

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



222C

FROM: Executive Office

SUBMITTAL DATE:
September 20, 2012

SUBJECT: Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 (Vote on Separately)

RECOMMENDED MOTION: That the Board of Directors approve and adopt Resolution PFA2012-02, authorizing the issuance of not to exceed \$21,000,000 of Riverside County Public Financing Authority Lease Revenue Bonds (County Facilities Projects), Series 2012, approving the execution and delivery of various related documents in connection with the offering and sale of such bonds and other matters related thereto.

BACKGROUND: The Series 2012 Bonds are being issued in an amount not to exceed \$21,000,000 to refund bonds issued by the Riverside County Palm Desert Financing Authority (PDFA) in 2003 (the 2003A Bonds) which refunded the \$7,010,000 PDFA Lease Revenue Bonds, Series 1996 and funded the construction of the Coachella Valley Animal Campus and the Mecca Family Service Center and Community Health Clinic. The refunding is a current refunding with approximate present value savings in the range of \$1 million, calculated to be 5.65% of the refunded bonds. The 2003A Bonds are secured by County leases of the facilities.

Ivan Chand

Ivan Chand, Deputy County Executive Officer

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 238,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	2012-13

SOURCE OF FUNDS: Pass through agreement with the Palm Desert Successor Agency	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

Christopher M. Hans

County Executive Office Signature Christopher M. Hans

MINUTES OF THE BOARD OF DIRECTORS OF THE PUBLIC FINANCING AUTHORITY

On motion of Director Tavaglione, seconded by Director Stone 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: October 2, 2012
xc: Public Finance Authority

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

FURNISH APPROVED COUNTY COUNSEL BY: *Dale A. Gardner* 9/20/12 DATE: *9/20/12* Departmental Concurrence
 Policy Policy
 Consent Consent
 Dept's Recomm.: Per Exec. Ofc.:

Prev. Agn. Ref.: District: 5/5 **Agenda Number:**

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

5.1

The Riverside County Palm Desert Financing Authority was established in the 1990s to capture tax increment pass through revenues for the benefit of the desert communities. The PDFA is a joint powers authority comprised of the County and the now defunct Palm Desert Redevelopment Agency. The underlying lease payment schedules were crafted to reflect the expected pass through revenue that would otherwise flow directly to the County. Since the passage of the Governors' Redevelopment bill (AB1X 26), the County now receives the pass through revenue directly and the status of the PDFA as a viable ongoing entity has been called into question. Therefore the County has selected its own Public Financing Authority as the most appropriate issuing entity.

RESOLUTION NO. 2012-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$21,000,000 OF RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS), SERIES 2012, APPROVING THE EXECUTION AND DELIVERY OF VARIOUS RELATED DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND OTHER MATTERS RELATED THERETO

WHEREAS, the Riverside County Public Financing Authority (the "Authority") is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of March 20, 1990 (the "Joint Powers Agreement"), by and between the County of Riverside (the "County") and the Redevelopment Agency of the County, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is authorized and empowered pursuant to Article 4 (commencing with Section 6584) of the Act to issue bonds for the purposes of financing and refinancing public capital improvements; and

WHEREAS, the County has expressed its desire to provide for the refinancing of certain public improvements (the "Project") previously acquired, constructed and installed pursuant to the provisions of a Facilities Lease, dated as of December 1, 2003 between the County and the Riverside County Palm Desert Financing Authority (the "Desert Financing Authority");

WHEREAS, in order to provide the funds necessary to refinance the Project, the County and the Authority will enter into a Site Lease (the "Site Lease"), whereby the County will lease to the Authority certain real property and the improvements located thereon (the "Leased Property"), and the County and the Authority will enter into a Facility Lease (the "Facility Lease"), whereby the County will sublease from the Authority the Leased Property; and

WHEREAS, pursuant to an assignment agreement (the "Assignment Agreement"), the Authority will transfer certain of its rights, title and interests in and to the Site Lease and the Facility Lease, including its right to receive base rental payments due under the Facility Lease, to Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"); and

WHEREAS, pursuant to an Indenture (the "Indenture") by and among the County, the Authority and the Trustee, the Authority will issue and deliver its Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 in an aggregate principal amount of not to exceed \$21,000,000 (the "Bonds"), the proceeds

FORM APPROVED COUNTY COUNSEL
BY Wendy A. Gardner 9/23/12 DATE
DALE A. GARDNER

of which will be used to refinance the Project and related costs of issuance and a reserve fund, through the refunding of the outstanding Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects) 2003 Series A (the "Prior Bonds"); and

WHEREAS, the Bonds will be secured by, among other things, the base rental payments made by the County under the Facility Lease; and

WHEREAS, in connection with the issuance and delivery of the Bonds, the Authority also desires to approve the form and distribution of a preliminary official statement (the "Preliminary Official Statement") and the form of a purchase contract (the "Purchase Contract"); and

WHEREAS, the County, in consideration of the Authority's determination to assist with the refinancing of the Project as described above, has agreed to indemnify and hold harmless the Authority in connection with entering into the Site Lease and the Facility Lease and the Project, as more particularly set forth in the Facility Lease; and

WHEREAS, there have been presented to this meeting the proposed forms of the following documents:

- (a) the Indenture;
- (b) the Assignment Agreement;
- (c) the Site Lease;
- (d) the Facility Lease;
- (e) the Preliminary Official Statement; and
- (f) the Purchase Contract;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY AS FOLLOWS:

SECTION 1. Issuance of Bonds. The issuance of the Bonds by the Authority on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture and this Resolution, is hereby approved; provided, however, that (i) the aggregate principal amount of Series 2012 Bonds shall not exceed \$21,000,000 (ii) the maturity of the Bonds shall not exceed May 1, 2045 and (iii) the true interest cost with respect to the Series 2012 Bonds shall not exceed 6.0% per annum.

SECTION 2. Approval of Indenture. The form of Indenture presented at this meeting is hereby approved and the Chair, the Vice Chair, and the Secretary of the Authority (each an "Authorized Officer") are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Indenture in substantially the form presented at this meeting with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof,

including with respect to whether and what type(s) of credit enhancement secures the Bonds, or by other factors, as determined by the Authorized Officers in consultation with the Authority's financial and legal consultants as being in the best interests of the Authority and the County.

SECTION 3. Approval of Site Lease. The form of Site Lease presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Site Lease in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. Approval of Facility Lease. The form of Facility Lease presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Facility Lease in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 5. Approval of Assignment Agreement. The form of Assignment Agreement presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Assignment Agreement in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 6. Approval of Purchase Contract. The Authority is hereby authorized to enter into the Purchase Contract and each Authorized Officer is hereby authorized and directed to execute and deliver the Purchase Contract on behalf of the Authority, in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve in consultation with the Authority Counsel and Bond Counsel, which approval shall be conclusively evidenced by the execution and delivery thereof; *provided, however*, that the underwriting fee payable pursuant to the Purchase Contract shall not exceed 0.6% of the aggregate principal amount of the Bonds and the maturity date, the principal amount of the Bonds and the interest rates thereon shall be limited as specified in Section 1 hereof.

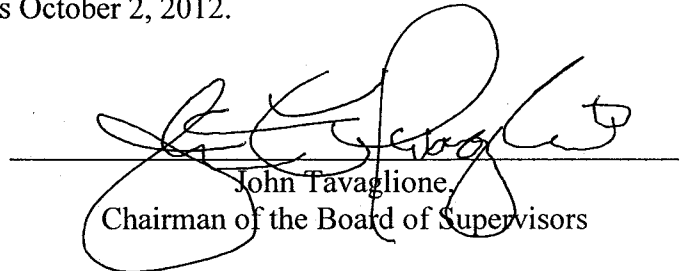
SECTION 7. Approval of Official Statement. The Preliminary Official Statement is hereby approved and the same may be used and is hereby authorized to be used and distributed in the market by the Underwriter incident to the marketing of the Bonds. Each Authorized Officer is hereby authorized to (a) make such changes in such form of the Preliminary Official Statement as such officer, in consultation with Authority Counsel and the Underwriter, shall determine to be appropriate, and (b) on behalf of the Authority, to deem such Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Each Authorized Officer is authorized and directed to prepare a final Official Statement, with such additional information as may be permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, which final Official Statement shall be executed and delivered in the name and on behalf of the Authority by an Authorized Officer, and

such Authorized Officer is authorized and directed to prepare, execute and deliver in the name and on behalf of the Authority any supplemental filings related to such final Official Statement.

SECTION 8. Other Acts. The officers and staff of the Authority are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with Counsel to the Authority or with Orrick, Herrington & Sutcliffe, the Authority's bond counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such officers or staff members are hereby ratified and confirmed.

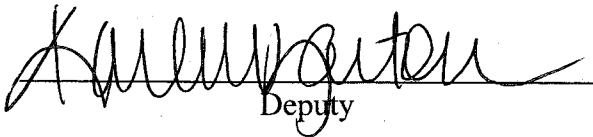
SECTION 9. Effective Date. This Resolution shall take effect upon adoption.

PASSED and ADOPTED this October 2, 2012.



John Tavaglione,
Chairman of the Board of Supervisors

ATTESTED:
Kecia Harper-Ihem
Clerk of the Board of Supervisors



Deputy

CERTIFICATION:

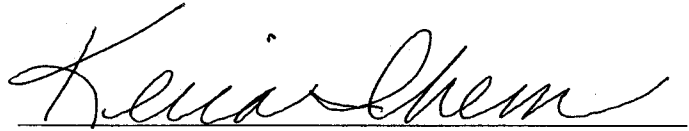
The undersigned Secretary of the Riverside County Public Financing Authority, does hereby certify that the foregoing Resolution No. 2012-02 was duly adopted by the Riverside County Public Financing Authority at a meeting thereof held on October 2, 2012, by the following vote to wit:

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

NOES: None

ABSENT: None

ABSTAIN: None



Kecia Harper-Ihem
Clerk of the Board of Supervisors

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

KECIA HARPER-IHEM, Clerk of said Board

By: _____
Deputy

ESCROW AGREEMENT

Relating To

RIVERSIDE COUNTY PALM DESERT FINANCING AUTHORITY
LEASE REVENUE BONDS
(COUNTY FACILITIES PROJECTS) 2003 SERIES A

This ESCROW AGREEMENT, made and entered into as of October 1, 2012 (the "Agreement"), by and between the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, N.A., a national banking association organized and existing under the laws of the United States of America, having a corporate trust office located in Los Angeles, California, and being qualified to accept and administer the escrow hereby created (the "Escrow Agent");

WITNESSETH:

WHEREAS, the Riverside County Palm Desert Financing Authority (the "Desert Financing Authority") previously executed and delivered its \$22,310,000 Lease Revenue Bonds (Capital Facilities Projects) (the "Prior Bonds"), pursuant to an Indenture, dated as of December 1, 2003 (the "Prior Indenture") by and between the Authority and Wells Fargo Bank, National Association, as successor trustee to The Bank of New York Mellon Trust Company, as prior trustee, through its predecessor BNY Western Trust Company (the "Prior Trustee") and secured by rental payments made by the County pursuant to that Facilities Lease, dated as of December 1, 2003 by and between the County and the Authority, as amended and supplemented;

WHEREAS, the County has determined, pursuant to its Resolution, duly adopted on _____, 2012 to cause the issuance of Riverside County Public Financing Authority Lease Revenue Refunding Bonds, Series 2012 (Tax Exempt) in an aggregate principal amount of \$XX,000,000 (the "Refunding Bonds") pursuant to an Indenture, dated as of October 1, 2012 (the "Refunding Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), for the purpose of providing moneys which will, among other things, be sufficient (together with interest earnings thereon) to provide for the payment when due of the outstanding principal amount of the Prior Bonds on _____, 2012 (the "Prepayment Date") at the prepayment price of 101% of the principal amount thereof plus interest thereon to the Prepayment Date (such amount hereinafter referred to as the "Prepayment Price");

WHEREAS, the Refunding Indenture contemplates the setting aside of a portion of the proceeds of the Refunding Bonds in order to provide for the payment of the Prepayment Price and that such proceeds shall be deposited in a special escrow fund to be created hereunder to be known as the Escrow Fund to be maintained by the Escrow Agent; and

WHEREAS, the County has taken action to cause to be issued or delivered to the Escrow Agent for deposit in or credit to the Escrow Fund certain securities and investments consisting of U.S. Treasury Securities (the "Investment Securities"), all as listed on Schedule I attached hereto and made a part hereof, in an amount which, together with interest, income or other increment to accrue on such securities, have been certified by [Grant & Thornton LLP],

independent certified public accountants, to be sufficient to pay when and as due the Prepayment Price;

NOW, THEREFORE, the County and the Escrow Agent hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund. Pursuant to the Refunding Indenture, the County has caused the Trustee to transfer to the Escrow Agent for deposit in the Escrow Fund the sum of \$ _____ from the proceeds of the Refunding Bonds. [The Escrow Agent as Prior Trustee under the Prior Indenture is hereby irrevocably instructed to transfer to the Escrow Agent for deposit in the Escrow Fund the amount of \$ _____ from amounts on deposit in the Prior Indenture. The County has transferred to the Escrow Agent for deposit in the Escrow Fund the amount of \$ _____ from amounts held under the Implementation Agreement.] The Escrow Agent hereby accepts and acknowledges receipt of all such monies. The Escrow Agent agrees to establish and maintain until the Prepayment Price has been paid in full a fund designated as the "Escrow Fund," and to hold such securities, investments and moneys therein at all times as a special and separate trust fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Agent). All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 hereof, to secure the payment of the Prepayment Price.

Section 2. Investment of the Escrow Fund.

(a) The County hereby directs the Escrow Agent to accept, for the account of the Escrow Fund, the Investment Securities listed on Schedule I hereto. Except as otherwise provided in this Section 2, the Escrow Agent shall not reinvest any remaining portion of the Escrow Fund and shall hold such portion uninvested in the Escrow Fund.

(b) Upon the written direction of the County, but subject to the conditions and limitations herein set forth, the Escrow Agent shall purchase substitute Investment Securities with the proceeds derived from the sale, transfer, redemption or other disposition of Investment Securities then on deposit in the Escrow Fund in accordance with the provisions of this Section 2(b); *provided* that such substituted Investment Securities shall be limited to U.S. Treasury Securities. Such sale, transfer, redemption or other disposition of such Investment Securities then on deposit in the Escrow Fund and substitution of other Investment Securities are permitted hereunder but only by a simultaneous transaction and only if: (i) a firm of Independent Certified Public Accountants shall certify that (A) the Investment Securities to be substituted, together with the Investment Securities which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Investment Securities held in the Escrow Fund together with any uninvested moneys, to make all payments required by Section 3 hereof which have not previously been made, and (B) the amounts and dates of the anticipated payments by the Escrow Agent of the Prepayment Price will not be diminished or postponed thereby; and (ii) the Escrow Agent shall receive an opinion of nationally recognized bond counsel to the effect that the sale, transfer, redemption or other disposition and substitution of Investment Securities will not adversely affect the exclusion of interest on the Refunding Bonds or the Prior Bonds from gross income for federal income tax purposes.

(c) Upon the written direction of the County, but subject to the conditions and limitations herein set forth, the Escrow Agent will apply any moneys received from the maturing principal of or interest or other investment income on any Investment Securities held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Investment Securities pursuant to Section 2(b) not required for the purposes of said Section, as follows:

(i) to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 3 hereof, as shall be certified to the Escrow Agent by a firm of Independent Certified Public Accountants, such moneys shall be paid over to the County upon the written direction of the County as received by the Escrow Agent, free and clear of any trust, lien, pledge or assignment securing the Prior Bonds or otherwise existing hereunder, after provision for payment of amounts due the Escrow Agent pursuant to Sections 5 and 12 hereof; and

(ii) to the extent such moneys will be required for such purpose at a later date, such moneys shall, to the extent practicable and at the written direction of the County, be invested or reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the Prepayment Price (*provided* that (A) the amount of the funds to be realized from time to time from such investment or reinvestment shall be certified by a firm of Independent Certified Public Accountants or such other qualified firm selected by the County, and (B) the County shall deliver to the Escrow Agent an opinion of nationally recognized bond counsel to the effect that such investment or reinvestment will not adversely affect the exclusion of interest on the Refunding Bonds or the Prior Bonds from gross income for federal income tax purposes) and interest earned from such investments or reinvestment shall be retained by the Escrow Agent for such purpose.

(d) The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment or purchase of substitute securities made pursuant to this Agreement and in full compliance with the provisions hereof.

Section 3. Payment and Redemption of the Prior Bonds. Except as otherwise provided in Section 2, the County hereby requests and irrevocably instructs the Escrow Agent to deposit in the Escrow Fund the principal of and interest on the Investment Securities held for the account of the Escrow Fund promptly as such principal and interest become due and, subject to the provisions of Section 2 hereof, to prepay the remaining outstanding Prior Bonds on the Prepayment Date at the Prepayment Price. The Escrow Agent shall send all notices of prepayment of the Prior Bonds as required by the Prior Indenture. Upon payment in full of the Prepayment Price, the Escrow Agent shall transfer any moneys or securities remaining in the Escrow Fund to the County after provision for payment of amounts due the Escrow Agent pursuant to Section 5 and 12 hereof, and this Agreement shall terminate.

Section 4. Possible Deficiencies.

(a) If at any time a responsible officer of the Escrow Agent has actual knowledge that the moneys in the Escrow Fund, including the anticipated proceeds of the Investment Securities, will not be sufficient to make all payments required by Section 3 hereof,

the Escrow Agent shall notify the County in writing of such fact, the amount of such deficiency and, if known, the reason therefor.

(b) Upon receipt of any notice specified in subsection (a) of this Section, the County shall deposit in the Escrow Fund, from any legally available moneys, such additional moneys as may be required to pay fully the aggregate amounts to become due and payable in connection with the payment of the Prepayment Price.

(c) The Escrow Agent shall in no manner be responsible for the failure by the County to make any such deposit.

Section 5. Fees and Costs.

(a) The County shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered under this Agreement. The parties hereto agree that the duties and obligations of the Escrow Agent shall be as expressly provided herein, and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

(b) The fees of and the costs incurred by the Escrow Agent hereunder shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund, except and until the Escrow Agent shall have paid the Prepayment Price in full from the Escrow Fund.

Section 6. Merger or Consolidation. Any entity into which the Escrow Agent may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, *provided* such entity shall be eligible under this Agreement, shall be the successor of such Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

Section 7. Resignation of Escrow Agent. The Escrow Agent may at any time resign by giving written notice to the County of such resignation. The County shall promptly appoint a successor Escrow Agent. Resignation of the Escrow Agent will be effective only upon written acceptance of appointment of a successor Escrow Agent. If the County does not appoint a successor within 60 days of the Escrow Agent's notice of resignation, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the County may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the County appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the County shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

Section 8. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

Section 9. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 11. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Indenture.

Section 12. Indemnification. The County agrees to indemnify, hold harmless and defend the Escrow Agent and its officers, directors, agents and employees against any and all losses, damages, claims, actions, liabilities, costs and expenses of whatever nature, kind or character (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) which may be imposed on, or incurred by or asserted against the Escrow Agent or its officers, directors, agents or employees directly or indirectly arising out of or related to the acceptance and performance by the Escrow Agent of its duties hereunder; *provided, however*, that this indemnification shall not cover any liabilities, losses or expenses incurred by such persons as a result of their negligence or willful misconduct.

The agreements of the County hereunder shall survive termination of this Agreement and the payment for the Prior Bonds.

Section 13. Immunities and Liability of Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

(b) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages, even if the Escrow Agent knows of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under this Agreement in the case of any default in the performance of the covenants or agreements contained in the Refunding Indenture or in the case of any default by any other party in the performance of the covenants or agreements contained in the Indenture. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Agreement.

(c) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the County) and the opinion of such counsel shall be full and complete authorization to take or suffer in the absence of negligence or willful misconduct any action hereunder in accordance with such opinion of counsel.

(d) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein, in the Indenture or in the Refunding Indenture, other than recitals or representations specifically made by the Escrow Agent.

(e) The Escrow Agent may become the owner of, or acquire any interest in, any of the Refunding Bonds with the same rights that it would have if it were not the Escrow Agent and may engage or be interested in any financial or other transaction with the County.

(f) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or securities deposited with it to pay the principal of or interest or premium on the Prior Bonds.

(g) The Escrow Agent shall not be liable for any action or omission of the County under this Agreement, the Indenture or the Refunding Indenture.

(h) Whenever in the administration of this Agreement the Escrow Agent 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, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of any authorized representative of the County, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

(i) The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in connection with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

Section 14. Amendments. This Agreement is irrevocable and no provisions herein may be amended except as specifically set forth herein. The County and the Escrow Agent may, without the consent of, or notice to, the owners of the Prior Bonds, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of the owners of the Prior Bonds and as shall not be inconsistent with the terms and provisions of this Agreement or of the Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Prior Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds, securities or properties; *provided* that no such change shall adversely affect the exclusion of interest on any Prior Obligation or Refunding Bond from gross income for federal income tax purposes. The Escrow Agent shall be entitled to rely conclusively upon an opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Prior Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Section 15. Termination of Agreement. Upon payment in full of the principal, premium and interest with respect to the Prior Bonds and all of the fees and expenses of the

Escrow Agent as described above, all obligations of the Escrow Agent under this Agreement shall cease and terminate, except for the obligation of the Escrow Agent to pay or cause to be paid to the owners of the Prior Bonds not presented for payment all sums due thereon and the obligation of the County to pay to the Escrow Agent any amounts due and owing to the Escrow Agent hereunder; *provided, however*, the obligations of the Escrow Agent with respect to the payment of any Prior Bonds shall cease and terminate two years after the date on which the same shall have become due as described hereunder and in accordance with the Indenture.

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IN WITNESS WHEREOF, the County of Riverside and Wells Fargo Bank, National Association, N.A., as escrow agent, have caused this Agreement to be executed each on its behalf as of the day and year first above written.

COUNTY OF RIVERSIDE

By _____

Attest:

County Clerk

WELLS FARGO BANK, NATIONAL ASSOCIATION, N.A., as Escrow Agent

By _____
Authorized Officer

SCHEDULE I

Investment Securities and Schedules

[attached hereto]

<u>Description</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
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RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

William W. Bothwell, Esq.
ORRICK, HERRINGTON & SUTCLIFFE LLP
777 South Figueroa Street, Suite 3200
Los Angeles, California 90017

(Space above for Recorder's use)

This document is recorded for the benefit of the County of Riverside and the recording is fee-exempt under Section 6103 of the California Governmental Code.

FACILITY LEASE

by and between the

**RIVERSIDE COUNTY
PUBLIC FINANCING AUTHORITY**

and

COUNTY OF RIVERSIDE

**relating to the
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(COUNTY FACILITIES PROJECTS)
SERIES 2012**

Dated as of October 1, 2012

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FACILITY LEASE

This Facility Lease (this "Facility Lease"), executed and entered into as of October 1, 2012, by and between the RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the COUNTY OF RIVERSIDE, a political subdivision duly organized and existing under the Constitution and laws of the State of California (the "County");

WITNESSETH:

WHEREAS, concurrently with the execution of this Facility Lease, the County and the Authority are entering into a Site Lease (the "Site Lease"), dated as of October 1, 2012, whereby the Authority will lease certain real property and the improvements thereon from the County, more particularly described in Exhibit A attached hereto (the "Leased Property");

WHEREAS, the County will then sublease the Leased Property back from the Authority pursuant to this Facility Lease;

WHEREAS, concurrently with the execution of this Facility Lease the Authority, the County and Wells Fargo Bank, National Association, N.A, as trustee (the "Trustee"), are entering into an Indenture, dated as of October 1, 2012 (the "Indenture");

WHEREAS, to provide funds for the refinancing of the Project, the Authority will issue its Lease Revenue Refunding Bonds (County Facilities Project), Series 2012 (the "Series 2012 Bonds"), in the aggregate principal amount of \$XX,000,000 ("the "Series 2012 Bonds");

WHEREAS, the Series 2012 Bonds will be secured by the payments to be made by the County pursuant to this Facility Lease;

WHEREAS, the County is authorized by law to sublease the Leased Property and the Leased Property is necessary and proper for 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 Facility 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 Facility Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY 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 hereof and of any amendment hereof have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All other capitalized terms used herein without definition shall have the meanings as set forth in the Indenture.

Additional Payments

“Additional Payments” means all amounts payable by the County pursuant to Section 5.01(b) hereof.

Assignment Agreement

“Assignment Agreement” means that certain Assignment Agreement executed and entered into as of October 1, 2012, by and between the Authority and the Trustee, as it may from time to time be amended.

Authority

“Authority” means the Riverside County Public Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

Base Rental Payment Date

The term “Base Rental Payment Date” means 15th day of the month preceding each Interest Payment Date.

Base Rental Payments

“Base Rental Payments” means all amounts payable by the County as Base Rental pursuant to Section 5.01(a) hereof.

Closing Date

“Closing Date” means the date on which the Bonds are initially delivered to the Underwriter.

Code

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

Cooperation Agreement

The term “Cooperative Agreement” means the Cooperative Agreement, dated as of February 13, 1992, among the County, the City of Palm Desert and the Former Agency.

County

“County” means the County of Riverside, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

Expiry Date

“Expiry Date” means May 1, 20__.

Facility Lease

“Facility Lease” means this Facility Lease, dated as of October 1, 2012, by and between the Authority and the County, as originally executed and entered into and as it may from time to time be amended in accordance herewith.

Fiscal Year

“Fiscal Year” means the fiscal year of the County which, as of the date hereof, is the period from July 1 to and including the following June 30.

Former Agency

“Former Agency” means the previously established Palm Desert Redevelopment Agency.

Implementation Agreement

“Implementation Agreement” means the Implementation Agreement, dated October 1, 2008 between the Former Agency and the County.

Indenture

“Indenture” means that certain Indenture executed and entered into as of October 1, 2012, by and among the Trustee, the County and the Authority, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

Insurance Consultant

“Insurance Consultant” means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

Insurer

“Insurer” means the issuer or issuers, if any, of a policy or policies of municipal bond insurance obtained by the County to insure the payment of the principal of or interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. [There is no Insurer with respect to the Series 2012 Bonds.]

Leased Property

“Leased Property” means the real property more particularly described in Exhibit A attached hereto (as the same may be changed from time to time by Removal or Substitution), together with the improvements thereon or to be located thereon.

Lease Year

“Lease Year” means the period from each July 1 to and including the following June 30 during the term hereof; provided that the final Lease Year shall terminate on the Expiry Date.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

Owner

“Owner” means the registered owner of any Outstanding Bond.

Permitted Encumbrances

“Permitted Encumbrances” means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to Section 6.02, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) this Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Riverside; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of this Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds.

Removal

“Removal” means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease as provided in Section 2.06.

Site Lease

“Site Lease” means that certain Site Lease, executed and entered into as of October 1, 2012, by and between the County and the Authority, as originally executed and entered into and as it may from time to time be amended in accordance herewith and therewith.

Substitution

“Substitution” means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease, and the lease of substituted real property and improvements hereunder and under the Site Lease as provided in Section 2.06.

Successor Agency

“Successor Agency” means the City of Palm Desert, California, as successor agency to the Former Agency pursuant to the provisions of AB X1 26 (Chapter 5, Statutes of the First Extraordinary Session of 2011).

Trustee

“Trustee” means Wells Fargo Bank, National Association, N.A, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee acting in its capacity as such under the Indenture, or any successor as therein provided.

The singular form of any word used herein, including the terms defined in this Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. All references herein to “Sections” and other subdivisions hereof are to the corresponding Sections or subdivisions of this Facility Lease as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Facility Lease as a whole and not to any particular Section or subdivision hereof.

ARTICLE II

THE LEASED PROPERTY

Section 2.01 Lease of the Leased Property. The Authority hereby leases to the County, and the County hereby rents and hires from the Authority, the Leased Property on the conditions and terms hereinafter set forth. The County hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public

purposes so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and in the Indenture, and the County hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property.

Section 2.02 Quiet Enjoyment. The parties hereto mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 2.03 Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations hereunder and for all other lawful purposes.

Section 2.04 Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by Section 5.07 hereof. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased 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 Leased 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 Authority 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 Leased Property for all purposes shall be first allocated to this Facility 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 Leased Property unless concurrently with granting such remedy the same shall be also granted hereunder by an amendment to this Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Section 2.05 Liens. In the event the County shall at any time during the term hereof cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be

reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Section 2.06 Substitution or Removal of Leased Property.

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

(b) No Substitution or Removal shall take place hereunder until the County delivers to the Authority and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments payable hereunder attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of this Facility Lease;

(3) An Opinion of Counsel to the effect that the amendments hereto and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the County's leasehold interest in the Substituted 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 Series 2012 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(6) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(7) Evidence that the County has complied with the covenants contained in clauses (1) and (2) of Section 6.03 hereof with respect to the Substituted Property.

ARTICLE III

TERM OF THE FACILITY LEASE

Section 3.01 Commencement of the Facility Lease. The effective date of this Facility Lease is the Closing Date, and the term of this Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as hereinafter provided. If on the Expiry Date, the rental payable hereunder shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Facility Lease shall be extended until ten days after the rental payable hereunder shall be fully paid and all Bonds shall be fully paid, except that the term of this Facility Lease shall in no event be extended beyond May 1, 2043. If prior to the Expiry Date, the rental payable hereunder shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with Article X of the Indenture, the term of this Facility Lease shall end ten days thereafter or ten days after written notice by the County to the Authority to the effect that the rental payable hereunder shall be fully paid and all Bonds have been fully paid, whichever is earlier, and this Facility Lease shall thereupon terminate.

ARTICLE IV

USE OF PROCEEDS; TAX COVENANTS

Section 4.01 Use of Proceeds. The parties hereto agree that the proceeds of the Bonds will be used by the Authority to refinance the Leased Property by refunding the Prior Bonds, to fund the Reserve Fund and to pay Costs of Issuance and incidental and related expenses.

Section 4.02 Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County hereby specifically agrees to ensure that the following requirements are met:

(1) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(2) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

ARTICLE V

RENTAL PAYMENTS

Section 5.01 Rental Payments. The County agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental hereunder as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached hereto as Exhibit B, and made a part hereof. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County hereunder.

If the term of this Facility Lease shall have been extended pursuant to Section 3.01 hereof, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of this Facility Lease. Upon such extension of this Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts (“Additional Payments”) in each year as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the County’s expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(ii) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in Section 8.03 of the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Facility Lease, the Site Lease or the Indenture; and

(iv) The reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with this Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of this Facility Lease, the Site Lease, the Bonds or the Indenture.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of this Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties hereto have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable hereunder in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under this Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties hereto hereby acknowledge that the parties hereto may amend this Facility Lease from time to time to increase the Base Rental Payments payable hereunder so that Additional Bonds may be executed, authenticated and issued pursuant to Section 5.07 hereof and Sections 2.11 and 2.12 of the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary herein contained, this Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County hereunder.

(d) Payment; Credit. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in Section 5.04 hereof, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the

event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due hereunder or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this Section 5.01(d) on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Section 5.02 Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under this Facility Lease in its operating budget for each Fiscal Year commencing after the date hereof (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments. In connection with this covenant, it is the intention of the County in each Fiscal Year to direct the Successor Agency, pursuant to Section 4 of the Implementation Agreement, to withdraw and transfer to the County, from amounts remaining in the County Capital Improvement Fund, established under the Cooperative Agreement, after the transfers required by Section 2 and 3 of the Implementation Agreement have been made, an amount equal to all Base Rental Payments and Additional Rental Payments due for such Fiscal Year.

Section 5.03 Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due hereunder, then to the principal components (including any prepayment premium components) of the Base Rental Payments due hereunder and thereafter to all Additional Payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 5.04 Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the 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 Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due hereunder with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights hereunder, as permitted by Section 2.04 hereof, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to this Facility Lease as provided in clause (d) of Section 2.04 hereof. Any abatement of rental payments pursuant to this Section shall not be considered an Event of Default as defined in Article X hereof. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Facility Lease by virtue of any such interference and this Facility 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 Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this Section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased 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 Leased Property.

Section 5.05 Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to Section 7.01 hereof, all or any portion of the components of Base Rental Payments payable hereunder relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under this Facility Lease represented by the Series 2012 Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under this Facility Lease represented by the Series 2012 Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to Section 4.01(b) of the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under this Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under this Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2012 Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this Section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment 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 Authority and the Trustee.

Section 5.06 Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained herein shall be deemed to be and shall be construed to be 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 officials to enable the County to carry out and perform the agreements and covenants contained herein agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT 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 BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Section 5.07 Additional Bonds. In addition to the Series 2012 Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in Sections 2.11 and 2.12 of the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2012 Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to this Facility Lease, providing for an increase in the Base Rental Payments to be made hereunder subject to the limitations set forth in Section 5.01(c)(ii) hereof.

ARTICLE VI

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES

Section 6.01 Maintenance of the Leased Property by the County. The County agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved and kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Section 6.02 Taxes, Other Governmental Charges and Utility Charges. The parties hereto contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a

period of years, the County shall be obligated to pay only such installments as are accrued during such time as this Facility Lease is in effect.

Section 6.03 Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this Section 6.03. Such insurance shall consist of :

(1) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable hereunder; *provided* that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss (except for flood, in which case the deductible may not exceed \$250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (1) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than \$500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

(2) In the event that such coverage is not included in paragraph (1) above, 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 Property in an amount not less than \$75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable.

Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to \$75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to \$75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (2) may provide that amounts payable as coverage under this paragraph (2) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa.

(3) So long as any bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (1) or (2) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under this Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and vice versa.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided herein or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance herein required. The Trustee 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.

Any insurance policy issued pursuant to paragraph (1) or (2) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied as provided in Section 7.01 hereof. The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this Section shall contain a provision to the effect that the insurance company shall not cancel

the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer not later than January 31 of each year certifying that the insurance policies required by this Section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which this Facility Lease requires to be so endorsed. The County will provide the Insurer with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required hereunder.

Section 6.04 Advances. In the event the County shall fail to maintain the full insurance coverage required hereby or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Section 6.05 Title Insurance. The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal component of all Base Rental Payments payable hereunder. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

ARTICLE VII

DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION

Section 7.01 Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term hereof (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least

sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due hereunder attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of Section 4.01(a) of the Indenture. Notwithstanding any other provision herein, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under this Facility Lease.

ARTICLE VIII

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE LEASED PROPERTY

Section 8.01 Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided hereby.

Section 8.02 Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or

jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE IX

ASSIGNMENT; INDEMNIFICATION; NON-LIABILITY

Section 9.01 Assignment by Authority. The parties understand that certain of the rights of the Authority hereunder and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County agrees to make all payments due hereunder to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the County may from time to time have against the Authority. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term hereof.

Section 9.02 Assignment by County. This Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by Section 2.04 hereof.

Section 9.03 Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Bonds, the entering into of this Facility Lease, the use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this Section 9.03 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The County the Trustee and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following the learning thereof by such party.

Section 9.04 Non-Liability of the Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to this Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs,

expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under this Facility Lease.

The County hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to this Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the County shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Section 9.05 Waiver of Personal Liability. No member, officer, agent or employee of the the Authority or any director, officer, agent or employee of the County shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Facility Lease; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Facility Lease.

ARTICLE X

DEFAULT

Section 10.01 Default.

(a) The following events shall be "Events of Default" under this Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Facility Lease, any one or more of the following events:

(1) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to Section 5.01(a) hereof, provided, that the failure to deposit any Base Rental Payments abated pursuant to Section 5.04 hereof shall not constitute an Event of Default;

(2) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to Section 5.01(b) hereof; or

(3) The County shall breach any other terms, covenants or conditions contained herein or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the

Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in Section 10.01(a) or (e) hereof, it shall be lawful for the Authority or its assignee, subject to the terms of this Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or hereunder.

(c) Upon the occurrence of an Event of Default, the Authority or its assignee must thereafter maintain this Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THIS FACILITY LEASE OR OTHERWISE.** In such event, 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 rent to the end of the term of this Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder (without acceleration).

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

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term hereof, if the County's interest herein or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by Section 2.04 hereof), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by Section 2.04 hereof); then in each and every such case the County shall be deemed to be in default hereunder.

(f) Neither the County nor the Authority shall be in default in the performance of any of its obligations hereunder (except for the obligation to make Base Rental Payments pursuant to Section 5.01 hereof) unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(g) The County and Authority and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:

Riverside County Public Financing Authority
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3651
Attention: Chair

If to the County:

County of Riverside
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3651
Attention: County Finance Director

If to the Trustee:

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

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

Section 11.03 Trustee as Third Party Beneficiary. The Trustee is hereby designated a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee under the Assignment Agreement.

Section 11.04 Net Lease. It is the purpose and intent of the Authority and the County that lease payments hereunder shall be absolutely net to the Authority so that this Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as herein specifically otherwise provided. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the

maintenance and operation of the Leased Property which may arise or become due during the term of this Facility Lease shall be paid by the County.

Section 11.05 Amendments. This Facility Lease may be amended in writing as may be mutually agreed by the Authority 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 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 so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment hereof.

This Facility Lease and the rights and obligations of the Authority and the County hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved herein to or conferred herein on the Authority or the County, 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 Authority or the County may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with Section 2.06 hereof;

(d) to facilitate the issuance of Additional Bonds as provided in Section 5.07 hereof; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

Section 11.06 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 shall be deemed to have been paid by virtue of a deposit of Base Rental Payments hereunder pursuant to Section 10.01(b) 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 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(b) 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 Authority and the Trustee specified in the third paragraph of Section 5.05 hereof shall not apply incident to the payment to the Owners of all Outstanding Bonds in accordance with Section 10.01, including Section 10.01(b), of the Indenture.

Section 11.07 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 11.08 California Law. This Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 11.09 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 hereof.

Section 11.10 Execution. This Facility Lease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[This space intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Facility Lease by their officers thereunto duly authorized as of the day and year first written above.

RIVERSIDE COUNTY PUBLIC
FINANCING AUTHORITY

By: _____
Chair

ATTEST:

By: _____
Secretary

COUNTY OF RIVERSIDE

By: _____

ATTEST:

By: _____

APPROVED AS TO FORM:

Pamela Walls, Esq.
County Counsel

By: _____
Deputy County Counsel

EXHIBIT A

Description of the Leased Property

EXHIBIT B

Base Rental Payments Schedule

<u>Payment Date</u>	<u>Principal Component of Base Rental Payment</u>	<u>Interest Component of Base Rental Payment</u>
10/1/2012		
4/1/2013		
10/1/2013		
4/1/2014		
10/1/2014		
4/1/2015		
10/1/2015		
4/1/2016		
10/1/2016		
4/1/2017		
10/1/2017		
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4/1/2030		
10/1/2030		
4/1/2031		
10/1/2031		
4/1/2032		

<u>Payment Date</u>	<u>Principal Component of Base Rental Payment</u>	<u>Interest Component of Base Rental Payment</u>
10/1/2032		
4/1/2033		
10/1/2033		
4/1/2034		
10/1/2034		
4/1/2035		
10/1/2035		
4/1/2036		

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____, 2012, before me, _____, Notary Public, 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 be 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]

STATE OF CALIFORNIA)
) ss
COUNTY OF RIVERSIDE)

On _____, 2012, before me, _____, Notary Public, 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 be 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]

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

William W. Bothwell, Esq.
ORRICK, HERRINGTON & SUTCLIFFE LLP
777 South Figueroa Street, Suite 3200
Los Angeles, California 90017

(Space above for Recorder's use)

This document is recorded for the benefit of the County of Riverside and the recording is fee-exempt under Section 6103 of the California Governmental Code.

SITE LEASE

by and between the

COUNTY OF RIVERSIDE

and the

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

Dated as of October 1, 2012

relating to the

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

**LEASE REVENUE REFUNDING BONDS
(COUNTY FACILITIES PROJECTS), SERIES 2012**

SITE LEASE

This Site Lease (this "Site Lease"), dated as of October 1, 2012, by and between the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), and the RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, concurrently with the execution of this Site Lease, the County and the Authority are entering into a Facility Lease (the "Facility Lease"), dated as of October 1, 2012, whereby the Authority will lease certain real property to the County, more particularly described in Exhibit A attached hereto (the "Leased Property"); and

WHEREAS, the County, the Authority, and Wells Fargo Bank, National Association, as trustee (the "Trustee"), are entering into a Indenture, dated as of October 1, 2012 (the "Indenture") pursuant to which the Authority will issue its Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 in an aggregate principal amount of \$XX,000,000 (the "Series 2012 Bonds") to provide funds for the refinancing of certain public facilities (the "the Project") through the refunding of the outstanding Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects) 2003 Series A; and

WHEREAS, the Series 2012 Bonds will be secured by the payments to be made by the County pursuant to the Facility Lease;

WHEREAS, the County is authorized by law to lease the Leased Property and the Leased Property is necessary and proper for 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 PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Leased Property. The County hereby leases to the Authority and the Authority hereby rents and hires from the County, on the terms and conditions hereinafter set forth, those certain real property and improvements thereon or to be located thereon, more particularly described in Exhibit A attached hereto and made a part hereof (the "Leased Property"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Facility Lease.