilities, taxes, assessments, insurance, and events of default and available remedies, see "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Master Lease" in APPENDIX D.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Series 2012 Bonds.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County is currently experiencing a slowdown as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop on residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Series 2012 Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Not a Pledge of Taxes

The obligation of the County to make Base Rental Payments or Additional Payments under the Master Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012 Bonds nor the obligation of the County to make Base Rental Payments or Additional Payments under the Master Lease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Master Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Master Lease to pay the Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Master Lease that, for as long as the Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments and Additional Payments.

Additional Obligations of the County

The Base Rental Payments and other payments due under the Master Lease (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the County. The County is currently liable on other obligations payable from general revenues. The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. See APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE– Financial Information – Long-Term Obligations of County" and "– Lease Obligations" attached hereto for a description of other obligations payable from general revenues of the County.

Limitations on Remedies

The rights of the Owners of the Series 2012 Bonds are subject to limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2012 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the Series 2012 Bonds and/or delays in the enforcement of such rights.

Default

In the event of default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Master Lease. The remedies provided for in the Master Lease include, in addition to all other remedies provided at law, terminating the Master Lease and reletting the Property and retaining the Master Lease and holding the County liable for each installment of Base Rental Payments as it

becomes due. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental Payments was due and against funds needed to serve the public welfare and interest.

Abatement

Except to the extent of (i) amounts held by the Trustee in the Bond Fund or the Reserve Fund for the Series 2012 Bonds, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012 Bonds, Base Rental Payments due under the Master Lease with respect to the Property or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Property or any portion thereof, there is substantial interference with the use or right of possession by the County of the Property or a portion thereof. Base Rental Payments will be abated proportionately under the Master Lease. The amount of abatement will be such that the resulting Base Rental Payments and Additional Payments represents fair rental value for the use and possession the remaining portions of the Property as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere, provided that when determining the fair rental value of the remaining portion of the Property such determination will be made based on the greater of the fair rental value of such portion of the Property at that time or the fair rental value such portion of the Property had on the date of delivery of the Series 2012 Bonds.

Wildfires and Flooding

The County is exposed to a variety of wildfire hazard conditions ranging from low levels of risk along the eastern portions of the County, which is primarily desert and sparsely populated to higher hazards in the western portion of the County, which is more urban and densely populated. Currently, fire hazard severity is a function of fuel conditions, historic climate, and topography. Population density or the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated mainly as having a "Very High Hazard" and "High Hazard." The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is less.

The State, particularly Southern California, is periodically subject to wildfires. When wildfires scorch thousands of acres in Southern California, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) as being within a Non-Special Flood Hazard Area (a "NSFHA"). A NSFHA is an area that is in a low- to moderate-risk flood zone (i.e. not in a floodplain) and has less than a 1% chance of flooding each year. While the County is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Property and the abatement of the Base Rental Payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Master Lease to cause to be maintained certain insurance policies on the Property; provided, however, the County does not covenant to maintain earthquake insurance under all circumstances, as more fully described below. These insurance policies are “all risk” policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims. Currently, the County does maintain earthquake insurance with respect to the Property. The Property could be damaged or destroyed due to earthquake or other casualty for which the Property is uninsured. Under these circumstances an abatement of the Base Rental Payments could occur and could continue indefinitely. The providers of the County’s liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to prepay the Series 2012 Bonds.

The County is obligated under the Master Lease to secure and maintain, or cause to be secured and maintained, earthquake insurance with respect to the Property as part of its applicable “all-risk” insurance policy, provided that earthquake insurance is available from reputable insurers at a reasonable cost. The County in the past has purchased an “all-risk” insurance policy with respect to certain properties located within the County. Accordingly, the Leased Premises are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Property, sustain one or more losses or damages in a Fiscal Year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Leased Premises.

For additional information regarding the County’s risk management programs, see APPENDIX A – “INFORMATION REGARDING THE COUNTY OF RIVERSIDE– Financial Information – Insurance” and APPENDIX C – “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS – The Master Lease” attached hereto.

THE COUNTY

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

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

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such

as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities at cost by the County.

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

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

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1983 to assist the County by providing for the acquisition and maintenance of equipment, the acquisition, construction and renovation of facilities and other improvements, and the leasing of such equipment and facilities to the County. The Corporation is governed by a Board of Directors composed of five members appointed by the County Board of Supervisors to serve one-year terms. The Board of Directors elects a President, Secretary, and Treasurer from among its members. The County's Executive Officer, Clerk of the Board of Supervisors, Treasurer-Tax Collector, Purchasing Agent and County Counsel serve as staff to the Corporation.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

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

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

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

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

Article XIII B of the State Constitution

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

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

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

The County's appropriations limit for the Fiscal Year 2010-11 was \$2,050,230,730 and the amount shown in its budget for that year as the appropriations subject to limitation was \$971,645,571. The County's appropriations limit for Fiscal Year 2011-12 is \$2,139,732,138 and the amount subject to the limitation is \$900,975,704.

Right To Vote on Taxes Initiative-Proposition 218

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

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

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

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

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

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of

transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

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

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

Proposition 1A

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

community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

Proposition 22

[Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (a) to use State fuel tax revenues to pay debt service on state transportation bonds; (b) to borrow or change the distribution of state fuel tax revenues; (c) to direct redevelopment agency property taxes to any other local government; (d) to temporarily shift property taxes from cities, counties, and special districts to schools; (e) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the State Legislative Analyst's Office ("LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately \$1 billion in Fiscal Year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.]

Proposition 25

[According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the Legislature is still required to override any veto by the Governor.]

Proposition 26

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal became effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

Assessment Appeals and Assessor Reductions

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

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. [In Fiscal Year 2011-12, the secured property tax roll declined by .04% from the prior year, and is expected not to decline further in Fiscal Year 2011-12.] [UPDATE] See APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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

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

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. [For Fiscal Year 2010-11 over 316,000 properties on the County's tax rolls reflect a Proposition 8 reduction.][UPDATE] Those adjustments are completed prior to the finalization of the tax roll in the summer.

Future Initiatives

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

STATE OF CALIFORNIA BUDGET INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guaranty the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest due with respect to the Certificates is payable from any funds of the State.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2011-12, approximately [39%] of the County's General Fund budget revenues consist of payments from the State and [21%] consists of payments from the Federal government.

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The severe economic downturn and slow recovery resulted in General Fund revenues in Fiscal Year 2010-11 (\$93.2 billion) that are 9.2% lower from their peak in Fiscal Year 2007-08 (\$102.6 billion). Since the beginning of 2010, the nation and California have been gradually recovering from what has been characterized as the worst recession since the Great Depression. Recent national economic output has grown as has personal income in both the State and the nation, and job growth has similarly. However, because of the magnitude of the economic displacement resulting from the recession, California continues to face significant financial challenges. To the extent the State is constrained by constitutional or statutory spending limits, or by other fiscal considerations, State assistance to local governments may be reduced. Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. In 2009, the California legislature enacted legislation allowing the State to delay scheduled payments to local governments in Fiscal Year 2010-11, until May 2011. In prior years, the State's cash management problems caused it to refrain from making some payments or issuing "IOUs" so that the State's "priority payments," such as debt service and payroll, could be made as scheduled. The State's budgetary decisions during the recent economic downturn have had, and will continue to have, a significant financial and programmatic impact on counties, cities and other local jurisdictions. For a discussion of the County's budget and finances, see APPENDIX A— "INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information."

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

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

State Budget for Fiscal Year 2011-12. On June 30, 2011, the State's budget for fiscal year 2011-12 (the "2011 Budget Act") was enacted. The 2011 Budget projects State General Fund revenues and transfers for fiscal year 2011-12 at \$88.5 billion, a reduction of \$6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at \$85.9 billion – a reduction of \$5.5 billion compared to the prior year.

In approving the 2011 Budget Act, Governor Jerry Brown exercised his line-item veto power to reduce General Fund expenditures, mostly in the Judicial Branch, which included a reduction of \$22.9 million related to parole revocation workload. The 2011 Budget Act also includes special fund expenditures of \$34.2 billion and bond fund expenditures of \$9.4 billion. The estimated General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately \$7.1 billion in Fiscal Year 2010-11) and the transfer of about one percent of the State sales tax rate to local governments to fund the realignment described further below. See below the bullet point entitled "Realigning Services to Local Governments." Offsetting these reductions were improved revenue estimates for the remaining state tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus funding provided for under the American Recovery and Reinvestment Act of 2009 ("ARRA") which supported about \$4.2 billion of State General Fund programs in fiscal year 2010-11.

The 2011 Budget Act closed a projected budget gap of \$26.6 billion over Fiscal Years 2010-11 and 2011-12, and projected a \$543 million reserve by June 30, 2012, for a total of \$27.2 billion in solutions (including a combination of expenditure reductions, additional revenues, and other solutions) and improved revenue results for the state's tax base.

The 2011 Budget Act includes, but is not limited to, the following major expenditure reductions and other significant solutions targeted towards solving the State General Fund budget gap:

- (a) *Reduction in Medi-Cal health benefits & spending by \$2.0 billion.*
 - (i) Reduction in the State's support of the University of California and California State University by \$1.4 billion.
 - (ii) Reduction in California Work Opportunity and Responsibility to Kids Program ("CalWORKs") grants by \$837 million.

Redevelopment Agencies. Legislation enacted as part of the 2011 Budget Act, upheld by the California Supreme Court, eliminates redevelopment agencies, with formal dissolution to take place on February 1, 2012. The statute redirects the property tax increment that would have been received by the dissolved redevelopment agencies, after payment of redevelopment debt obligations and "pass through" payments to local agencies that they would have received under the prior law, be paid to local agencies and school and community college districts and special districts according to their base property tax allocations. In general, the County expects that the diversion of tax increment from redevelopment agencies to the local taxing entities according to the 2011 Budget Act would benefit the County's general fund and fire, flood and library districts.

Realignment of Certain Services to Local Governments. As part of the 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). In total, Realignment provides \$6.3 billion to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs in Fiscal Year 2011-12. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate (\$5.1 billion); 2) the redirection of \$763 million of the revenue generated by Proposition 63 (the "millionaire tax" which supports mental health programs statewide); and 3) the redirection of a portion of vehicle license fee revenues (\$463.0 million).

Realignment is best understood as comprising two distinct components: Health and Human Services and Public Safety. With respect to the former, the State has replaced the funding previously provided to counties as State reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change has resulted from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on a host of new responsibilities related to released inmates, newly convicted offenders, and parole violators. The County has received a \$6.9 million appropriation from the State to address the needs of the realigned criminal justice population. [The County anticipates that this funding will be sufficient to support its achievement of the complementary goals of increasing public safety and reducing recidivism.]

Stabilizing Realignment funding for future fiscal years is a top legislative priority for [both the County and] the California State Association of Counties (“CSAC”). On November 1, 2011, CSAC filed a 2012 ballot initiative with the Attorney General. That initiative seeks to provide constitutional protections for Realignment funding by specifically designating realigned programs and making non-discretionary the appropriation of particular revenue streams supporting those activities. On December 1, 2011, Governor Brown also filed a 2012 ballot initiative with the Attorney General. Like CSAC’s initiative, Governor Brown’s initiative seeks to provide funding for Realignment, among other things, by raising the sales tax by 1/2 percent and income taxes for people making more than \$250,000 (the tax increase would expire after 5 years). [The County plans to actively support the CSAC initiative and Governor Brown’s initiative, as well as to work collaboratively with other counties and the Governor on additional opportunities to guarantee adequate Realignment funding, as they arise.]

Events Subsequent to Adoption of The 2011 Budget Act. The 2011 Budget Act recognized the potential risk to the State’s fiscal condition if certain forecasted revenues did not materialize and included a “trigger mechanism” to provide automatic expenditure reductions if the projections of Fiscal Year 2011-12 revenues, as updated in November and December of 2011 by the State’s Legislative Analyst Office and the State’s Department of Finance, respectively, were more than \$1 billion less than projected under the 2011 Budget Act.

On December 13, 2011 the Department of Finance estimated that State revenues for Fiscal Year 2011-12 would not meet, and would be \$2.2 billion less than, earlier revenue projections. If projected revenues fell short of expectations by more than \$1 billion dollars, the Legislature had established the specific spending reductions (up to a maximum of approximately \$1.5 billion in reductions) that should occur determined by the amount of the projected revenue shortfall. As part of its December forecast and based on its forecast that revenue would be \$2.2 billion less than projected, the Department of Finance decreased expenditures by \$980,831,000. These reductions, effective January 1, 2012, included:

- (a) \$248 million from the Home-to-School Transportation program
- (b) \$102 million from California community college apportionments
- (c) \$100 million from the Department of Developmental Services
- (d) \$100 million from the University of California
- (e) \$100 million from the California State University

The County does not anticipate a material impact on its receipt of revenues from the State as a result of these “trigger” reductions.

Proposed State Budget for Fiscal Year 2012-13. On January 5, 2012, the Governor released his proposed budget for Fiscal Year 2012-13 (the "Proposed Budget"). The Proposed Budget recognizes a budget gap of \$9.2 billion, comprised of a 2011-12 projected deficit of \$4.1 billion and a 2012-13 projected deficit, absent corrective actions, of \$5.1 billion. In addition, the Proposed Budget seeks to rebuild a \$1.1 billion reserve, bringing the total projected budget deficit to \$10.3 billion. The Proposed Budget includes a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the Proposed Budget seeks \$4.2 billion in expenditure reductions, \$4.6 billion in additional revenues and \$1.4 billion in other solutions. The Proposed Budget proposes that voters approve, at the November 2012 election, a temporary increase in personal income tax on the State's wealthiest individuals and a temporary increase in sales tax of one-half percent. The Proposed Budget includes a "backup plan" if the ballot measure is not approved by the voters, which entails \$5.4 billion in further cuts including further impacts on education and public safety.

Features of the Proposed Budget affecting counties in general include the following:

(a) A permanent funding structure for the general realignment adopted in the 2011 Budget Act would be implemented, designed to provide local entities with a known and stable funding source for re-aligned programs. Counties would be responsible for drawing down the maximum amount of federal funding the re-aligned programs, and, where applicable, meeting associated federal requirements.

(b) Reductions in expenditures at the State level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of \$946.2 million in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

In the event the State reduces funding for State-funded County programs, the County does not expect to backfill such reductions from other sources unless otherwise required by law, thereby resulting in corresponding reductions in County services.

LAO's Overview of Fiscal Year 2012-2013. The Legislative Analyst's Office Overview of the Governor's Budget was released on January 11, 2012 (the "Budget Overview"). The Budget Overview projects lower revenues than are estimated by the Proposed Budget, but acknowledges that the adoption of the budgetary actions included in the Proposed Budget would move the State closer to a balanced budget over the next few years.

The Budget Overview credits the Governor for the proposed restructuring of the K-12 finance system, the community college categorical funding model and the education mandate system. The Legislative Analyst's Office looks favorably on these proposals, stating that the restructuring would overcome of the longstanding fundamental shortcomings of education funding and would institute lasting improvements. Likewise, the Budget Overview agrees with the Proposed Budget that now is not the time to initiate major new programs or authorize program expansions, such as the transitional kindergarten program and Cal Grant expansions scheduled to commence in 2012-13.

However, the Budget Overview highlights several concerns with respect to the Proposed Budget, including the uncertainty caused by increased dependency on income tax payments by the state's wealthiest individuals and the uncertainty caused by timing of the election. Also, the Budget Overview recommends that the Legislature should carefully consider the Governor's proposed reductions in CalWORKs and child care, as well whether specific proposed trigger plans are workable.

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

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Corporation with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2012 Bonds. Failure to comply with such requirements could cause interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012 Bonds. The Corporation has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2012 Bonds.

Bond Counsel is also of the opinion that interest on the Series 2012 Bonds is exempt from personal income taxes of the State of California under present state law. Bond Counsel expresses no opinion as to other State of California or local tax consequences arising with respect to the Series 2012 Bonds nor as to the taxability of the Series 2012 Bonds or the income therefrom under the laws of any state other than the State of California.

Notwithstanding Bond Counsel's opinion that interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2012 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2012 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2012 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2012 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2012 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments

made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2012 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The Series 2012 Bonds that have an original yield above their respective interest rates, as set forth on the inside front cover page of this Official Statement (collectively, the "Discount Bonds") are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such discount Bond for a particular semiannual accrual period is equal to the product of (a) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Original Issue Premium

The Bonds that have an original yield below their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the "Premium Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of

the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2012 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2012 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2012 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2012 Bonds, and Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E: "PROPOSED FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriters by Nossaman LLP. None of Bond Counsel, counsel to the Underwriters, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County will agree to provide, during the time the Series 2012 Bonds are outstanding, certain financial information and operating data and notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of events and certain other terms of the continuing disclosure obligation are described in APPENDIX F: "PROPOSED FORM OF THE CONTINUING DISCLOSURE CERTIFICATE." Failure of the County to provide the required ongoing information may affect transferability, liquidity and the market price of the Series 2012 Bonds in the secondary market, but shall not constitute a default under the Indenture or the Master Lease. The County has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual reports or notices of certain events.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Series 2012 Bonds, the Site Lease, the Master Lease, the Assignment Agreement or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the Series 2012 Bonds. The Corporation is not aware of any litigation pending or threatened questioning the existence of the Corporation or the County or contesting the County's ability to appropriate or make Base Rental

Payments. See APPENDIX A – “INFORMATION REGARDING THE COUNTY OF RIVERSIDE-Financial Information-Litigation” for a discussion of the County’s pending general litigation.

FINANCIAL STATEMENTS

The County’s audited financial statements with supplemental information for the year ended June 30, 2011, are included in this Official Statement as part of APPENDIX C- “COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011.” In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Moody’s Investors Service and Standard & Poor’s have assigned the Series 2012 Bonds the ratings of “__” and “__,” respectively. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the Series 2012 Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or any of them, if in their, or its, judgment, circumstances so warrant. The Corporation, the County, the Trustee and the Underwriters undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Series 2012 Bonds.

UNDERWRITING

The Series 2012 Bonds are being purchased through negotiation by De La Rosa & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (together, the “Underwriters”). The Underwriters have agreed to purchase the Series 2012 Bonds at a purchase price of \$_____ (representing the par amount of the Series 2012 Bonds, plus/less original issue premium/discount in the amount of \$_____, less an Underwriters’ discount of \$_____). The Underwriters are obligated to purchase all of the Series 2012 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the Series 2012 Bonds.

The Underwriters may also offer and sell the Series 2012 Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

The Corporation has retained Fieldman Rolapp & Associates, Irvine, California, as financial advisor (the “Financial Advisor”) in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2012 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

EXECUTION AND DELIVERY

The preparation and distribution of this Official Statement have been authorized by the Corporation and the County.

COUNTY OF RIVERSIDE ASSET LEASING
CORPORATION

By: _____
Authorized Officer

COUNTY OF RIVERSIDE, CALIFORNIA

By: _____
Authorized Officer

APPENDIX B
BOOK-ENTRY SYSTEM

The following information concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

DTC will act as securities depository for the Series 2012 Bonds. The Series 2012 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 Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 a Standard & Poor’s rating of AA+. 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. The information on this website is not incorporated herein by this reference.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 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 Series 2012 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 the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 the Series 2012 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 Series 2012 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the County nor the Corporation will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2012 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments with respect to the Series 2012 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 Corporation or the Trustee, 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 Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Corporation 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.

The Corporation cannot and does not give any assurances that DTC will distribute to Direct or Indirect Participants, or that Direct or Indirect Participant or others will distribute to the Beneficial Owners (a) payments of principal of, interest and premium, if any, on the Series 2012 Bonds paid or (b) any evidence of ownership or redemption or other notices, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. Neither the Corporation nor the Underwriters are responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2012 Bonds or any error or delay related thereto. 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.

APPENDIX C

**THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL
YEAR ENDED JUNE 30, 2011**

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX E
PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX F

PROPOSED FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County"), in connection with the issuance, execution and delivery of \$_____ aggregate principal amount of Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the "Bonds"). The Bonds are being delivered pursuant to a Master Trust Indenture dated as of February 1, 2012 (the "Master Trust Indenture"), between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012, by and between the Corporation and Trustee (the "First Supplemental Indenture," and together with the Master Trust Indenture the "Indenture"). The County is executing this Disclosure Certificate as the "Obligated Person" in connection with the Series 2012 Bonds, as further defined and described in Section 1 below. The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County, as the "Obligated Person" under the Rule (as hereinafter defined) for the for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

Section 2. Definitions. The definitions set forth in the Indenture 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 County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the Series 2012 Bonds, dated [February] __, 2012.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2012 Bonds required to comply with the Rule in connection with the offerings of the Series 2012 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 County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the 2011-2012 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Corporation stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

Section 4. Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the Series 2012 Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County’s 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 the format similar to the financial statement 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) A description of any occurrence which would adversely impact the County’s beneficial use and possession of the Property and other occurrence which may provide the County with the opportunity to abate in whole or in part any Base Rental Payment; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the Series 2012 Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds:

(i) principal or interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to the rights of the Holders of the Series 2012 Bonds, if material;

(iv) optional, contingent or unscheduled calls, if any of the preceding are material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or 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 Series 2012 Bonds or other material events affecting the tax status of the Series 2012 Bonds;

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

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

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

(xi) release, substitution or sale of property securing repayment of the Series 2012 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

(xiii) appointment of a successor or additional trustee or the change or name of a trustee, if material; or

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the Corporation or the County 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.

(b) An event described in item 12 above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all

of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the County with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the County's obligations under this Disclosure Certificate shall terminate to a like extent. If either such termination occurs prior to the final maturity of the Series 2012 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorney's fees). The Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the County.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the County may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(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 Series 2012 Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Series 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Corporation (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent 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 County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not acting in any fiduciary capacity for the Holders, Beneficial Owners or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2012 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Holders and Beneficial Owners from time to time of the Bonds, and any bond insurer maintaining a financial guaranty insurance policy on the Bonds that is not in default, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

Date: [February] __, 2012

COUNTY OF RIVERSIDE, CALIFORNIA

By: [Form only]
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: COUNTY OF RIVERSIDE, CALIFORNIA

Name of Bond Issue: County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project)

Date of Delivery: [February] __, 2012

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Bonds. The County anticipates that the Annual Report will be filed by _____.

Dated: _____

COUNTY OF RIVERSIDE, CALIFORNIA

By: [To be signed only if filed] _____
Authorized Officer

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APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

GENERAL INFORMATION

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,217,778 as of January 1, 2011, representing an approximately 1% increase over the County's population as estimated by the 2010 Census, following an increase of approximately 42% over the prior decade. For the eleven year period of January 1, 2000 to January 1, 2011, the County's population grew by over 600,000, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 59,000 to its population. This is followed by Riverside, Temecula, Moreno Valley, Indio, Corona, Beaumont, Lake Elsinore and La Quinta. The city of Beaumont experienced the most rapid growth rate. Several areas in the unincorporated County also grew rapidly. These include Eastvale (which incorporated in 2010), Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. Currently, the growth in the County has tempered due to the economy. Between January 1, 2010 and January 1, 2011, the County population increased by approximately 1%, a rate close to the statewide average.



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

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

<u>CITY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Banning	28,148	28,551	29,507	29,844
Beaumont	31,317	32,448	36,496	38,195
Blythe	21,627	21,346	20,873	20,158
Calimesa	7,423	7,504	7,853	7,941
Canyon Lake	10,994	11,143	10,528	10,647
Cathedral City	51,972	52,508	51,037	51,603
Coachella	40,317	41,043	40,464	41,502
Corona	146,698	148,770	151,854	153,649
Desert Hot Springs	25,939	26,584	25,852	27,383
Eastvale	-	-	-	54,303
Hemet	73,205	74,931	78,335	79,607
Indian Wells	5,000	5,099	4,941	5,010
Indio	80,962	82,325	75,122	77,165
Lake Elsinore	49,556	50,324	51,445	52,503
La Quinta	42,743	43,830	37,307	37,836
Menifee	-	67,819	77,267	79,444
Moreno Valley	182,945	186,515	192,654	195,216
Murrieta	99,576	100,835	103,085	104,459
Norco	27,143	27,189	27,066	27,060
Palm Desert	50,686	51,570	48,132	49,111
Palm Springs	47,019	47,653	44,385	45,002
Perris	53,340	54,387	67,879	69,781
Rancho Mirage	16,975	16,938	17,168	17,463
Riverside	296,191	300,769	302,814	306,779
San Jacinto	35,491	36,521	44,043	44,597
Temecula	99,873	102,713	99,611	101,657
Wildomar	-	31,374	32,006	32,543
TOTALS				
Incorporated	1,525,140	1,650,689	1,677,724	1,760,548
Unincorporated	<u>553,461</u>	<u>459,193</u>	<u>501,968</u>	<u>457,320</u>
County-Wide	<u>2,078,601</u>	<u>2,109,882</u>	<u>2,179,692</u>	<u>2,217,778</u>
California	37,883,992	38,255,508	37,223,900	37,510,766

Source: State Department of Finance, Demographic Research Unit.



Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2007 through 2011.

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

	Total Effective Buying Income⁽²⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
2007			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%
2008			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%
2009			
Riverside County	\$40,935,686	\$46,852	46.2%
California	\$832,528,809	\$48,915	48.7%
2010			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
2011			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009, 2010 and 2011.



Industry And Employment

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

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

<u>INDUSTRY</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>November 2011⁽²⁾</u>
Agriculture	16.4	15.9	14.9	14.8	14.2
Construction	112.5	90.7	67.9	59.5	57.1
Finance Activities	49.8	46.1	42.5	41.1	40.1
Government	225.3	229.9	228.4	224.3	226.0
Manufacturing:	118.5	106.9	88.8	84.6	85.0
Nondurables	36.5	34.3	30.6	29.6	29.7
Durables	82.1	72.5	58.1	55.0	55.3
Natural Resources and Mining	1.3	1.2	1.1	1.0	1.1
Retail Trade	175.6	168.6	156.2	154.6	161.0
Professional, Educational and other Services	446.2	441.3	419.0	414.9	427.1
Transportation, Warehousing and Utilities	69.5	70.2	66.8	66.5	69.8
Wholesale Trade	56.8	54.1	48.9	48.8	52.5
Information, Publishing and Telecommunications	<u>15.4</u>	<u>14.9</u>	<u>15.1</u>	<u>15.9</u>	<u>16.3</u>
Total, All Industries	1,287.3	1,239.7	1,149.7	1,126.0	1,151.2

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

⁽²⁾ Preliminary.

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



The following table sets forth the major employers located in the County as of 2011:

**COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2011)**

(to be updated)

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees⁽²⁾</u>
---------------------	------------------------	---

⁽¹⁾ Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.

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

Source: County Economic Development Agency

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
County ⁽¹⁾	5.0%	6.0%	8.5%	13.6%	14.7%	12.8% ⁽²⁾
California ⁽¹⁾	4.9	5.3	7.2	11.4	12.4	11.3 ⁽²⁾
United States ⁽³⁾	4.6	4.6	5.8	9.3	9.6	8.9

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

⁽²⁾ Monthly data for November 2011.

⁽³⁾ Data is seasonally adjusted.

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

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.



The following table sets forth taxable transactions in the County for the years 2005 through 2009, the latest full year for which data is currently available:

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Apparel Stores	\$ 990,129	\$ 1,080,385	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271
General					
Merchandise Stores	3,021,908	3,250,377	3,272,665	3,081,989	2,855,733
Drug Stores	282,566	303,177	320,469	307,947	288,768
Food Stores	1,197,438	1,309,782	1,352,609	1,254,366	1,144,235
Packaged Liquor					
Stores	74,828	78,895	84,397	98,338	106,981
Eating and					
Drinking Places	2,157,801	2,316,422	2,388,039	2,340,554	2,266,853
Home Furnishing					
and Appliances	964,629	948,217	843,945	816,379	858,098
Building Materials					
& Farm					
Implements	2,756,280	2,738,153	1,961,911	1,435,337	1,128,595
Auto Dealers &					
Supplies	4,474,566	4,326,040	4,301,385	3,115,036	2,449,747
Service Stations	2,277,082	2,630,716	2,835,690	3,011,476	2,300,247
Other Retail Stores	<u>2,641,985</u>	<u>2,860,181</u>	<u>2,710,393</u>	<u>2,106,283</u>	<u>1,364,956</u>
Retail Stores Total	\$20,839,212	\$21,842,345	\$21,242,516	\$18,689,249	\$16,057,488
All Other Outlets	<u>7,417,279</u>	<u>7,973,892</u>	<u>7,781,093</u>	<u>7,314,346</u>	<u>6,170,390</u>
Total All Outlets	<u>\$28,256,491</u>	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$26,003,595</u>	<u>\$22,227,878</u>

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

For the third quarter of 2010, the latest period for which the California State Board of Equalization has published information, taxable sales in the County were approximately \$5.5 billion, representing a 3.1% increase over the same period in the prior year.



Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2007.

COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS (IN THOUSANDS)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
RESIDENTIAL					
New Single-Family	\$2,207,320	\$1,214,752	\$ 891,825	\$ 914,180	
New Multi-Family	238,316	243,741	76,717	73,832	
Alterations and Adjustments	<u>141,996</u>	<u>118,490</u>	<u>85,148</u>	<u>94,775</u>	
Total Residential	\$2,587,832	\$1,576,983	\$1,053,690	\$1,082,787	
NON-RESIDENTIAL					
New Commercial	\$ 682,331	\$ 539,944	\$ 94,653	\$ 191,324	
New Industry	184,506	70,411	12,278	6,686	
New Other ⁽¹⁾	240,765	138,766	107,334	97,320	
Alterations & Adjustments	<u>350,539</u>	<u>292,694</u>	<u>162,557</u>	<u>242,848</u>	
Total Nonresidential	\$1,458,141	\$1,041,815	\$376,822	\$ 538,178	
TOTAL ALL BUILDING	<u>\$4,045,973</u>	<u>\$2,618,798</u>	<u>\$1,430,512</u>	<u>\$1,620,965</u>	

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Single Family	9,763	3,815	3,424	4,030	
Multi-Family	<u>2,690</u>	<u>2,104</u>	<u>784</u>	<u>538</u>	
TOTAL	<u>12,453</u>	<u>5,919</u>	<u>4,208</u>	<u>4,568</u>	

Source: Construction Industry Research Board



The following table sets forth a comparison of median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

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

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
2006	\$515,000	\$419,000	\$365,000	\$481,000
2007	535,000	395,000	355,000	487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

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

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

Agriculture

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

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



The value of agricultural production in the County for 2006 through 2010 is presented in the following table.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Citrus Fruits	\$ 107,897,000	\$ 121,387,100	\$ 135,759,800	\$ 101,652,000	\$140,501,000
Trees and Vines	191,321,200	189,286,500	173,678,000	191,682,600	164,994,000
Vegetables, Melons, Miscellaneous Field and Seed	213,643,300	234,854,700	266,414,900	221,286,700	292,002,200
Crops	68,611,700	94,492,000	123,545,400	69,699,800	81,328,300
Nursery	270,992,800	272,326,200	230,416,200	206,499,900	169,341,300
Apiculture	3,554,300	3,948,900	5,637,000	5,017,600	4,631,700
Aquaculture					
Products	<u>11,514,700</u>	<u>9,829,200</u>	<u>12,077,700</u>	<u>5,243,900</u>	<u>4,921,700</u>
Total Crop Valuation	\$ 867,535,000	\$ 926,124,600	\$ 947,529,000	\$ 801,082,500	\$857,720,200
Livestock and Poultry Valuation	<u>234,903,400</u>	<u>338,938,600</u>	<u>321,060,900</u>	<u>214,672,800</u>	<u>235,926,300</u>
Grand Total	<u>\$1,102,438,400</u>	<u>\$1,265,063,200</u>	<u>\$1,268,589,900</u>	<u>\$1,015,755,300</u>	<u>\$1,093,646,500</u>

Source: Riverside County Agricultural Commissioner

Transportation

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

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

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

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.



Education

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

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

Environmental Control Services

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

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

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

Due to the ongoing drought conditions and water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

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

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal. The State Water Resources Control Board is required by State law to develop statewide standards for small septic systems. Once such standards are adopted, the disposal methods used in the unsewered areas will be evaluated against the standards and upgraded, if necessary.



FINANCIAL INFORMATION

Budgetary Process and Budget

Riverside County operates on an annual budget cycle. Under Government Code, the county must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. A final budget that reflects any revisions to the recommended budget must be adopted by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed at the end of the first, second and third quarters.

[Fiscal Year 2011-12 Budget

The County Executive Office released the recommended budget for Fiscal Year 2011-12 on June 13, 2011. The recommended budget includes total general fund appropriations of approximately \$2.4 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy will continue to stabilize in fiscal year 2011-12 but does not expect additional revenue to be available to expand services. However, the County believes additional, minor revenue losses are likely, especially with respect to property taxes. For fiscal year 2011-12, approximately 39% of the County's general fund revenue is projected to consist of payments from the State and 21% will consist of payments from the Federal government. The County projects that discretionary revenue will decrease by \$10.1 million to \$582 million for fiscal year 2011-12.

The assessed valuation of taxable property is expected to [increase] by approximately [0.4]%, equating to an increase of approximately \$2.5 million of property tax revenue, in fiscal year 2011-12. Sales tax receipts in fiscal year 2011-12 for the County from the 1/2 cent levy pursuant to Proposition 172 will be budgeted at \$110.5 million. Any of this revenue in excess of the budgeted amount will be added to a public safety reserve for future budgetary needs. General sales tax receipts for the County are expected to be approximately \$21 million, a reduction of more than \$7 million from the prior year due to revenue loss associated with newly incorporated areas.

The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-12 will incorporate additional direct cuts and labor savings of \$55 million and a \$28 million draw on reserves. Fiscal Year 2011-12 is anticipated to be the last year of cuts under the multi-year budget plan and the budgets for outlying years are anticipated to be structurally balanced.] [TO BE UPDATED]

Impacts of State Budget

[Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. While \$[] million in revenue would be subject to this shift in fiscal year 2011-12, the State must first repay the revenue shifted for this purpose during fiscal year 2009-10, as discussed below.



**COUNTY OF RIVERSIDE
FISCAL YEAR 2010-11 REVENUES WERE
SUBJECT TO STATE SUSPENSION PURSUANT TO PROPOSITION 1A**

Component	Amount
8% Property Tax	\$21,840,000
Sales Tax Triple Flip	614,000
Property Tax in Lieu of VLF	<u>15,104,000</u>
Total	<u>\$37,558,000</u>

The approximately \$[] million in fiscal year 2011-12 revenues subject to Proposition 1A includes approximately \$[] million in General Fund revenues of the County. It should be noted that these revenues may not be suspended until the State repays the revenue suspension in the amount of approximately \$38 million that occurred in fiscal year 2009-10 pursuant to Proposition 1A.] **[TO BE UPDATED]**

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2011-12 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2011-12 Final Budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.



Final Budget Comparison

The following table compares the general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2007-08, 2008-09, 2009-10, 2010-11 AND 2011-12
(IN MILLIONS)

	2007-08	2008-09	2009-10	2010-11	2011-12
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
REQUIREMENTS					
General Government	\$ 279.30	\$ 238.6	\$ 239.2	\$ 175.3	
Public Protection	1,032.48	1,132.0	1,055.2	1,062.4	
Public Ways and Facilities	6.79	2.1	2.2	0.0	
Health and Sanitation	410.68	392.3	295.2	396.0	
Public Assistance	721.38	791.1	815.5	780.0	
Education	0.49	0.6	0.4	0.6	
Recreation and Cultural	0.29	0.3	0.3	0.3	
Debt Retirement-Capital Leases	14.82	22.3	6.8	6.8	
Contingencies	32.15	34.8	30.0	20.0	
Increase to Reserves	<u>8.92</u>	<u>5.0</u>	<u>(12.8)</u>	<u>17.5</u>	
Total Requirements ⁽³⁾	<u>\$ 2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	\$ 33.43	\$ 107.1	\$ 112.8	\$ 107.8	
Estimated Revenues:					
Property Taxes ⁽²⁾	262.61	287.2	244.9	222.4	
Other Taxes ⁽²⁾	71.06	49.1	46.1	46.0	
Licenses, Permits and Franchises	31.63	24.9	20.7	19.8	
Fines, Forfeitures and Penalties	51.99	60.6	55.7	58.0	
Use of Money and Properties	53.16	29.7	13.5	11.2	
Aid from Other Governmental Agencies:					
State	938.46	991.8	962.0	921.7	
Federal	444.70	465.4	511.1	501.2	
Charges for Current Services	462.26	385.1	452.7	461.0	
Other Revenues	<u>158.01</u>	<u>217.9</u>	<u>112.5</u>	<u>111.9</u>	
Total Available Funds ⁽³⁾	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	

⁽¹⁾ Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

⁽²⁾ Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2008-09 Budget, the 2009-10 Budget, and the 2010-11 Budget and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.

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

Source: County Auditor-Controller



Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of December 30, 2011, the portfolio assets comprising the PIF had a market value of \$5,448,105,732.50.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2010, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2010 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of December 30, 2011, was as follows:

	<u>% of Pool</u>
Federal Agency Securities	85.40
Cash Equivalents & Money Market Funds	0.21
Commercial Paper	2.11
Medium Term Notes	0.00
Municipal Notes	1.81
Certificates of Deposit	2.76
U.S. Treasury Bonds	5.79
Local Agency Obligations ⁽¹⁾	<u>1.92</u>
Total	100.00%
Book Yield:	0.53%
Weighted Average Maturity:	1.30 years

⁽¹⁾ Includes County obligations issued by the Riverside District Court Financing Corporation.
Source: County Treasurer-Tax Collector

As of December 30, 2011, the market value of the PIF was 100.06% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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



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

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

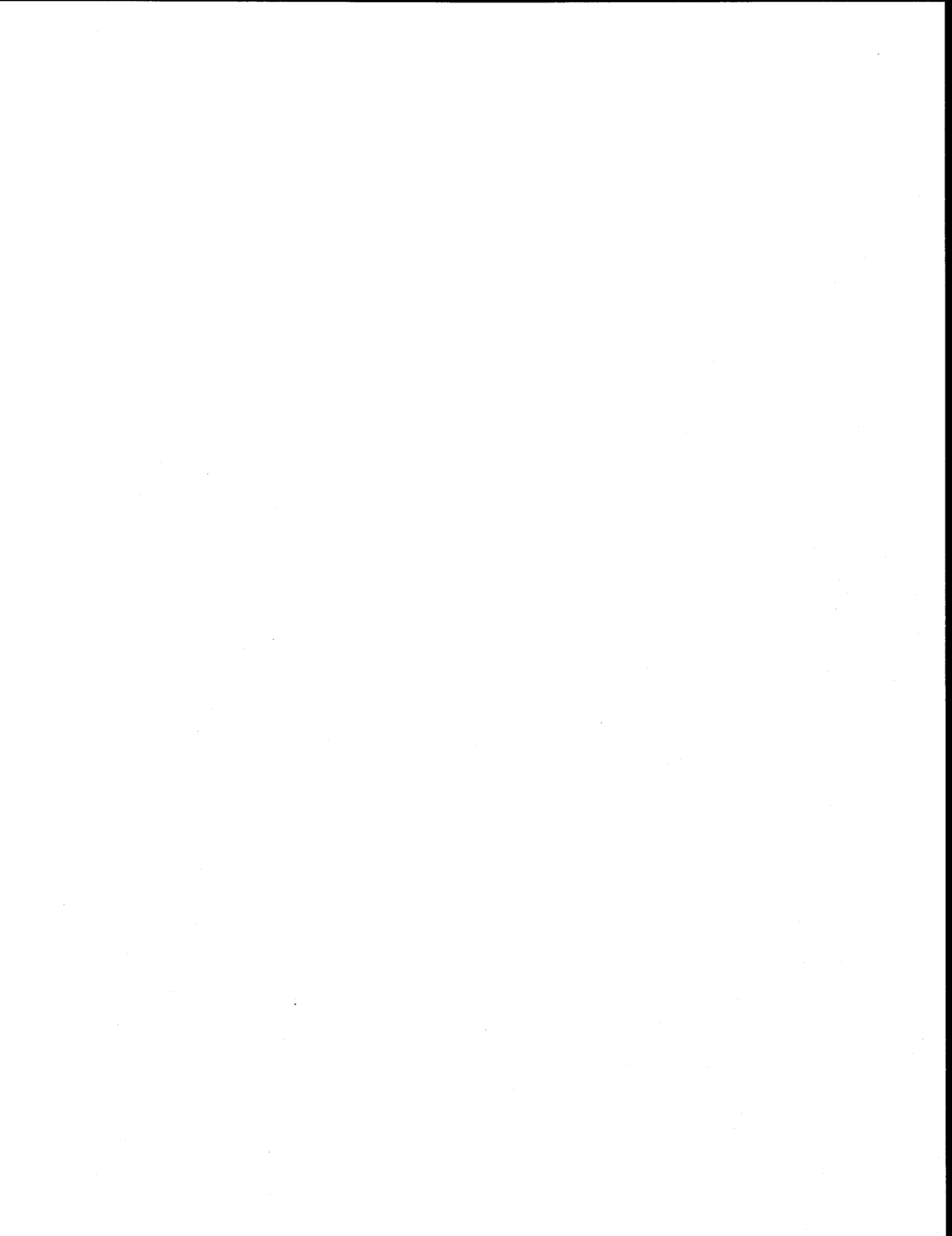
Ad Valorem Property Taxes

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

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

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

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



The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2000-01 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

SECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 ⁽²⁾	Total Collections ⁽³⁾	Percentage of Total Collections to Current Levy
2000-01	\$1,106,323,882	\$40,719,497	3.68%	%1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	N/A	N/A	N/A	N/A

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

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

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

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Unsecured Property Tax Levy	Total Collections ⁽²⁾	Percentage of Total Collections to Original Levy
2000-01	\$44,069,979	\$42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	[]	[]
2011-12	86,326,418 ⁽⁴⁾	[] ⁽³⁾	N/A

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

⁽²⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

⁽³⁾ Reflects partial year collections, through [].



⁽⁴⁾ Estimated, based on County Assessor's projection of a 0.0% decline in Fiscal Year 2011-12 property values.
Source: County Auditor-Controller

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

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

The following table describes the supplemental tax roll of the County for fiscal year 2001-02 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2001-02 THROUGH 2011-12**

Fiscal Year	Tax Levy for Increased Assessments ^{(1),(2)(3)}	Refunds for Decreased Assessments ⁽¹⁾⁽³⁾	Net Supplemental Tax Levy	Collections ^{(1),(2)}
2001-02	\$ 68,229,225	\$ 2,080,315	\$ 66,148,910	\$ 58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 ⁽⁴⁾	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) ⁽⁵⁾	19,632,809
2010-11	[30,668,685] ⁽⁶⁾	[24,135,052] ⁽⁶⁾	[6,533,633]	[3,886,854] ⁽⁶⁾
2011-12	[]	[]	[]	[]

- ⁽¹⁾ These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
- ⁽²⁾ Includes current and prior years' taxes, redemption penalties and interest collected.
- ⁽³⁾ Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.
- ⁽⁴⁾ Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
- ⁽⁵⁾ The negative tax levy is a result of refunds exceeding the billed amounts.
- ⁽⁶⁾ From July 2010 through April 2011.

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



The following table sets forth the assessed valuation by category and property type for fiscal year 2007-08 through fiscal year 2011-12.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2007-08 THROUGH 2011-12
(IN MILLIONS)

Category	2007-08	2008-09	2009-10	2010-11	2011-12
SECURED PROPERTY:					
Land.....	\$ 76,817	\$ 82,768	\$ 69,917	\$ 65,877	\$ 64,308
Structures.....	153,297	149,837	137,292	132,431	131,516
Personal Property	841	860	906	819	836
Utilities	2,807	3,154	2,907	3,018	3,614
Total Secured.....	\$233,762	\$236,529	\$211,022	\$202,145	\$200,274
UNSECURED PROPERTY:					
Land.....	\$ 9	\$ 16	\$ 2	14	
Improvements.....	3,199	3,866	3,761	3,748	
Personal Property	3,996	4,426	4,154	4,049	
Total Unsecured ⁽²⁾	\$ 7,204	\$ 8,308	\$ 7,917	7,811	
Grand Total.....	\$248,966	\$244,837	\$218,939	\$209,956	

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

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

Source: County Auditor-Controller/County Assessor

[Housing prices in the County declined in 2007 and 2008 and stabilized in 2009 and 2010. See “Demographic and Economic Information-Building and Real Estate Activities” herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

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

In response to the decline in the local housing market, for Fiscal Year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The Fiscal Year 2008-09 and 2009-10 budgets incorporated these Prop 8 reductions. The total Fiscal Year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For Fiscal Year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In Fiscal Year 2010-11, the Assessor plan proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In Fiscal



Year 2011-12, the Assessor intends to again proactively review all residential properties purchased after January 1, 1999.]
[TO BE UPDATED]

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2010-11 totaling approximately \$10.3 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$887.7 million of assessed value, representing \$8.877 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2009-10 and fiscal year 2010-11. [66% of the fiscal year 2009-10 assessment appeals have been completed. The majority of the remaining fiscal year 2009-10 assessment appeals are expected to be completed by November 30, 2011.] [TO BE UPDATED]

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2011-12 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2009-10 assessment appeals still to be completed; (ii) a portion of the fiscal year 2010-11 and fiscal year 2011-12 assessment appeals being completed during fiscal year 2011-12.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2010-11, approximately 55% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at \$14.8 million as of June 30, 2011. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the sale, in October 2011, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of approximately \$171.3 million. The total amount of approximately \$171.3 million is comprised of approximately \$64.7 million representing fiscal year 2010-11 delinquent property taxes and approximately \$106.6 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment. The letter of credit will expire on November 5, 2012.



Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2011-12.

COUNTY OF RIVERSIDE TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2011-12 SECURED AND UNSECURED ASSESSMENTS

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
Southern California Edison Company	\$23,446,942.30	0.83%
Verizon California Inc.	10,213,927.62	0.36
Inland Empire Energy Center, LLC	8,422,577.26	0.30
Federal National Mortgage Association	6,612,150.42	0.23
Southern California Gas Company	6,553,812.58	0.23
Wells Fargo Bank	3,104,806.58	0.11
Abbot Vascular Inc.	3,095,876.90	0.11
Walgreen Co.	3,015,242.90	0.11
Tyler Mall Ltd Partnership	2,880,987.58	0.10
Standard Pacific Corp.	2,872,677.34	0.10
Lowes HIW Inc.	2,616,515.40	0.09
Ashby USA	2,489,779.40	0.09
Blythe Energy, LLC	2,462,725.50	0.09
Chelsea GCA Realty Partnership	2,454,238.36	0.09
Federal Home Loan Mortgage Corp.	2,425,075.80	0.09
Richmond American Homes of Maryland Inc.	2,345,048.08	0.08
Target Corp.	2,326,056.98	0.08
Costco Wholesale Corp.	2,306,008.70	0.08
WalMart Real Estate Business Trust	2,192,416.22	0.08
Pacific Bell Telephone Co. DBA AT&T California	2,188,606.38	0.08
KB Home Coastal Inc.	2,125,032.80	0.08
Deutsche Bank National Trust Company	2,061,692.28	0.07
Palm Desert Funding Co.	2,031,157.10	0.07
Health Care REIT	2,004,059.06	0.07
Watson Laboratories Inc.	<u>1,991,964.94</u>	<u>0.07</u>
Total	\$104,239,378.48	3.69%
Total Tax Charge for 2011-12	\$2,825,246,587.69	

Source: County Treasurer and Tax Collector



The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2011-12 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
BY ASSESSED VALUE**

<u>ASSESSEE</u>	<u>ASSESSED VALUE</u>
Federal National Mortgage Association	\$ 406,311,651
Eisenhower Memorial Hospital	348,117,164
Abbott Vascular Inc.	300,813,032
Kaiser Foundation Hospitals	299,690,062
Walgreen Co.	265,725,430
Target Corp.	213,907,840
Wells Fargo Bank	211,650,832
Lowes HIW Inc.	210,879,208
Costco Wholesale Corp.	202,994,718
Kaiser Foundation Health Plan Inc.	<u>196,869,609</u>
Subtotal	\$2,656,959,546
All Others	
Total	\$†

† Excludes State assessed property.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2010-11, the County retained approximately []% of the total amount collected (and is budgeted to retain []% in fiscal year 2011-12). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution to take place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution to take place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.



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

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
2000-01	\$10,966,072,778	\$20,127,612,843	\$203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	[15,980,487,099] ⁽³⁾	58,188,212,570	[586,318,387] ⁽⁴⁾
2011-12	[]	[]	[]

- (1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
- (2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- (3) [County report of increment of assessed district value for FY 2010-11.]
- (4) Includes general purpose and debt. [Estimate.]

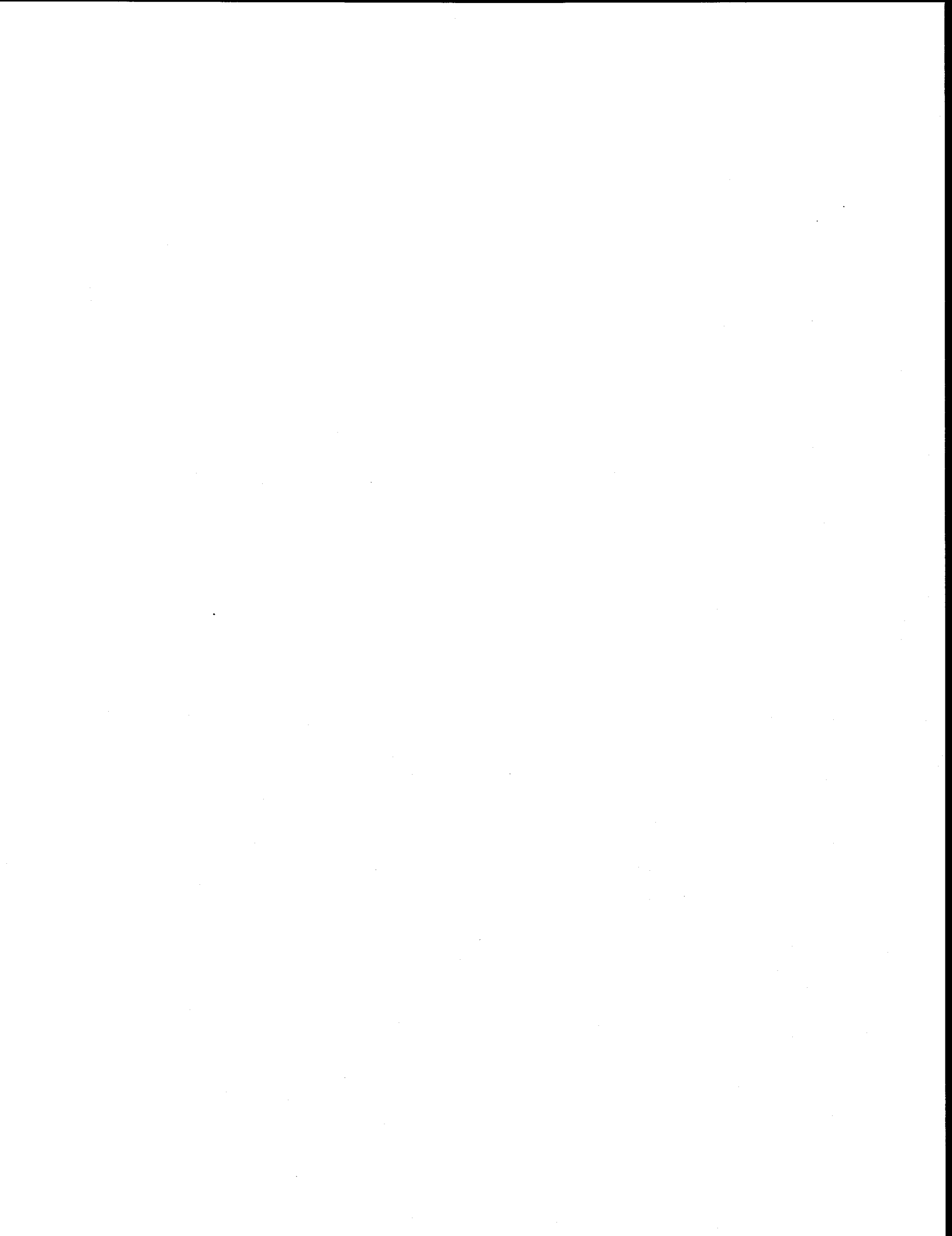
Source: County Auditor-Controller

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

The County has formed a redevelopment agency with project areas in 45 unincorporated communities. As of June 30, 2011, the County Redevelopment Agency had a total land area of 82,335 acres and a base year assessed value, including State-owned land, of \$2,667,188,535. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2011-12 is estimated at approximately \$11,256,994 (based on average County share of 13% of the 1% general property tax). In accordance with State law, the County Redevelopment Agency is expected to dissolve on February 1, 2012. In general, the County expects that the diversion of tax increment from redevelopment agencies to the local taxing entities according to the 2011 Budget Act would benefit the County's general fund and fire, flood and library districts.

Financial Statements and Related Issues

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become



available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2009-10 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2011, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."



COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2006-07 THROUGH 2010-12

(In Thousands)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
BEGINNING FUND BALANCE	\$ 446,918	\$ 570,964	\$ 481,776 ⁽¹⁾	\$ 372,121	
REVENUES					
Taxes	301,573	309,295	274,480	229,631	
Licenses, permits and franchises	25,803	24,525	19,840	16,724	
Fines, forfeitures and penalties	81,148	90,788	107,147	112,813	
Use of money and property – Interest	62,848	61,623	33,414	12,197	
Use of money and property –					
Rents and concessions	2,805	2,578	3,157	3,936	
Government Aid – State	893,390	905,998	908,334	820,332	
Government Aid – Federal	430,606	473,731	472,210	504,605	
Governmental Aid-Other	81,703	95,808	95,812	89,312	
Charges for current services	319,198	358,767	364,649	367,249	
Other revenues	<u>38,856</u>	<u>29,308</u>	<u>36,149</u>	<u>30,670</u>	
TOTAL REVENUES	\$2,237,932	\$2,352,421	\$2,315,192	\$2,187,569	
EXPENDITURES					
General government	\$ 119,365	\$ 145,290	\$ 146,816	\$ 130,516	
Public protection	916,524	1,032,582	1,062,437	1,005,679	
Public ways and facilities	4,405	4,717	4,378	-	
Health and sanitation	341,467	368,753	382,588	333,068	
Public assistance	644,912	704,404	719,328	712,353	
Education	394	464	675	551	
Recreation and cultural	203	206	230	312	
Capital Outlay	8,811	8,670	22,746	31,018	
Debt service	<u>29,751</u>	<u>26,132</u>	<u>22,501</u>	<u>21,876</u>	
TOTAL EXPENDITURES	\$2,065,932	\$2,291,218	\$2,361,699	\$2,234,373	
Excess (deficit) of revenues over (under) expenditures	172,000	61,203	(46,507)	(47,804)	
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 89,449	\$ 104,892	\$ 99,825	\$ 168,833	
Transfer to other funds	(146,214)	(269,961)	(185,719)	(132,682)	
Capital Leases	<u>8,811</u>	<u>8,670</u>	<u>22,746</u>	<u>31,018</u>	
Total other Financing Sources (Uses)	(47,954)	(153,399)	(63,148)	62,169	
NET CHANGE IN FUND BALANCES	124,046	(92,196)	(109,655)	14,365	
FUND BALANCE, END OF YEAR	570,964	478,768	372,121	386,486	
Less:					
Reserved Fund Balance	88,233	84,466	91,196	90,374	
Designated Fund Balance	<u>339,773</u>	<u>335,630</u>	<u>203,821</u>	<u>250,463</u>	
UNDESIGNATED UNRESERVED FUND BALANCE	\$ 142,958	\$ 58,672	\$ 77,104	\$ 45,649	

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

Source: County Auditor-Controller.



**COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2007 THROUGH JUNE 30, 2011**

(In Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ASSETS:					
Cash & Marketable Securities	\$283,080	\$216,816	\$150,728	\$122,902	
Taxes Receivable	40,766	58,256	46,813	27,714	
Accounts Receivable	60,621	48,196	31,150	8,468	
Interest Receivable	14,673	9,384	3,315	2,091	
Advances to Other Funds	37	0	0	0	
Due from Other Funds	5,417	24,716	19,110	25,353	
Due from Other Governments	252,411	239,844	250,144	263,240	
Inventories	1,540	2,105	2,132	1,941	
Prepaid items	0	0	3,720	888	
Restricted Assets	<u>263,390</u>	<u>263,566</u>	<u>252,084</u>	<u>296,543</u>	
Total Assets	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	
LIABILITIES:					
Accounts Payable	\$ 82,441	\$ 94,061	\$ 68,560	\$ 57,236	
Salaries & Benefits Payable	70,585	83,753	88,184	46,376	
Due To Other Funds	288	283	0	2,155	
Due to Other Governments	41,432	40,991	47,579	35,161	
Deferred Revenue	156,155	168,282	180,777	218,676	
Deposits Payable	70	121	1,975	3,050	
Bonds & Notes Payable	<u>--⁽¹⁾</u>	<u>--⁽¹⁾</u>	<u>--⁽¹⁾</u>	<u>--⁽¹⁾</u>	
Total Liabilities	<u>\$350,971</u>	<u>\$387,491</u>	<u>\$387,075</u>	<u>\$362,654</u>	
FUND BALANCE:					
Reserved	\$ 88,233	\$ 84,466	\$ 91,196	90,374	
Unreserved	<u>482,731</u>	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>	
Fund Balance	<u>\$570,964</u>	<u>\$478,768</u>	<u>\$372,121</u>	<u>386,486</u>	
Total Liabilities and Fund Balance	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	

⁽¹⁾ No activity to report.

Source: County Auditor-Controller.



Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of January 1, 2012, the County had \$[] in direct general fund obligations and \$[] in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of January 1, 2012.



**COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF JANUARY 1, 2012)**

[TO BE PROVIDED]

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

Lease Obligations

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

As of January 1, 2012, the County's current outstanding lease obligations total \$672,196,248. The County's annual lease obligation is approximately \$75,733,843 and the maximum annual lease payment is \$83,065,369.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of January 1, 2012.



**COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of January 1, 2012)**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental⁽¹⁾</i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 50,400,000	\$ 12,537,973 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	28,395,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	68,500,000	19,599,244 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	886,000 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	18,575,000	1,481,828
2008 Series A	2022	72,445,000	66,090,000	8,251,800
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	873,455
2005 Series B ⁽⁵⁾	2027	22,610,000	19,360,000	1,521,687
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,488
County of Riverside Certificates of Participation ⁽⁶⁾ (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,750
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	12,551,175	
Series 2002	2020	925,000	560,000	1,812,110 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,304,710
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Certificates of Participation (County Administrative Center Annex Project) ⁽⁹⁾	2031	38,075,000	31,365,000	2,532,031
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽¹⁰⁾	2018	8,685,000	2,470,000	401,540
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) ⁽¹¹⁾	2036	51,655,000	45,775,000	3,403,100
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,163,094
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	6,206,830
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,860,000	1,154,355
County of Riverside Certificates of Participation ⁽¹²⁾ (2009 Public Safety Communication and Woodcrest Library Refunding Projects)	2040	45,685,000	45,530,000	1,911,518
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	5,170,000	616,293
TOTAL		<u>\$1,037,310,073</u>	<u>\$ 719,643,823</u>	<u>\$ 75,733,843</u>

⁽¹⁾ Annual base rental for fiscal year 2011-2012 unless otherwise noted.

⁽²⁾ Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending January 23, 2012 was approximately 0.15%.

⁽³⁾ Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.

⁽⁴⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending January 24, 2012 was approximately 0.20%.

⁽⁵⁾ The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

⁽⁶⁾ The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

⁽⁷⁾ Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

⁽⁸⁾ The 2008 Series A refunded the 2000 Series B SWJC Project.

⁽⁹⁾ The Series 2012 Bonds will refund the 2001 Certificates of Participation (County Administrative Center Annex Project).

⁽¹⁰⁾ The 2003 Series B refunded the 1993 Master Refunding Project.

⁽¹¹⁾ A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).

⁽¹²⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.



Source: County Executive Office.

Interest Rate Swap Agreements

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

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement is with Citigroup Financial Products, Inc. (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated A3 by Moody's, A by Standard & Poor's and A+ by Fitch as of May 1, 2011. Downgrade provisions specify that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (in the case of S&P) or A3 (in the case of Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

The amendment provides that if an "Insurer Downgrade Event" occurs, the Counterparty may deem the transaction to be uninsured. "Insurer Downgrade Event" is deemed to occur if the insurer fails at any time to have two out of three of the following ratings: (i) a claims-paying ability rating of "A+" or higher from S&P, (ii) a financial strength rating of "A1" or higher from Moody's, and (iii) a financial strength rating of "A+" or higher from Fitch. Should an Insurer Downgrade Event occur, the County is required, within one business day of the Counterparty's determination that the transaction is no longer insured, to either (i) provide an alternate credit support document acceptable to the Counterparty from a credit support provider rated at least "AAA" by S&P and "Aaa" by Moody's, or (ii) deliver collateral to the Counterparty. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. As of January 1, 2012, Assured Guaranty Corp. had a rating of "AA-" by S&P and "Aa3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.



Employees

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

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2001 THROUGH 2011

Year	Regular Employees ⁽¹⁾
2001	15,951
2002	14,729 ⁽²⁾
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	[17,676]

⁽¹⁾ As of December 31st of each year. Excludes temporary and per diem employees, which totaled approximately 2,593 employees in 2005, 2,522 employees in 2006, 2,671 employees in 2007, 1,895 employees in 2008, 1,775 in 2009 and 1,708 employees in 2010.

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

Source: County Human Resources Department

[County employees comprise 7 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations, Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 71% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

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

The County's agreement with SEIU and DDAA extend through June 30, 2011 and the agreement with LIUNA extends through June 30, 2012. The agreement with LEMU will extend through June 30, 2012. The agreement with RSA for the Law Enforcement Unit will extend through January 31, 2011. The County's agreement with RSA for the Public Safety Unit extends through June 30, 2012. The County is currently negotiating the extension of the agreements with RSA and SEIU. During the last 20 years, there has been no major County employee work stoppage.] [TO BE UPDATED]

Retirement Program

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



benefit factor (based on age), years of service, and final compensation; the benefit factor ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement.

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

In 2003, the County established a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions regarding retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. [The most recent annual PARC report was delivered to the Board of Supervisors on May 4, 2010 (the "2010 PARC Report") and included discussion and recommendations regarding pension reform at the County.] See "-- Retirement Program -- Funding Status" and "-- Retirement Program -- Projected County Contributions and UAAL" herein for a description of the PARC Report. [TO BE UPDATED]

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options at the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The committee conclusions and recommendations included: (i) recognition of one factor that current unfunded liability in the County's pension resulted from the "pension contribution holidays" and County should avoid future funding holidays or deferral of regular pension payments, (ii) next round of negotiations the County will seek pension reform, (iii) pension reform for new hires be limited to benefit options provided by CalPERS, (iv) pension reform for County employees be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In April 2011, the Board of Supervisors approved the concept for a second tier of benefits for new Miscellaneous employees with a benefit factor of 2% at age 60 and for new Safety employees with a benefit factor of 2% at age 55. [TO BE UPDATED]

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2011 covered PERS' fiscal year 2009-10). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2010, which was prepared in October 2011, is effective during the County's fiscal year 2012-13). PERS rules require the County to implement the actuary's recommended rates.

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



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

In calculating the UAAL in an actuarial valuation, the PERS actuary smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique. Under the rate stabilization policy effective as of April 2005, one-fifteenth of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year (which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return). However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

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

In May 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 8.25% to 7.75% effective March 2011; (ii) the long term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved significant demographic assumption changes. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to the collective bargaining arrangements with the County's employee unions to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions"). The County pays the employee share of Safety retirement to the Safety Plan for all RSA Safety members hired prior to June 25, 1992 and RSA Public Safety members hired prior to January 9, 1992. For RSA safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. For RSA Public Safety members hired after January 9, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share in subsequent years. The County will pay the employee share for LEMU and Law Enforcement Executive Management safety members immediately upon hire. The County pays the employee share of Miscellaneous retirement to the Miscellaneous plan for all LIUNA members hired prior to September 3, 1992 and SEIU members hired prior to January 10, 1992. For LIUNA members hired after September 3, 1992 and SEIU members hired after January 10, 1992 the employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share immediately upon hire. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Safety Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an



employer contribution rate of 22.459% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$65.5 million for that fiscal year. In addition, the County will pay to PERS approximately \$[] million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2012-13 of approximately \$[] million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.494% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$[] million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$[] million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2012-13 of approximately \$[] million.

Contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during Fiscal Year 2008-09. While investment gains experienced in Fiscal Years 2009-10 and 2010-11 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. [According to the County's actuary, Bartel & Associates ("Bartel"), due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of \$13.1 million as of February 15, 2011. The County believes that it is reasonable to expect that over the remaining 24 years of the bond's life the transaction will produce savings. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS of an estimated \$5.1 million from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. This prepayment generated \$2 million in cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007, on June 23, 2008, on May 4, 2010 and on June 29, 2010, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfers to PERS of \$6.5 million, \$6.5 million, \$6.1 million and \$8.3 million, respectively, from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. In 2009, pursuant to PARC recommendations, the Board of Supervisors authorized the use of \$6 million from the liability management fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. Of this amount, based on market conditions, the County has purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$247,000.] **[TO BE UPDATED]**

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



Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2006 through June 30, 2010 and the total employer contributions made by the County for fiscal year 2008-09 through fiscal year 2012-13. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Safety Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2006	\$ 61,861,506	95.0%	2008-09	\$46,983,428	\$17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	[53,117,601]	[21,080,893]
2009	131,506,806	92.0	2011-12	[53,117,601]	[21,080,893]
2010	184,737,814	89.8	2012-13	[] ⁽³⁾	[] ⁽³⁾

- (1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
 - (2) Decrease from prior years due to payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS.
 - (3) [Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2009-10.]
- Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2006	\$142,160,688	94.8%	2008-09	\$95,930,361	\$40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	[90,914,746]	[39,747,553]
2009	389,195,847	89.8	2011-12	[90,914,746]	[39,747,553]
2010	444,330,905	89.2	2012-13	[] ⁽³⁾	[] ⁽³⁾

- (1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
 - (2) Decrease from prior years due to payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS.
 - (3) [Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2009-10.]
- Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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



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

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$1,231,954,415	\$1,170,092,909	\$61,861,506	95.0%	\$189,606,339	32.6%
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,558	1,624,729,774	184,737,814	89.8	265,165,399	69.7

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

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

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$2,741,753,157	\$2,599,592,469	\$142,160,688	94.8%	\$659,274,265	21.6%
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	60.0

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2008-09 through fiscal year 2012-13 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2006	2008-09	19.033%	12.164%
2007	2009-10	18.605	11.999
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

Projected County Contributions and UAAL. The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the



assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

[The investment losses incurred by CalPERS in 2008 – 2009 impact the County's contribution rates beginning in Fiscal Year 2011-2012. The PERS actuary, in its June 30, 2009 actuarial valuation, stated that the County's contribution rate under the Safety Plan for the Fiscal Year 2011-12 will be 21.286%, which would result in an approximate 1.951% increase in the contribution rate from Fiscal Year 2010-11 and projected a 2.2% increase for Fiscal Year 2012-13. The PERS actuary, in its June 30, 2009 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the Fiscal Year 2011-12 will be 13.112%, which would result in an approximate 0.947% increase in the contribution rate from Fiscal Year 2010-11, and projected a 13.5% increase for Fiscal Year 2012-13. Because of the smoothing methodology used by PERS we can expect similar rate increases through Fiscal Year 2013-14 followed by additional less severe rate increases for the next 15 years.] **[TO BE UPDATED]**

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

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2010, the County's current required contribution level is []%. The County's contribution to the Plan was \$[1,141,669] for fiscal year 2010-11 and is estimated to be \$[] for fiscal year 2011-12. The Plan's unfunded liabilities as of June 30, 2010 are approximately \$[].

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

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

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

The County of Riverside obtained [a draft] actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2011 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%,



the present value of benefits was estimated to be \$49.1 million, the accrued actuarial liability was estimated to be \$40.2 million and the annual normal cost was \$1.2 million. If the accrued actuarial liability of \$40.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.5 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. On June 26, 2009, the County contributed \$2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust.

According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$20.7 million most recently.

Medical Center

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

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II trauma facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, Medi-Cal and insurance, in addition to the uninsured.

At June 30, 2011, RCRMC reflected unrestricted net assets of approximately \$92.9 million. RCRMC had a cash balance of approximately \$36.8 million as of June 30, 2011. In Fiscal Year 2010-11, RCRMC had an increase in net unrestricted assets of approximately \$5.4 million. RCRMC continued to experience a decline in patient collections in Fiscal Year 2010-11 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2010-11 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for Fiscal Year 2010-11 or may be required to reimburse the State for any overpayment received during such Fiscal Year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2011-12, the County anticipates contributing approximately \$10 million to RCRMC from general fund tobacco settlement revenues and \$5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses.

Insurance

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



The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$610 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2011 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2011 was approximately \$[] million. **[TO BE UPDATED]**

Litigation

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

