

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

821



**FROM:** Executive Office

**SUBMITTAL DATE:**  
May 3, 2012

**SUBJECT:** Financing for the construction of 1) the new Hospital Warehouse and Plant Operations Building; and 2) the Nursing and Allied Health Education Building.

**RECOMMENDED MOTION:** That the Board of Supervisors approves Resolution No. 2012-125 and the execution and delivery of the documents associated with the financing for the construction of the new Riverside County Regional Medical Center facilities: 1) Warehouse and Plant Operations Building; and 2) Nursing and Allied Health Education Building.

**BACKGROUND** In April 2007, the county developed a Master Plan Study for Riverside County Regional Medical Center ("RCRMC") to determine future operation and expansion needs based on current and anticipated regional growth. The Master Plan Study recommended development of a new Plant Operations/Warehouse facility to provide approximately 50,000 square feet of additional space for maintenance, storage, and receiving functions.

FORM APPROVED COUNTY COUNSEL  
BY: Dale A. Gardner DATE: 5/7/12  
Departmental Concurrence

*Christopher Hans*

Continued on page 2

Christopher Hans  
Chief Deputy County Executive Officer

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 142,500	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:	2011/2012

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

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

**APPROVE**

BY: *Ed Corser*  
Ed Corser

**County Executive Office Signature**

- Consent
- Policy
- Consent
- Policy

**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley  
 Nays: None  
 Absent: None  
 Date: May 15, 2012  
 xc: E.O., CORAL

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

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

Prev. Agn. Ref.: | District: 5,5 | Agenda Number:

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

**3.4**

Financing of new Hospital Warehouse and Plant Operations  
and Nurse Education Buildings

May 3, 2012

Page 2

The Nursing and Allied Health Education Building will be approximately 34,749 square feet. It will provide expanded space for services including nursing orientation, specialty training, new program development, patient education, coordination of outside speakers and clinical affiliation coordination.

On April 7, 2009, the Board of Supervisors approved the initiation of architectural services for these two projects. These two projects will total approximately \$30 million. Current market conditions allow a bond sale to occur at low fixed interest rates. There is an advantage to combining this new money with the refunding of the 1997 series B bonds. It will reduce the cost of the issuance and it will make marketing of the bonds easier as a package rather than doing separate issues.

If approved, staff recommends issuing approximately \$30 million in fixed interest rate bonds. The debt service will be paid by RCRMC. It is recommended to combine the \$30 million component with the refunding of the CORAL lease revenue bonds 1997 series B to achieve a greater savings. To protect the RCRMC's cash flow, savings are highest in the first 7 years.

This item has been recommended for approval by the Debt Advisory Committee and approved by the CORAL board.

1 RESOLUTION NO. 2012-125

2 RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY  
3 OF RIVERSIDE AUTHORIZING THE ISSUANCE BY THE COUNTY OF  
4 RIVERSIDE ASSET LEASING CORPORATION OF ITS NEW MONEY  
5 LEASE REVENUE BONDS, 2012 SERIES A (COUNTY OF RIVERSIDE  
6 CAPITAL PROJECTS).

7 WHEREAS, the County of Riverside (the "County") and County of Riverside Asset  
8 Leasing Corporation, a California public benefit, nonprofit corporation (the "Corporation"), have  
9 entered into that certain Lease and Option to Purchase, dated as of July 1, 1989 , as amended and  
10 supplemented, and an Equipment Lease, dated as of July 1, 1989 , as amended and restated by an  
11 Amendment No. 1 to Equipment Lease, dated as of February 1, 1997, as further amended and  
12 supplemented, pursuant to which the Corporation agreed to lease, upon selection of a site for the  
13 hereinafter mentioned health facilities (the "Property"), the Property and certain health facilities  
14 and equipment to be constructed thereon (collectively, the "Project") to the County in  
15 consideration for which the County agreed to make rental payments for the use and possession of  
16 the Project;

17 WHEREAS, the Corporation has issued its Leasehold Revenue Bonds from time to time  
18 pursuant to an Indenture of Trust, dated July 1, 1989 (the "Original Indenture"), as amended and  
19 supplemented (the Original Indenture, as amended and supplemented, is referred to herein as the  
20 "Indenture"), each among the Corporation, the County and the bank identified therein as trustee  
21 (the "Trustee"), for the purpose of financing and refinancing the Project for the benefit of the  
22 County;

23 WHEREAS, in Resolution No. 2012-124 (the "Refunding Resolution"), this Board of  
24 Supervisors (the "Board") authorized the execution and delivery of a Supplemental Indenture of  
25 Trust No. 8, an Amendment No. 7 to Lease and Option to Purchase, a Continuing Disclosure  
26 Certificate, an Escrow Agreement, a Purchase Contract and the preparation and distribution of a  
27 Preliminary Official Statement and an Official Statement (collectively, the "2012 Documents"),  
28 each relating to the issuance by the Corporation of its County of Riverside Asset Leasing

FORM APPROVED COUNTY COUNSEL  
BY: Dale A. Gardner 5/17/12  
DATE

1 Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the  
2 "2012A Bonds") and its County of Riverside Asset Leasing Corporation Lease Revenue Bonds,  
3 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012B Bonds"), for the  
4 purpose of providing funds to refund a portion of the Corporation's lease revenue bonds  
5 previously issued pursuant to the Indenture; and  
6

7 WHEREAS, the County and the Corporation also desire to finance additional costs of the  
8 Project through the issuance by the Corporation of additional 2012 Series A Bonds (the "Series  
9 2012A New Money Bonds") and propose to enter into and execute and deliver the applicable  
10 2012 Documents in connection with such Series 2012A New Money Bonds.

11 NOW, THEREFORE, THIS BOARD OF SUPERVISORS DOES HEREBY FIND,  
12 RESOLVE, DETERMINE AND ORDER as follows:  
13

14 Section 1. The Board hereby finds that the above foregoing recitals are true and correct.

15 Section 2. The Board hereby authorizes and approves, and requests the Corporation to  
16 approve and authorize, the issuance and sale by the Corporation of the Series 2012A New Money  
17 Bonds, to provide additional funds for the completion of the Project and for certain other matters  
18 related thereto, in a total aggregate principal amount not to exceed \$40,000,000, provided that the true  
19 interest cost of the Series 2012A New Money Bonds shall not exceed 5.5% and the final maturity of  
20 the Series 2012A New Money Bonds shall not be later than 25 years following their date of issuance.

21 Section 3. The Board hereby affirms that the authorization and approval of the execution  
22 and delivery of the 2012 Documents by the Board in the Refunding Resolution also apply to the  
23 Series 2012A New Money Bonds.

24 Section 4. The County Executive Officer, the County Finance Director, the County Deputy  
25 Executive Officer and any other authorized officers of the County acting on behalf of the County  
26 Executive Officer (each an "Authorized Representative" and collectively, the "Authorized  
27 Representatives") are, and each of them acting alone is, hereby authorized to take any and all actions  
28 and execute and deliver such documents as they deem necessary or advisable to carry out the

1 purposes of this Resolution and to consummate the transactions contemplated by the 2012 Documents  
2 and all actions heretofore taken by any of them with respect to the issuance and sale of the Series  
3 2012A New Money Bonds or in connection with or related to any of the agreements referenced herein  
4 or the financing and refinancing of the Project, are hereby approved, confirmed and ratified.

5 Section 5. The Clerk of the Board shall certify to the passage of this Resolution, shall  
6 transmit a copy hereof to the Corporation, and shall cause the action of the Board of Supervisors in  
7 adopting the same to be entered in the official minutes of this Board of Supervisors.

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9 [Remainder of Page Intentionally Left Blank]  
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2 **PASSED and ADOPTED** by the Board of Supervisors of the County of Riverside on the 15  
3 day of 15, 2012.

4 ROLL CALL:

5 Ayes: Buster, Tavaglione, Stone, Benoit, and Ashley  
6 Nays: None  
7 Absent: None

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

10 KECIA HARPER-IHEM, Clerk of said Board

11 By: \_\_\_\_\_  
12 Deputy

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**CERTIFICATE OF CLERK**

I, Kecia Harper-Ihem Clerk of the Board of Supervisors of the County of Riverside, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Supervisors of the County of Riverside duly and regularly held at the regular meeting place thereof on May 15, 2012, of which meeting all of the members of said Board had due notice.

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

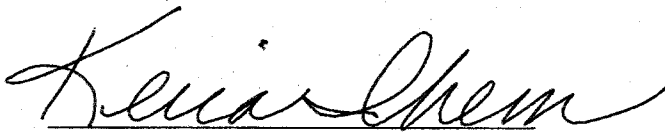
NAYS: Supervisors None

ABSENT: Supervisors None

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

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

WITNESS my hand and the seal of the County of Riverside this 15 day of May, 2012.

  
Clerk of the Board of Supervisors

[SEAL]

3.4 05/15/12

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SUPPLEMENTAL INDENTURE OF TRUST NO. 8

Dated as of

May 1, 2012

By and Among

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

and

COUNTY OF RIVERSIDE

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

RELATING TO THE  
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 SERIES A  
(COUNTY OF RIVERSIDE CAPITAL PROJECTS)

and

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 TAXABLE SERIES B  
(COUNTY OF RIVERSIDE CAPITAL PROJECTS)

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## SUPPLEMENTAL INDENTURE NO. 8

**THIS SUPPLEMENTAL INDENTURE NO. 8**, made and entered into as of the 1<sup>st</sup> day of May, 2012, by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), a nonprofit public benefit corporation established under the laws of the State of California, the County of Riverside (the "County"), a political subdivision of the State of California, and U.S. Bank National Association, a banking association duly organized and existing by virtue of the laws of the United States of America, as trustee (the "Trustee"), under the Indenture of Trust by and among the Corporation, the County and Security Pacific National Bank, as prior Trustee, dated as of July 1, 1989, as modified and amended by Supplemental Indenture of Trust No. 1, dated as of July 1, 1989, as modified and amended by Supplemental Indenture of Trust No. 2, dated as of January 1, 1993, as modified and amended by Supplemental Indenture of Trust No. 3, dated as of January 1, 1993, as modified and amended by Supplemental Indenture of Trust No. 4, dated as of February 1, 1997, as modified and amended by Supplemental Indenture of Trust No. 5, dated as of August 1, 1997, as modified and amended by Supplemental Indenture of Trust No. 6, dated as of December 1, 1997, as modified and amended by Supplemental Indenture of Trust No. 7, dated as of January 1, 2003, and as modified and amended by this Supplemental Indenture of Trust No. 8 (as amended, the "Indenture").

### W I T N E S S E T H:

**WHEREAS**, the Corporation has issued its County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds 1989 Series A (County of Riverside Hospital Project) (the "1989 Bonds"), in the aggregate principal and initial amount of \$200,102,523.50, consisting of 1989 Bonds due June 1 and matured in the years 1999 through 2001 in the aggregate principal amount of \$26,645,000 (the "1989 Serial Bonds"), 1989 Term Bonds due June 1, 2010 in the aggregate principal amount of \$65,915,000 (the "2010 Term Bonds"), 1989 Term Bonds due June 1, 2014 in the aggregate principal amount of \$38,450,000 (the "2014 Term Bonds"), 1989 Term Bonds due June 1, 2019 in the aggregate principal amount of \$64,895,000 (the "2019 Term Bonds") and 1989 Capital Appreciation Bonds due June 1, 2002 in the aggregate initial amount of \$4,197,532.50 (the "1989 Capital Appreciation Bonds");

**WHEREAS**, pursuant to Section 1001(d) of the Indenture, at any time, or from time to time, a Supplemental Indenture of the Corporation may be adopted and entered into with the consent of the County and the Trustee, which the Corporation, the County and the Trustee may enter into without the consent of any Bond Owners, in order to authorize Additional Bonds and Refunding Bonds, and in connection therewith, to specify and determine any other matters and things relative to such Additional Bonds and Refunding Bonds which are not contrary to or inconsistent with the Indenture;

**WHEREAS**, in 1993 the Corporation issued its County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds 1993 Series A (County of Riverside Hospital Project) (the "1993A Bonds"), in the aggregate principal amount of \$134,535,000, and \$14,525,000 Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) (the "1993B Bonds"), for the purpose of refunding the 1989 Serial Bonds, the 2010 Term Bonds, the 2014 Term Bonds and the 1989 Capital Appreciation Bonds;

**WHEREAS**, in 1997 the Corporation issued \$41,170,072.65 Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project), for the purpose of providing additional funds for the completion of the Facilities Project;

**WHEREAS**, in 1997 the Corporation issued \$68,720,000.00 Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the "1997B Bonds") and \$3,265,000.00 Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project) (the "1997C Bonds"), for the purpose of providing funds to refund the 2019 Term Bonds and to provide additional funds for the completion of the Project;

**WHEREAS**, in 2003 the Corporation issued \$56,140,000 Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project) (the "2003A Bonds") and \$4,040,000 Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project) (the "2003B Bonds"), for the purpose of providing funds to refund a portion of the 1993A Bonds;

**WHEREAS**, to provide funds for the purpose of refunding the outstanding 1997B Bonds maturing in the years 2013, 2016 and 2019 (the "1997B Refunded Bonds") and to provide additional funds for the completion of the Facilities Project, the Corporation now proposes to issue and sell its County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the "2012A Bonds") and its County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds");

**WHEREAS**, in order to provide for the authentication and delivery of the 2012 Bonds and to establish and declare the terms and conditions upon which the 2012 Bonds are to be issued and sold and to secure the payment of the principal thereof and the interest thereon, the Corporation, the County and the Trustee have agreed to amend the Indenture hereby;

**WHEREAS**, concurrently herewith, the Facilities Lease, entered into by and between the County and the Corporation and dated as of July 1, 1989 (as amended, the "Facilities Lease"), is amended in accordance with and pursuant to the provisions of the Facilities Lease and the Indenture;

**WHEREAS**, the Corporation has determined that the Bonds (as defined in the Indenture), including but not limited to the 2012 Bonds, shall be secured by the Indenture and has ascertained and determined that the provisions contained therein and herein for protecting and enforcing the rights and remedies of the Bond Owners are reasonable, proper and in accordance with law, and that the Indenture is necessary to the performance of its duties and the execution of its powers under law, and does deem and determine all of the provisions therein and herein contained to be reasonable and proper for the security of the Bond Owners;

**WHEREAS**, pursuant to Section 1001(i) and (j) of the Indenture, the Indenture may be modified or amended at any time or from time to time, by a Supplemental Indenture of the Corporation adopted and entered into with the County and the Trustee, without the consent of any Bond Owners, to make such provisions for the purposes of curing any ambiguity or omission, or of curing or correcting any inconsistent or defective provision under the Indenture,

or of clarifying matters or questions arising under the Indenture and not contrary or inconsistent with the Indenture;

**WHEREAS;** the Corporation, the County and the Trustee have agreed to amend the Indenture hereby in order to effect certain changes therein;

**WHEREAS,** all acts and things required by law and by the Articles of Incorporation and Bylaws of the Corporation necessary to constitute this Supplemental Indenture No. 8 a valid and binding trust instrument for the security of all Bonds duly issued under the Indenture, have been done and performed and the execution and delivery of this Supplemental Indenture No. 8 have been in all respects duly authorized; and

**WHEREAS,** the Trustee has accepted the trust created and established by the Indenture and this Supplemental Indenture No. 8 and in evidence thereof has joined in the execution thereof and hereof;

**NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 8 WITNESSETH,** in consideration of the premises herein contained, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the 2012 Bonds by the Owners thereof, the receipt and adequacy of which are hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the 2012 Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, and in order to secure the payment of the 2012 Bonds at any time issued and Outstanding under the Indenture and the interest thereon according to their tenor, purport and effect, and in order to provide for certain modifications and amendments to the Indenture, and in order to secure the performance and observance of all covenants, agreements and conditions therein and herein contained, the Corporation, the County and the Trustee agree as follows:

## **ARTICLE I**

### **DEFINITIONS AND AUTHORITY FOR SUPPLEMENTAL INDENTURE NO. 8**

**Section 1.01. Definitions.** Unless otherwise required by the context, all terms used herein which are defined in the Indenture shall have the meanings assigned to them therein.

**Section 1.02. Amendment to Section 101 of the Indenture.** Section 101 of the Indenture shall be amended and supplemented by deleting the definition of "Investment Securities" in its entirety and adding the following definitions in their entirety to Section 101:

"**1997B Bonds**" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) issued in the aggregate principal amount of \$68,720,000.

"**1997B Refunded Bonds**" shall mean the outstanding 1997B Bonds maturing in the years 2013, 2016 and 2019.

**“2012 Acquisition and Construction Account”** shall mean the 2012 Acquisition and Construction Account established in Section 5.03 of this Supplemental Indenture No. 8.

**“2012 Bonds”** shall mean collectively, the 2012A Bonds and the 2012B Bonds.

**“2012 Closing Date”** shall mean May \_\_, 2012.

**“2012 Costs of Issuance Account”** shall mean the 2012 Costs of Issuance Account established in Section 5.04 of this Supplemental Indenture No. 8.

**“2012A Bonds”** shall mean the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects).

**“2012A Earnings Account”** shall mean the 2012A Earnings Account established in Section 5.05 of this Supplemental Indenture No. 8.

**“2012A Excess Earnings Account”** shall mean the 2012A Excess Earnings Account established in Section 5.06 of this Supplemental Indenture No. 8.

**“2012A Tax Certificate”** shall mean the Tax and Nonarbitrage Certificate of the County and the Corporation executed on the 2012 Closing Date.

**“2012B Bonds”** shall mean the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects).

**“Continuing Disclosure Certificate”** shall mean that certain Continuing Disclosure Certificate, dated as of May \_\_, 2012, executed and delivered by the County in connection with the issuance of the 2012 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“Corporate Trust Office”** shall mean the corporate trust office of the Trustee at the address set forth in Section 8.10 hereof; provided, however, for transfer, registration, exchange, payment and surrender of Bonds means care of the corporate trust office of U.S. Bank National Association in 60 Livingston Avenue, St. Paul, Minnesota 55107 or such other office designated by the Trustee from time to time.

**“Investment Securities”** means, if and to the extent permitted by law:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

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

- a. Farmers Home Administration  
Certificates of beneficial ownership
- b. Federal Housing Administration Debentures
- c. General Services Administration  
Participation Certificates
- d. Government National Mortgage Association (GNMA)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations  
(participation certificates)
- e. U.S. Maritime Administration  
Guaranteed Title XI financing
- f. U.S. Department of Housing and Urban Development  
Project Notes  
Local Authority Bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

- a. Federal Home Loan Bank System  
Senior debt obligations (consolidated debt obligations)
- b. Federal Home Loan Mortgage Corporation (FHLMC)  
Participation Certificates (Mortgage-backed securities)  
Senior debt obligations
- c. Federal National Mortgage Association (FNMA)  
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal.)
- d. Resolution Funding Corp. (REFCORP)  
Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
- e. Farm Credit System  
Consolidated system wide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm; or AAm; and if rated by Moody's having a rating of Aaa-MS, Aa1 or Aa2.

(5) Certificates of deposit (CDs) secured at all times by collateral described in (1) and/or (2) above. CDs must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term obligations are rated A-1+ or better by S&P and Prime-1 by Moody's.

The collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee) which are fully insured by Federal Deposit Insurance Corporation, including BIF and SAIF.

(7) Investment Agreements, including guaranteed investment contracts, acceptable to the 1997 Insurer, the 1997B Insurer, and the 2003 Insurer.

(8) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(11) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase agreements must satisfy the following criteria or be approved by the 1997 Insurer, the 1997B Insurer, and the 2003 Insurer, if any, S&P and Moody's.

a. Repurchase agreements must be between the Trustee and a dealer bank or securities firm:

(A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the Securities Investor Protection Corporation (SIPC) and which are rated A or better by S&P and Moody's, or

(B) Banks rated "A" or above by S&P and Moody's.

b. The written repurchase contract must include the following:

(A) Securities which are acceptable for transfer are:

(i) Direct U.S. governments



- (ii) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC)
  - (B) The term of the repurchase agreement may be up to 30 days
  - (C) The collateral must be delivered to the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
  - (D) The Trustee has a perfected first priority security interest in the collateral.
  - (E) Collateral is free and clear of third-party liens and in the case of an SIPC broker, was not acquired pursuant to a repurchase agreement or reverse repurchase agreement.
  - (F) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral.
  - (G) Valuation of Collateral
    - (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
    - (ii) The value of collateral must be equal to at least 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities hold as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must be equal to at least 105%.
- c. Legal opinion which must be delivered to the Trustee and Authority:
- (A) The repurchase agreement meets guidelines under state law for legal investment of public funds.

(12) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

- (13) Pooled investment funds administered by any state of the United States acceptable to the 1997 Insurer, the 1997B Insurer, and the 2003 Insurer, if any, S&P and Moody's.
- (14) Riverside County Investment Pool, managed by the Treasurer-Tax Collector of the County of Riverside, California.
- (15) Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture.
- (16) Investment Trust of California (CalTRUST), a joint powers authority that invests in securities and obligations authorized by California Government Code Section 53601.
- (17) Any other investments approved by the 1997 Insurer, the 1997B Insurer, and the 2003 Insurer, S&P and Moody's.

"**Supplemental Indenture No. 8**" shall mean this Supplemental Indenture of Trust No. 8 modifying and amending the Indenture.

**Section 1.03. Authority for this Supplemental Indenture No. 8.** This Supplemental Indenture No. 8 is executed by the Corporation pursuant to authority contained in its Articles of Incorporation and Bylaws. The Corporation is executing this Supplemental Indenture No. 8, undertaking its obligations in respect of the Project and issuing the 2012 Bonds to provide funds to refund the 1997B Refunded Bonds and to provide additional funds for completion of the Facilities Project.

**Section 1.04. Indenture as Modified and Amended by Supplemental Indenture No. 8 to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the 2012 Bonds authorized to be issued hereunder by those who shall own the same from time to time, the Indenture shall be deemed to be and shall constitute a contract among the Corporation, the County and the Trustee for the benefit of the Owners from time to time of the Bonds; and the pledge and assignment made in the Indenture and the covenants and agreements therein set forth to be performed on behalf of the Corporation shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their execution and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Indenture.

**Section 1.05. Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

## ARTICLE II

### AUTHENTICATION AND ISSUANCE OF 2012 BONDS

**Section 2.01. Authority for Issuance of Bonds.** The Indenture provides for the authorization of Bonds of the Corporation, including Additional Bonds and Refunding Bonds. The aggregate principal amount of Bonds which may be executed and delivered under the Indenture is not limited except as may be provided in the Indenture or as may be limited by law.

Unless otherwise specified herein or therein, the provisions of the Indenture applicable to the Bonds shall be applicable to the 2012 Bonds.

**Section 2.02. Provisions for Issuance of 2012 Bonds.** All the 2012 Bonds shall be executed by the Corporation for issuance under the Indenture and delivered to the Trustee and thereafter shall be authenticated by the Trustee, and by it delivered to the Corporation or upon its order, but only upon the receipt by the Trustee of:

- (a) A copy of the Indenture certified by an Authorized Officer;
- (b) An Opinion of Bond Counsel to the effect that the Facilities Lease, the Indenture, this Supplemental Indenture No. 8 and the 2012 Bonds have been duly and validly authorized, executed and delivered by the Corporation, and constitute valid and binding obligations of the Corporation enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and except that such counsel need express no opinion as to the availability of equitable remedies;
- (c) A copy of this Supplemental Indenture No. 8 authorizing the 2012 Bonds, and meeting the requirements of Section 202(a)(iii) of the Indenture, certified by an Authorized Officer;
- (d) The amount, if any, necessary for deposit in the Debt Service Reserve Fund so that the amounts in such Fund shall equal the Debt Service Reserve Requirement calculated immediately after the issuance of the 2012 Bonds;
- (e) A certificate of an Authorized Officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and applicable to the Corporation;
- (f) An amendment to the Facilities Lease, duly authorized, executed and delivered by the County and the Corporation, such that Base Rental payable thereunder is (A) sufficient to pay principal and interest on all Outstanding Bonds (and, with respect to Capital Appreciation Bonds, the Final Compounded Amount thereof) and (B) not in excess of the fair rental value of the Facilities Project;
- (g) Irrevocable instructions to the Trustee, satisfactory to it, to give notice as provided for in Section 1201 of the Indenture to the Owners of the 1997B Refunded Bonds;

(h) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the 1997B Refunded Bonds to be redeemed;

(i) Either (A) moneys (including moneys withdrawn and deposited pursuant to subsection (c) of Section 506 of the Indenture) in an amount sufficient to effect payment at the applicable Redemption Price of the 1997B Refunded Bonds to be redeemed, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (B) Investment Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of subsection (b) of Section 1201 of the Indenture, which Investment Securities and moneys shall be held in trust and used only as provided in said subsection (b); and

(j) Such further documents, moneys and securities as are required by the provisions of Sections 202, 203 or 204 or Article X of the Indenture, by the provisions of this Supplemental Indenture No. 8 or by the provisions of any Supplemental Indenture adopted pursuant to Article X of the Indenture.

**Section 2.03. The 2012 Bonds.** (a) *Authorization for 2012 Bonds.* There is hereby authorized two series of Bonds, designated respectively as “County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects)” in the aggregate principal amount of \$\_\_\_\_\_ and “County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects)” in the aggregate principal amount of \$\_\_\_\_\_, which shall be issued, authenticated, delivered under and secured by the Indenture to provide funds to refund the 1997B Refunded Bonds, provide additional funds for the completion of the Facilities Project, and to pay costs of issuance relating to the 2012 Bonds.

(b) *Proceeds of 2012A Bonds.* Proceeds of the sale of the 2012A Bonds, including any accrued interest thereon, shall be deposited with the Trustee simultaneously with the delivery of the 2012A Bonds and applied as follows:

(i) There shall be deposited in the 2012 Acquisition and Construction Account the sum of \$\_\_\_\_\_.

(ii) There shall be deposited with U.S. Bank National Association, as trustee for the 1997B Bonds (the “Prior Bonds Trustee”), the sum of \$\_\_\_\_\_, to be used to redeem the 1997B Bonds maturing in years 2016 and 2019.

(iii) There shall be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), the sum of \$\_\_\_\_\_, to be used to defease the 1997B Bonds maturing in the year 2013, pursuant to the terms of that certain Escrow Agreement, dated as of May 1, 2012 (the “Escrow Agreement”), by and between Corporation and the Escrow Agent.

(iv) [There shall be deposited in the Debt Service Reserve Fund the sum of \$\_\_\_\_\_].

(v) [\$\_\_\_\_\_ shall be used to pay capitalized interest through June 1, 2013.]

(vi) There shall be deposited in the 2012A Costs of Issuance Subaccount the sum of \$\_\_\_\_\_.

(c) *Proceeds of 2012B Bonds.* Proceeds of the sale of the 2012B Bonds, including any accrued interest thereon, shall be deposited with the Trustee simultaneously with the delivery of the 2012B Bonds and applied as follows:

(i) There shall be deposited with the Prior Bonds Trustee, the sum of \$\_\_\_\_\_, to be used to redeem the 1997B Bonds maturing in years 2016 and 2019.

(ii) There shall be deposited with the Escrow Agent, the sum of \$\_\_\_\_\_, to be used to defease the 1997B Bonds maturing in the year 2013, pursuant to the terms of the Escrow Agreement.

(iii) [There shall be deposited in the Debt Service Reserve Fund the sum of \$\_\_\_\_\_].

(iv) There shall be deposited in the 2012B Costs of Issuance Subaccount the sum of \$\_\_\_\_\_.

(d) *Terms of the 2012A Bonds.* (i) The 2012A Bonds shall be issued in the form of fully registered bonds in Authorized Denominations and shall bear interest payable on June 1, 20\_\_ computed on the basis of a year of 360 days comprised of twelve 30-day months, and thereafter semiannually on the first days of December and June in each year at the following rates per annum, and shall mature on June 1, in the years and amounts as follows:

<u>Maturing</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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The 2012A Bonds shall be dated as of the date of authentication thereof; provided, that if the date of authentication shall be prior to the first Record Date for the Bonds, such 2012A Bonds shall be dated the date of delivery. The 2012A Bonds shall bear interest from the Interest Payment Date next preceding their date of authentication, unless such date of authentication shall be an Interest Payment Date, in which case they shall bear interest from such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on such 2012A Bonds shall be in default, Bonds issued in lieu of such 2012A Bonds surrendered for transfer or exchange may bear interest from the date to which interest has been paid in full on the Bonds surrendered.

Payment of the interest on each such 2012A Bond shall be made by the Trustee as the same shall become due to the person appearing on the Bond Register as the registered Owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such registered Owner at its address as it appears on such Bond Register or at such other address as is furnished to the Trustee in writing by the Owner by first-class mail; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2012A Bonds, upon written request of such Owner to the Trustee specifying the account or accounts to which such payment shall be made and received by the Trustee prior to the applicable Record Date, interest payments shall be made by wire transfer of immediately available funds on such Interest Payment Date. The 2012A Bonds are payable as to principal upon surrender thereof at the Corporate Trust Office of the Trustee. All amounts due with respect to the 2012A Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(e) *Terms of the 2012B Bonds.* (i) The 2012B Bonds shall be issued in the form of fully registered bonds in Authorized Denominations and shall bear interest payable on June 1, 20\_\_ computed on the basis of a year of 360 days comprised of twelve 30-day months, and thereafter semiannually on the first days of December and June in each year at the following rates per annum, and shall mature on June 1, in the years and amounts as follows:

<u>Maturing</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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The 2012B Bonds shall be dated as of the date of authentication thereof; provided, that if the date of authentication shall be prior to the first Record Date for the Bonds, such 2012B Bonds shall be dated the date of delivery. The 2012B Bonds shall bear interest from the Interest Payment Date next preceding their date of authentication, unless such date of authentication shall be an Interest Payment Date, in which case they shall bear interest from such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on such 2012B Bonds shall be in default, Bonds issued in lieu of such 2012B Bonds surrendered for transfer or exchange may bear interest from the date to which interest has been paid in full on the Bonds surrendered.

Payment of the interest on each such 2012B Bond shall be made by the Trustee as the same shall become due to the person appearing on the Bond Register as the registered Owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such registered Owner at its address as it appears on such Bond Register or at such other address as is furnished to the Trustee in writing by the Owner by first-class mail; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2012B Bonds, upon written request of such Owner to the Trustee specifying the account or accounts to which such payment shall be made and received by the Trustee prior to the applicable Record Date,

interest payments shall be made by wire transfer of immediately available funds on such Interest Payment Date. The 2012B Bonds are payable as to principal upon surrender thereof at the Corporate Trust Office of the Trustee. All amounts due with respect to the 2012B Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

### ARTICLE III

#### GENERAL TERMS AND PROVISIONS OF 2012 BONDS

**Section 3.01. Legends.** The 2012 Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Corporation prior to the execution and delivery thereof. In addition, the 2012 Bonds shall contain or have endorsed thereon the following pledge of the State contained in and referring to Section 14085.5 of the California Welfare and Institutions Code: "The state shall pledge to, and agree with, the holders of any revenue bonds issued to finance projects qualifying under this section that until debt service on the revenue bonds is fully paid or until the supplemental rate is no longer required as provided in this section, the state will not limit or alter the rights vested in the hospital to receive supplemental reimbursement pursuant to this section. The state shall pledge, and the hospital shall, as a condition of encumbering supplemental reimbursement payments received pursuant to this section, pledge that supplemental reimbursement payments shall be used for the payment of debt service on the revenue bonds. The hospital shall include its pledge and the agreement with the state in any agreement with the holders of the revenue bonds." Such pledge of the State is enforceable to the extent there are appropriations available for the purpose of making supplemental reimbursement payments and all obligations of the State or the Department of Health Services to make supplemental reimbursement to the County are subject to enactment of annual appropriations therefor through the normal State budget process.

**Section 3.02. Execution.** (a) The 2012 Bonds shall be executed in the name of the Corporation by the manual or facsimile signature of the President or any Vice-president of the Corporation and its seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the facsimile or manual signature of its Secretary or Assistant Secretary or its Treasurer or Assistant Treasurer, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the 2012 Bonds shall cease to be such officer before the 2012 Bonds so signed and sealed shall have been executed and delivered, such 2012 Bonds may, nevertheless, be executed and delivered as herein provided, and may be issued as if the persons who signed or sealed such 2012 Bonds had not ceased to hold such offices. Any 2012 Bond may be signed and sealed on behalf of the Corporation by such persons as at the time of the execution of such 2012 Bonds shall be duly authorized or hold the proper office in the Corporation, although at the date borne by such 2012 Bonds such persons may not have been so authorized or have held such office.

(b) The 2012 Bonds shall bear thereon a certificate of authentication, in the form set forth in this Supplemental Indenture No. 8, executed manually by the Trustee. Only such 2012 Bonds as shall bear thereon such certificate of authentication shall be entitled to any

right or benefit under the Indenture and no 2012 Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any 2012 Bond executed on behalf of the Corporation shall be conclusive evidence that the 2012 Bond so authenticated has been duly authenticated and delivered under the Indenture and that the Owner thereof is entitled to the benefits of the Indenture.

**Section 3.03. Form of 2012 Bonds.** The 2012A Bonds and the 2012B Bonds shall be substantially in the form set forth, respectively, in Exhibit A-1 and Exhibit A-2 attached hereto and by this reference incorporated herein.

**Section 3.04. Book-Entry System; Limited Obligation.** The 2012 Bonds shall be initially issued in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities, respectively, of the 2012 Bonds. Upon initial issuance, the ownership of each such 2012 Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 304 of the Indenture or as provided herein, all of the Outstanding 2012 Bonds shall be registered in the Bond Register in the name of the Nominee.

With respect to 2012 Bonds registered in the Bond Register in the name of the Nominee, the Corporation and the Trustee shall have no responsibility or obligation to any such Participant or to any person on behalf of which such a Participant holds an interest in the 2012 Bonds. Without limiting the immediately preceding sentence, the Corporation (unless the Corporation is at such time the Depository), the County and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the 2012 Bonds, (ii) the delivery to any Participant or any other person, other than a Bond Owner as shown in the Bond Register, of any notice with respect to the 2012 Bonds, including any notice of redemption, (iii) the selection by the Securities Depository and its Participants of the beneficial interests in the 2012 Bonds to be redeemed in part, or (iv) the payment to any Participant or any other person, other than a Bond Owner as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the 2012 Bonds. The Corporation, the County and the Trustee may treat and consider the Person in whose name each 2012 Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever.

The Trustee shall pay all principal of, premium, if any, and interest on the 2012 Bonds only to or upon the order of the respective Bond Owners, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations hereunder with respect to payment of principal of, premium, if any, and interest with respect to the 2012 Bonds to the extent of the sum or sums so paid. All such payments shall contain or be accompanied by the 2012 Bonds' CUSIP number or numbers to which they relate. For any Bond Owner of at least \$1,000,000 aggregate principal amount of the 2012 Bonds, such payment shall be payable by wire transfer within the continental United States in immediately available funds provided such Bond Owner shall have submitted a written request satisfactory to the Trustee at least five Business Day prior



to the Record Date as to which such election shall be effective. No person other than a Bond Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Securities Depository to the Bond Owner, the Trustee, the County and the Corporation of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture and herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such new nominee of the Securities Depository.

**Section 3.05. Representation Letter.** In order to qualify the 2012 Bonds for the Securities Depository's book-entry system, the Authorized Officers of the Corporation are hereby authorized to execute, seal, counter-sign and deliver on behalf of the Corporation to such Securities Depository a representation letter from the Corporation representing such matters as shall be necessary to so qualify the 2012 Bonds (the "2012 Representation Letter"). The execution and delivery of the 2012 Representation Letter shall not in any way limit the provisions of Section 310 of the Indenture or in any other way impose upon the Corporation any obligation whatsoever with respect to persons having interests in the 2012 Bonds other than the Owners of the 2012 Bonds, as shown on the Bond Register. If required by the Securities Depository, in the written acceptance of the Trustee, such Trustee shall agree, and hereby agrees, to take all actions reasonably necessary for all representations of the Corporation in the 2012 Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the 2012 Representation Letter the Authorized Officers of the Corporation and their deputies and designees each are hereby authorized to take any other actions, not inconsistent with the Indenture to qualify the 2012 Bonds for the Securities Depository's book-entry program.

**Section 3.06. Transfers Outside Book-Entry System.** In the event (i) the Securities Depository determines not to continue to act as securities depository for the 2012 Bonds, or (ii) the Corporation or the County determines that the Securities Depository shall no longer so act, then the Corporation will discontinue the book-entry system with the Securities Depository with respect to such series of Bonds. If the Corporation or the County fails to identify another qualified securities depository to replace the Securities Depository then such series of Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names Owners of such series of Bonds transferring or exchanging such series of Bonds shall designate, in accordance with the provisions of Section 304 of the Indenture.

**Section 3.07. Payments and Notices to the Nominee.** Notwithstanding any other provision of the Indenture to the contrary, so long as any 2012 Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the 2012 Representation Letter or as otherwise instructed by the Securities Depository.

**Section 3.08. Initial Depository and Nominee.** The initial Securities Depository under this Supplemental Indenture No. 8 shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

**ARTICLE IV**

**REDEMPTION OF 2012 BONDS**

**Section 4.01. Privilege of Redemption and Redemption Price.** The 2012 Bonds subject to redemption prior to their maturity dates shall be redeemable, upon notice mailed as provided in this Article IV, at such times, at such Redemption Prices and upon such terms as may be specified in this Supplemental Indenture No. 8.

**Section 4.02. Redemption of the 2012A Bonds at the Request of the Corporation.**

(a) In the case of any redemption of 2012A Bonds at the request of the Corporation, the Corporation shall, at least 45 days prior to the redemption date, give written notice to the Trustee of its direction so to redeem, of the redemption date and of the principal amounts of the 2012A Bonds of each maturity to be redeemed (which maturities and principal amounts, as the case may be, thereof to be redeemed shall be determined by the Corporation, upon the direction of the County, subject to any limitations with respect thereto contained in the Indenture or in this Supplemental Indenture No. 8).

(b) The 2012A Bonds maturing on or before June 1, \_\_\_\_\_ are not subject to redemption prior to maturity. The 2012A Bonds maturing after June 1, \_\_\_\_\_ are subject to redemption, except as provided in Section 4.03, on or after June 1, \_\_\_\_\_, at the option of the Corporation, upon the direction of the County, in whole or in part, on any day at a redemption price equal to the principal amount of the Series 2012A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Section 4.03. Mandatory Redemption of the 2012A Bonds.**

(a) The 2012A Bonds maturing on June 1, \_\_\_\_\_ are subject to mandatory redemption prior to maturity date on June 1, \_\_\_\_\_ and each June 1 thereafter, in part solely from Sinking Account Installments, upon mailed notice as provided in the Indenture and herein, at the principal amount thereof plus interest accrued thereon to the date of redemption, without premium, in the following amounts and on the following dates:

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>
_____	_____

†

\_\_\_\_\_† Final Maturity

**Section 4.04. Redemption of the 2012B Bonds at the Request of the Corporation.** Except as provided in Section 4.06(a), the 2012B Bonds are not subject to optional redemption prior to maturity.

**Section 4.05. Mandatory Redemption of the 2012B Bonds.** The 2012B Bonds are not subject to mandatory redemption prior to maturity.

**Section 4.06. 2012 Bonds Common Redemption Terms.**

(a) In the event of a deposit of funds into the Prepayment Account by virtue of the provisions of paragraph (ii) of subsection (a) of Section 713 or subsection (d) of Section 713 of the Indenture, the Trustee shall provide for the call and redemption of the 2012 Bonds, at the principal amount thereof plus interest accrued thereon to the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

(b) The 2012 Bonds of each maturity Outstanding on the date immediately preceding the date set for such redemption shall be redeemed in amounts so as to reduce the Debt Service relating to such Bonds scheduled to be paid in each year by an amount which is as equal as practicable for each other such year. Moneys remaining in the Interest Account or Principal Account following such Interest Payment Date, if any, shall be paid immediately to the County.

**Section 4.07. Selection of 2012 Bonds to be Redeemed.** Subject to the provisions of Section 4.02 of this Supplemental Indenture No. 8, if at any time less than all of the 2012 Bonds of like series and maturity shall be called for prior redemption, the particular 2012 Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem appropriate; provided, however, that the portion of any 2012 Bond to be redeemed shall be in the principal amount of an Authorized Denomination.

Whenever the Trustee is required or authorized by the terms of this Supplemental Indenture No. 8 to redeem 2012 Bonds otherwise than at the direction of the Corporation, the Trustee shall select the 2012 Bonds to be redeemed and give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid, to the redemption date, in accordance with the terms of Article IV of the Indenture, this Article IV of this Supplemental Indenture No. 8 and, to the extent applicable, Section 506 of the Indenture.

When any of the 2012 Bonds are to be redeemed at the request of the Corporation as set forth in Section 4.02 and Section 4.04 above, such request shall state whether such redemption shall be conditioned on a deposit of sufficient funds or if sufficient moneys will be on deposit prior to sending the notice of redemption as provided in Section 4.08 hereof.

**Section 4.08. Notice of Redemption.** When redemption is authorized or required pursuant to Article IV of this Supplemental Indenture No. 8, the Trustee shall give notice ("Redemption Notice"), at the expense of the Corporation, of the redemption of such 2012 Bonds. Such Redemption Notice shall specify: (a) the 2012 Bonds (including the official name thereof and the series designation, if any) or designated portions thereof (in the case of redemption of 2012 Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name, address and telephone number of any paying agent, (d) the Redemption Price, (e) the CUSIP numbers (if any) assigned to the 2012 Bonds to be redeemed, (f) the number of the 2012 Bonds

to be redeemed in whole or in part and, in the case of any 2012 Bonds to be redeemed in part only, the amount of such 2012 Bonds to be redeemed, (g) the original delivery date, interest rate and stated maturity date of each 2012 Bond to be redeemed in whole or in part, and (h) the publication date of such notice. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each 2012 Bond or portion thereof being redeemed the Redemption Price, together with interest accrued to the redemption date thereon, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The Trustee shall take the following actions with respect to such Redemption Notice:

(a) At least thirty (30) but not more than sixty (60) days prior to the redemption date such Redemption Notice shall be given to the respective Owners of 2012 Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register as of the close of business on the date before such Redemption Notice is given.

(b) In addition to the notice described in the foregoing paragraph, on the same day as the date of the mailing required by the preceding paragraph, such Redemption Notice shall be given by (a) registered or certified mail, postage prepaid, (b) telephonically confirmed facsimile transmission or (c) overnight delivery service, to the Securities Depository.

(c) If any 2012 Bonds are at the time of redemption no longer registered in the Bond Register in the name of the Nominee as the nominee of the Securities Depository, then the following additional requirements shall apply to any notice of redemption:

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

The Depository Trust Company  
55 Water Street, 50th Floor  
New York, New York 10041-0099  
Attn: Call Notification Department  
Facsimile: (212) 855-7232

(2) such Redemption Notice shall be delivered to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

(d) After the redemption date such Redemption Notice shall again be given in the manner provided for in (a) above to the Owners of the 2012 Bonds designated for redemption who shall not have presented such 2012 Bonds for redemption within sixty (60) days of the redemption date.

Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such 2012 Bonds. Each check or other transfer of funds issued by the Trustee for the purpose of

redeeming 2012 Bonds shall bear or subsequently identify the CUSIP number identifying, by series, issue and maturity, the 2012 Bonds being redeemed with the proceeds of such check or other transfer.

## ARTICLE V

### FUNDS AND ACCOUNTS

**Section 5.01. Establishment of Fund and Accounts.** The following Fund and Accounts are hereby established:

(a) A 2012 Acquisition and Construction Account, to be held by the Trustee in the Acquisition and Construction Fund;

(b) A 2012 Costs of Issuance Account, to be held by the Trustee, in accordance with Section 5.03 hereof;

(c) A 2012A Earnings Account, to be held by the Trustee, in the Debt Service Fund; and

(d) A 2012A Excess Earnings Account, to be held by the Trustee, in the Excess Earnings Fund.

**Section 5.02. 2012 Acquisition and Construction Fund.** Moneys deposited in the 2012 Acquisition and Construction Account of the Acquisition and Construction Fund shall be used to pay Costs of the Project in the manner provided in Section 503 of the Indenture. Moneys remaining in the 2012 Acquisition and Construction Account after payments by the Trustee have been made pursuant to Section 503 of the Indenture and the Certificate of Completion has been delivered to the Trustee shall be transferred first to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, second the Special Payment Account and on each applicable Interest Payment Date a pro rata portion thereof shall be transferred to the Principal Account and used to pay a portion of the Principal Installment and/or Sinking Account Installment, if any, due on such Interest Payment Date, unless otherwise provided in Section 503 of the Indenture.

**Section 5.03. 2012 Costs of Issuance Account.** The Trustee shall establish and maintain the following subaccounts within the 2012 Costs of Issuance Account, designated as the "2012A Costs of Issuance Subaccount" and the "2012B Costs of Issuance Subaccount." Moneys deposited in the 2012 Costs of Issuance Account shall be used to pay costs of issuance of the 2012 Bonds. Moneys contained in the 2012 Costs of Issuance Account twelve months after the date of issuance of the 2012 Bonds shall be transferred by the Trustee, at the Corporation's direction, to the Debt Service Fund and applied in accordance herewith.

**Section 5.04. 2012A Earnings Account.** Moneys deposited in the 2012A Earnings Account of the Debt Service Fund shall be transferred (i) to the 2012A Excess Earnings Account in the Excess Earnings Fund to the extent required by the 2012A Tax Certificate in accordance with written instructions to the Trustee by the County, (ii) to the Debt Service Reserve Fund to the extent the amount on deposit therein is less than the Debt Service Reserve Requirement, and

(iii) to the Interest Account of the Debt Service Fund; provided that all amounts deposited in the 2012A Excess Earnings Account shall be retained therein and applied to the purposes thereof, unless a Written Order of the County (to the extent permitted by the 2012A Tax Certificate) to the contrary is received by the Trustee from the County.

**Section 5.05. 2012A Excess Earnings Account.** Pursuant to the provisions of the 2012A Tax Certificate, the Corporation at the direction of the County shall determine what amounts must be deposited into the 2012A Excess Earnings Account in the Excess Earnings Fund to comply with Section 716 of the Indenture and the provisions of the 2012A Tax Certificate and, to the extent permitted by law, shall direct the Trustee to transfer such amounts from the 2012A Earnings Account to the 2012A Excess Earnings Account. All amounts initially deposited in the 2012A Excess Earnings Account and investment earnings thereon shall be retained therein until transferred in accordance herewith and with the 2012A Tax Certificate. Notwithstanding any other provisions hereof to the contrary, to the extent permitted by the 2012A Tax Certificate, any moneys contained in the 2012A Excess Earnings Account not required to be retained therein or paid to the federal government, as set forth in a Written Certificate of the County, shall be transferred (i) to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit equal to the Debt Service Reserve Requirement, and (ii) to the Interest Account in the Debt Service Fund.

## ARTICLE VI

### MISCELLANEOUS

**Section 6.01. Continuing Disclosure.** The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate in accordance with its terms. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Indenture. However, the Trustee, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Section 6.01.

**Section 6.02. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Supplemental Indenture No. 8 on the part of the Corporation or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed several from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Supplemental Indenture No. 8.

**Section 6.03. Validity of Multiple Copies.** This Supplemental Indenture No. 8 may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

**Section 6.04. Headings Not Binding.** The headings in the Indenture and this Supplemental Indenture No. 8 are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of the Indenture or this Supplemental Indenture No. 8.

**Section 6.05. Governing Law.** The Indenture and this Supplemental Indenture No. 8 shall be interpreted, governed by and construed under the laws of the State of California as if executed and to be performed wholly within the State of California, subject to any more specific provisions contained in the Indenture or herein.

**Section 6.06. Notices.** All notices, directions or instructions as provided under the Indenture or this Supplemental Indenture No. 8 by any party to any other party shall be in writing and shall be sufficiently given and served upon the other party if delivered by hand directly to the offices named below or sent by United States registered mail or certified mail, return receipt requested, or first-class mail, postage prepaid and addressed as follows:

(a) if to the County, to the County Executive Officer, County of Riverside, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501;

(b) if to the Corporation, to the President, County of Riverside Asset Leasing Corporation, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501;

(c) if to the Trustee, to U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services, Ref: Riverside 2012 A & B Hospital Bonds;

(d) if to Moody's, to Moody's Investors Service, 99 Church Street, New York, New York 10007;

(e) if to S&P, to Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041;

or to such other address or addresses as any party hereto may designate to the others by written notice. Any notice given under the Indenture or this Supplemental Indenture No. 8 by any party shall be given to all other parties.

**Section 6.07. Mailing.** Any provision in the Indenture or this Supplemental Indenture No. 8 for the mailing of a notice or other paper to Bond Owners shall be fully complied with if it is mailed postage prepaid only to each registered Owner of 2012 Bonds then Outstanding at its address, if any, appearing upon the Bond Register.

IN WITNESS WHEREOF, the Corporation has caused this Supplemental Indenture No. 8 to be executed by its President and Assistant Secretary and its corporate seal affixed, the County has caused this Supplemental Indenture No. 8 to be executed by its Chairman of the Board of Supervisors and attested by the Clerk of the Board of Supervisors and its seal affixed, and the Trustee has caused this Supplemental Indenture No. 8 to be executed by its duly authorized officer, all as of the day and year first above written.

COUNTY OF RIVERSIDE ASSET  
LEASING CORPORATION

By: \_\_\_\_\_  
Harold Trubo, President

By: \_\_\_\_\_  
Christopher Hans, Assistant Secretary

[SEAL]

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
John F. Tavaglione, Chairman of the  
Board of Supervisors

ATTEST:

By: \_\_\_\_\_  
Kecia Harper-Ihem, Clerk of the  
Board of Supervisors

[SEAL]

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Authorized Officer



**EXHIBIT A-1**

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 SERIES A  
(COUNTY OF RIVERSIDE CAPITAL PROJECTS)**

2012 Series A Bond  
(Form of Bond)

\$ \_\_\_\_\_

No. \_\_\_\_\_

Interest Rate

Maturity Date

Dated Date

CUSIP

Registered Owner \_\_\_\_\_

Principal Amount \_\_\_\_\_

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (herein called the "Corporation"), a nonprofit public benefit corporation established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to the registered Owner identified above or registered assigns, on the maturity date specified above, but solely from the funds pledged therefor, by check or draft, upon presentation and surrender of this bond at the Corporate Trust Office (as defined in the Indenture) of U.S. Bank National Association, as trustee (the "Trustee") or its duly appointed successor, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, together with interest thereon from the Interest Payment Date next preceding the date of authentication hereof (unless the date of authentication hereof is on or before the first Record Date for the respective Bonds, in which event from the date of the original issuance, or unless the date of authentication is an interest payment date, in which event from the date of authentication hereof) until the principal hereof shall have been paid, or provided for, in accordance with the Indenture hereinafter referred to, at the interest rate per annum specified above, payable on June 1 and December 1 in each year, commencing June 1, 20\_\_\_, until the Corporation's obligation with respect to the payment of such principal sum shall be discharged.

Amounts due hereunder in respect of principal are payable in lawful money of the United States of America at the Corporate Trust Office of U.S. Bank National Association, as trustee (the "Trustee") (or any successor thereto), upon surrender of this 2012A Bond. Amounts representing interest are payable by check or draft mailed by first-class mail to the Owner of this 2012A Bond at such Owner's address as it appears on the Bond register maintained by the Trustee (or at such other address as is furnished to the Trustee in writing by the Owner) as of the close of business on the Record Date (hereinafter defined); provided that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2012A Bonds, upon written request

received by the Trustee prior to the Record Date, interest payments shall be made by wire transfer of immediately available funds. Payments of defaulted interest, if any, with respect to this 2012A Bond shall be paid by check or draft to the registered Owner of this 2012A Bond as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of this 2012A Bond not less than 10 days prior thereto.

This bond is one of a duly authorized issue of bonds of the Corporation designated as its "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects)" (herein called the "2012A Bonds"), in the aggregate principal amount of \$ \_\_\_\_\_. Concurrently with the issuance of the 2012A Bonds the Corporation is authorizing and issuing its "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects)" (herein called the "2012B Bonds"), in the aggregate principal amount of \$ \_\_\_\_\_ (the 2012A Bonds and 2012B Bonds are collectively referred to herein as the "2012 Bonds"). The 2012 Bonds are issued under and are equally and ratably secured and entitled to the protection given by the Indenture of Trust dated as of July 1, 1989, as modified and amended by a Supplemental Indenture of Trust No. 1 dated as of July 1, 1989, as modified and amended by a Supplemental Indenture of Trust No. 2 dated as of January 1, 1993, as modified and amended by a Supplemental Indenture of Trust No. 3 dated as of January 1, 1993, as modified and amended by a Supplemental Indenture of Trust No. 4 dated as of February 1, 1997, as modified and amended by a Supplemental Indenture of Trust No. 5 dated as of August 1, 1997, as modified and amended by a Supplemental Indenture of Trust No. 6 dated as of December 1, 1997, as modified and amended by a Supplemental Indenture of Trust No. 7 dated as of January 1, 2003, and as modified and amended by a Supplemental Indenture of Trust No. 8 dated as of May 1, 2012 (as amended and supplemented, the "Indenture") by and among the Corporation, the County of Riverside (the "County") and the Trustee, authorizing the issuance of the 2012 Bonds. Copies of the Indenture are on file at the office of the Corporation and at the Corporate Trust Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions with respect to the nature and extent of the security, the rights, duties and obligations of the Corporation, the Trustee and the Owners of the 2012 Bonds, and the terms upon which the 2012 Bonds are or may be issued and secured under the Indenture, the rights and remedies of the owners of the 2012 Bonds with respect thereto, the limitations on such rights and remedies and the terms and conditions upon which the 2012 Bonds are issued and may be issued thereunder.

Pursuant to the Indenture, the Corporation previously issued its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (herein called the "1997B Bonds")," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project)," and its "County of Riverside Asset Leasing Corporation Leasehold

Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project), all to finance or refinance the acquisition, construction, equipping and installation of certain health facilities (the "Project"). Pursuant to a Lease and Option to Purchase, as amended, and an Equipment Lease, as amended and restated, by and between the Corporation and the County, the Corporation has leased the Project to the County. The proceeds from the sale of the 2012 Bonds are to be used to provide funds to refund a portion of the 1997B Bonds and provide additional funds for the completion of the Project.

The 2012A Bonds maturing on or before June 1, \_\_\_\_\_ are not subject to redemption prior to maturity. The 2012A Bonds maturing after June 1, \_\_\_\_\_ are subject to redemption, except as provided in the Indenture, on or after June 1, \_\_\_\_\_, at the option of the Corporation, upon the direction of the County, in whole or in part, on any day at a redemption price equal to the principal amount of the Series 2012A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Notwithstanding the preceding sentence, in the event of a deposit of funds into the Prepayment Account by virtue of the provisions of paragraph (ii) of subsection (a) of Section 713 of the Indenture or subsection (d) of Section 713 of the Indenture, the Trustee shall provide for the call and redemption of 2012 Bonds, including the 2012A Bonds, at the principal amount thereof plus interest accrued thereon to the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

The 2012 Bonds of each maturity Outstanding on the date immediately preceding the date set for such redemption shall be redeemed in amounts so as to reduce the Debt Service relating to such Bonds scheduled to be paid in each year by an amount which is as equal as practicable for each other such year. Moneys remaining in the Interest Account or Principal Account following such Interest Payment Date, if any, shall be paid immediately to the County.

The 2012A Bonds maturing on June 1, \_\_\_\_\_ are subject to mandatory redemption prior to maturity date on June 1, \_\_\_\_\_ and each June 1 thereafter, in part solely from Sinking Account Installments, upon mailed notice as provided in the Indenture and herein, at the principal amount thereof plus interest accrued thereon to the date of redemption, without premium, in the following amounts and on the following dates:

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>
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†

\_\_\_\_\_  
 † Final Maturity

The 2012A Bonds are payable upon redemption at the above-mentioned office of the Trustee. Notice of redemption, setting forth the place of payment, shall be mailed to all registered Owners of 2012A Bonds subject to such redemption not less than 30 days nor more than 60 days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the Indenture. If notice of redemption shall have been mailed as aforesaid, the 2012A Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 2012A Bonds and portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such 2012A Bonds or portions thereof so called for redemption shall cease to accrue and be payable. However, the failure of any registered Owner of a 2012A Bond to receive said notice shall not affect the validity of the 2012A for the redemption of said 2012A Bonds. Following the mailing of such notice of redemption or partial redemption, the Bond Registrar shall not transfer any 2012A Bond selected for such redemption or partial redemption and no such transfer shall be effected upon the books of the Corporation kept for such purposes.

As provided in the Indenture, Bonds of the Corporation may be issued from time to time pursuant to Supplemental Indentures in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture or as may be limited by law, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Corporation with the written consent of the registered owners of at least sixty percent in principal amount of the Bonds then Outstanding under the Indenture, and, in case less than all of the Bonds would be affected thereby, with such consent of the owners of at least sixty percent in principal amount of the Bonds so affected then Outstanding under the Indenture, and, in case such modification or amendment would change the terms of any sinking account installment, with the written consent of the owners of at least sixty percent in principal amount of the Bonds of the particular maturity entitled to such sinking account installment then Outstanding; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity remain Outstanding under the Indenture, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or redemption price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

The 2012A Bonds are issuable in the form of registered bonds in the denominations of \$5,000 or any integral multiples of \$5,000. The Owner of any 2012A Bond may surrender the

same, at the above-mentioned Corporate Trust Office of the Trustee, in exchange for an equal aggregate principal amount of 2012A Bonds of any authorized denominations, in the manner, subject to the conditions and upon the payment of the charges provided in the Indenture.

This 2012A Bond is transferable, as provided in the Indenture, only upon the books of the Corporation kept for that purpose at the Corporate Trust Office of the Trustee, by the registered Owner hereof in person, or by its duly authorized attorney, upon surrender of this 2012A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or its duly authorized attorney. Thereupon, a new 2012A Bond in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Corporation and Trustee may deem and treat the person in whose name this 2012A Bond is registered as the absolute Owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The State of California has pledged to the holder hereof that, pursuant to the terms of Section 14085.5 of the State of California Welfare and Institutions Code: "The state shall pledge to, and agree with, the holders of any revenue bonds issued to finance projects qualifying under this section that until debt service on the revenue bonds is fully paid or until the supplemental rate is no longer required as provided in this section, the state will not limit or alter the rights vested in the hospital to receive supplemental reimbursement pursuant to this section. The state shall pledge, and the hospital shall, as a condition of encumbering supplemental reimbursement payments received pursuant to this section, pledge that supplemental reimbursement payments shall be used for the payment of debt service on the revenue bonds. The hospital shall include its pledge and the agreement with the state in any agreement with the holders of the revenue bonds." Such pledge of the State is enforceable to the extent there are appropriations available for the purpose of making supplemental reimbursement payments and all obligations of the State or the Department of Health Services to make supplemental reimbursement to the County are subject to enactment of annual appropriations therefor through the normal State budget process.

The principal of, and premium, if any, and interest on, this 2012A Bond and the issue of which this 2012A Bond is one are payable solely from the funds provided for and specified in the Indenture and neither the State of California, the County of Riverside nor any public agency or political subdivision thereof (other than the Corporation) is obligated to pay the principal of, or premium, if any, or interest on, this 2012A Bond. Neither the faith and credit nor the taxing power of the State of California, the County of Riverside nor any public agency or political subdivision thereof is pledged to the payment of the principal of, or premium, if any, or interest on, this 2012A Bond. The Corporation has no taxing power. Neither the members of the Board of Directors of the Corporation nor any officer or employee of the Corporation shall be individually liable on the 2012A Bonds or in respect of any undertakings by the Corporation under the Indenture.

The registered Owner hereof shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the

2012 Bonds, including the 2012A Bonds, issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this 2012A Bond, exist, have happened and have been performed and that the issue of 2012A Bonds of which this is one, together with all other indebtedness of the Corporation, complies in all respects with the applicable laws of the State of California.

This 2012A Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereof shall have been manually signed by the Trustee.

[Remainder of Page Intentionally Left Blank]

[FORM OF CERTIFICATE OF AUTHENTICATION ON 2012A BONDS]

IN WITNESS WHEREOF, THE COUNTY OF RIVERSIDE ASSET LEASING CORPORATION has caused this 2012A to be signed in its name and on its behalf by the manual or facsimile signature of its President and its seal (or a facsimile thereof) to be hereto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile of its Assistant Secretary, as of the \_\_\_ day of May, 2012.

COUNTY OF RIVERSIDE ASSET  
LEASING CORPORATION

By \_\_\_\_\_  
President

[SEAL]

ATTEST:

By \_\_\_\_\_  
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This 2012A Bond is one of the 2012A Bonds delivered pursuant to the within mentioned Indenture.

Dated: May \_\_, 2012

U.S. Bank National Association,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory



[FORM OF ASSIGNMENT ON ALL 2012A BONDS]  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (please insert name and social security or other identifying number of assignee) this 2012A Bond of the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature Guarantee: \_\_\_\_\_

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signature(s) to this Assignment must correspond with the name(s) of the registered owner(s) as written on the face of this Bond in every particular without alteration, enlargement or any change whatever.

**EXHIBIT A-2**

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 TAXABLE SERIES B  
(COUNTY OF RIVERSIDE CAPITAL PROJECTS)**

**2012 Taxable Series B Bond  
(Form of Bond)**

\$ \_\_\_\_\_

No. \_\_\_\_\_

Interest Rate

Maturity Date

Dated Date

CUSIP

Registered Owner \_\_\_\_\_

Principal Amount \_\_\_\_\_

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (herein called the "Corporation"), a nonprofit public benefit corporation established pursuant to the laws of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay to the registered Owner identified above or registered assigns, on the maturity date specified above, but solely from the funds pledged therefor, by check or draft, upon presentation and surrender of this bond at the Corporate Trust Office (as defined in the Indenture) of U.S. Bank National Association, as trustee (the "Trustee") or its duly appointed successor, the principal amount specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, together with interest thereon from the Interest Payment Date next preceding the date of authentication hereof (unless the date of authentication hereof is on or before the first Record Date for the respective Bonds, in which event from the date of the original issuance, or unless the date of authentication is an interest payment date, in which event from the date of authentication hereof) until the principal hereof shall have been paid, or provided for, in accordance with the Indenture hereinafter referred to, at the interest rate per annum specified above, payable on June 1 and December 1 in each year, commencing June 1, 20\_\_\_, until the Corporation's obligation with respect to the payment of such principal sum shall be discharged.

Amounts due hereunder in respect of principal are payable in lawful money of the United States of America at the Corporate Trust Office of U.S. Bank National Association, as trustee (the "Trustee") (or any successor thereto), upon surrender of this 2012B Bond. Amounts representing interest are payable by check or draft mailed by first-class mail to the Owner of this 2012B Bond at such Owner's address as it appears on the Bond register maintained by the Trustee (or at such other address as is furnished to the Trustee in writing by the Owner) as of the close of business on the Record Date (hereinafter defined); provided that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2012B Bonds, upon written request received by the Trustee prior to the Record Date, interest payments shall be made by wire

transfer of immediately available funds. Payments of defaulted interest, if any, with respect to this 2012B Bond shall be paid by check or draft to the registered Owner of this 2012B Bond as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of this 2012B Bond not less than 10 days prior thereto.

This bond is one of a duly authorized issue of bonds of the Corporation designated as its "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series B (County of Riverside Capital Projects)" (herein called the "2012B Bonds"), in the aggregate principal amount of \$\_\_\_\_\_. Concurrently with the issuance of the 2012B Bonds the Corporation is authorizing and issuing its "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects)" (herein called the "2012A Bonds"), in the aggregate principal amount of \$\_\_\_\_\_ (the 2012B Bonds and 2012A Bonds are collectively referred to herein as the "2012 Bonds"). The 2012 Bonds are issued under and are equally and ratably secured and entitled to the protection given by the Indenture of Trust dated as of July 1, 1989, as modified and amended by a Supplemental Indenture of Trust No. 1 dated as of July 1, 1989, as modified and amended by a Supplemental Indenture of Trust No. 2 dated as of January 1, 1993, as modified and amended by a Supplemental Indenture of Trust No. 3 dated as of January 1, 1993, as modified and amended by a Supplemental Indenture of Trust No. 4 dated as of February 1, 1997, as modified and amended by a Supplemental Indenture of Trust No. 5 dated as of August 1, 1997, as modified and amended by a Supplemental Indenture of Trust No. 6 dated as of December 1, 1997, as modified and amended by a Supplemental Indenture of Trust No. 7 dated as of January 1, 2003, and as modified and amended by a Supplemental Indenture of Trust No. 8 dated as of May 1, 2012 (as amended, the "Indenture") by and among the Corporation, the County of Riverside (the "County") and the Trustee, authorizing the issuance of the 2012 Bonds. Copies of the Indenture are on file at the office of the Corporation and at the Corporate Trust Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions with respect to the nature and extent of the security, the rights, duties and obligations of the Corporation, the Trustee and the Owners of the 2012 Bonds, and the terms upon which the 2012 Bonds are or may be issued and secured under the Indenture, the rights and remedies of the owners of the 2012 Bonds with respect thereto, the limitations on such rights and remedies and the terms and conditions upon which the 2012 Bonds are issued and may be issued thereunder.

Pursuant to the Indenture, the Corporation previously issued its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (herein called the "1997B Bonds")," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project)," its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project)," and its "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project), all to finance or refinance the acquisition, construction, equipping and installation of certain health facilities (the

“Project”). Pursuant to a Lease and Option to Purchase, as amended, and an Equipment Lease, as amended and restated, by and between the Corporation and the County, the Corporation has leased the Project to the County. The proceeds from the sale of the 2012 Bonds are to be used to provide funds to refund a portion of the 1997B Bonds and provide additional funds for the completion of the Project.

Except as provided below, the 2012B Bonds are not subject to option redemption prior to maturity.

Notwithstanding the preceding sentence, in the event of a deposit of funds into the Prepayment Account by virtue of the provisions of paragraph (ii) of subsection (a) of Section 713 of the Indenture or subsection (d) of Section 713 of the Indenture, the Trustee shall provide for the call and redemption of 2012 Bonds, including the 2012B Bonds, at the principal amount thereof plus interest accrued thereon to the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

The 2012 Bonds of each maturity Outstanding on the date immediately preceding the date set for such redemption shall be redeemed in amounts so as to reduce the Debt Service relating to such Bonds scheduled to be paid in each year by an amount which is as equal as practicable for each other such year. Moneys remaining in the Interest Account or Principal Account following such Interest Payment Date, if any, shall be paid immediately to the County.

The 2012B Bonds are not subject to mandatory redemption prior to maturity.

The 2012B Bonds are payable upon redemption at the above-mentioned office of the Trustee. Notice of redemption, setting forth the place of payment, shall be mailed to all registered Owners of 2012B Bonds subject to such redemption not less than 30 days nor more than 60 days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the Indenture. If notice of redemption shall have been mailed as aforesaid, the 2012B Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 2012B Bonds and portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such 2012B Bonds or portions thereof so called for redemption shall cease to accrue and be payable. However, the failure of any registered Owner of a 2012B Bonds to receive said notice shall not affect the validity of the 2012B for the redemption of said 2012B Bonds. Following the mailing of such notice of redemption or partial redemption, the Bond Registrar shall not transfer any 2012B Bond selected for such redemption or partial redemption and no such transfer shall be effected upon the books of the Corporation kept for such purposes.

As provided in the Indenture, Bonds of the Corporation may be issued from time to time pursuant to Supplemental Indentures in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture or as may be limited by law, and all Bonds issued and to be

issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Corporation with the written consent of the registered owners of at least sixty percent in principal amount of the Bonds then Outstanding under the Indenture, and, in case less than all of the Bonds would be affected thereby, with such consent of the owners of at least sixty percent in principal amount of the Bonds so affected then Outstanding under the Indenture, and, in case such modification or amendment would change the terms of any sinking account installment, with the written consent of the owners of at least sixty percent in principal amount of the Bonds of the particular maturity entitled to such sinking account installment then Outstanding; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity remain Outstanding under the Indenture, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or redemption price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

The 2012B Bonds are issuable in the form of registered bonds in the denominations of \$5,000 or any integral multiples of \$5,000. The Owner of any 2012B Bond may surrender the same, at the above-mentioned Corporate Trust Office of the Trustee, in exchange for an equal aggregate principal amount of 2012B Bonds of any authorized denominations, in the manner, subject to the conditions and upon the payment of the charges provided in the Indenture.

This 2012B Bond is transferable, as provided in the Indenture, only upon the books of the Corporation kept for that purpose at the Corporate Trust Office of the Trustee, by the registered Owner hereof in person, or by its duly authorized attorney, upon surrender of this 2012B Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or its duly authorized attorney. Thereupon, a new 2012B Bond or 2012B Bonds, in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Corporation and Trustee may deem and treat the person in whose name this 2012B Bond is registered as the absolute Owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The State of California has pledged to the holder hereof that, pursuant to the terms of Section 14085.5 of the State of California Welfare and Institutions Code: "The state shall pledge to, and agree with, the holders of any revenue bonds issued to finance projects qualifying under this section that until debt service on the revenue bonds is fully paid or until the supplemental rate is no longer required as provided in this section, the state will not limit or alter the rights vested in the hospital to receive supplemental reimbursement pursuant to this section. The state

shall pledge, and the hospital shall, as a condition of encumbering supplemental reimbursement payments received pursuant to this section, pledge that supplemental reimbursement payments shall be used for the payment of debt service on the revenue bonds. The hospital shall include its pledge and the agreement with the state in any agreement with the holders of the revenue bonds.” Such pledge of the State is enforceable to the extent there are appropriations available for the purpose of making supplemental reimbursement payments and all obligations of the State or the Department of Health Services to make supplemental reimbursement to the County are subject to enactment of annual appropriations therefor through the normal State budget process.

The principal of, and premium, if any, and interest on, this 2012B Bond and the issue of which this 2012B Bond is one are payable solely from the funds provided for and specified in the Indenture and neither the State of California, the County of Riverside nor any public agency or political subdivision thereof (other than the Corporation) is obligated to pay the principal of, or premium, if any, or interest on, this 2012B Bond. Neither the faith and credit nor the taxing power of the State of California, the County of Riverside nor any public agency or political subdivision thereof is pledged to the payment of the principal of, or premium, if any, or interest on, this 2012B Bond. The Corporation has no taxing power. Neither the members of the Board of Directors of the Corporation nor any officer or employee of the Corporation shall be individually liable on the 2012B Bonds or in respect of any undertakings by the Corporation under the Indenture.

The registered Owner hereof shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the 2012 Bonds, including the 2012B Bonds, issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this 2012B Bond, exist, have happened and have been performed and that the issue of 2012B Bonds of which this is one, together with all other indebtedness of the Corporation, complies in all respects with the applicable laws of the State of California.

This 2012B Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereof shall have been manually signed by the Trustee.

[Remainder of Page Intentionally Left Blank]

[FORM OF CERTIFICATE OF AUTHENTICATION ON 2012B BONDS]

IN WITNESS WHEREOF, THE COUNTY OF RIVERSIDE ASSET LEASING CORPORATION has caused this 2012B to be signed in its name and on its behalf by the manual or facsimile signature of its President and its seal (or a facsimile thereof) to be hereto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile of its Assistant Secretary, as of the \_\_\_ day of May, 2012.

COUNTY OF RIVERSIDE ASSET  
LEASING CORPORATION

By \_\_\_\_\_  
President

[SEAL]

ATTEST:

By \_\_\_\_\_  
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This 2012B Bond is one of the 2012B Bonds delivered pursuant to the within mentioned Indenture.

Dated: May \_\_, 2012

U.S. Bank National Association,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory



[FORM OF ASSIGNMENT ON ALL 2012B BONDS]  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (please insert name and social security or other identifying number of assignee) this 2012B Bond of the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature Guarantee: \_\_\_\_\_

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signature(s) to this Assignment must correspond with the name(s) of the registered owner(s) as written on the face of this Bond in every particular without alteration, enlargement or any change whatever.

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AMENDMENT NO. 7 TO LEASE AND OPTION TO PURCHASE

Dated as of

May 1, 2012

By and Among

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

and

COUNTY OF RIVERSIDE

---

No Documentary Transfer Tax

This Amendment No. 7 to Lease and Option to Purchase is for a term of years and is exempt because the grantee is a county of the State of California.

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## AMENDMENT NO. 7 TO LEASE AND OPTION TO PURCHASE

**THIS AMENDMENT NO. 7**, dated as of May 1, 2012 (the "Lease Amendment No. 7"), by and between the **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**, a California nonprofit public benefit corporation (the "Corporation"), and the **COUNTY OF RIVERSIDE** (the "County"), a political subdivision of the State of California (the "State"), amends and supplements that certain **LEASE AND OPTION TO PURCHASE**, dated as of July 1, 1989, by and between the Corporation and the County.

### WITNESSETH:

**WHEREAS**, the Corporation and the County have entered into that certain Lease and Option To Purchase, dated as of July 1, 1989, by and between the County and the Corporation in respect of the real property and improvements thereon described in Exhibit A hereto (the "Original Facilities Lease");

**WHEREAS**, the Original Facilities Lease, as amended and supplemented, provides for the dedication of all Base Rental payments made by the County thereunder to the payment of all Outstanding Bonds;

**WHEREAS**, concurrently with the execution and delivery of the Original Facilities Lease, the Corporation, the County and Security Pacific National Bank, as prior Trustee, entered into an Indenture of Trust, as amended and supplemented (the "Indenture"), providing for the issuance of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project), in the aggregate principal and initial amount of \$200,102,532.50, consisting of 1989 Bonds due June 1 and maturing in the years 1999 through 2001 in the aggregate principal amount of \$26,645,000 (the "1989 Serial Bonds"), 1989 Term Bonds due June 1, 2010 in the aggregate principal amount of \$65,915,000 (the "2010 Term Bonds"), 1989 Term Bonds due June 1, 2014 in the aggregate principal amount of \$38,450,000 (the "2014 Term Bonds"), 1989 Term Bonds due June 1, 2019 in the aggregate principal amount of \$64,895,000 (the "2019 Term Bonds") and 1989 Capital Appreciation Bonds due June 1, 2002 in the aggregate initial amount of \$4,197,532.50 (the "1989 Capital Appreciation Bonds") (the 1989 Serial Bonds, the 2010 Term Bonds, the 2014 Term Bonds, the 2019 Term Bonds and the 1989 Capital Appreciation Bonds are collectively referred to herein as the "1989 Bonds");

**WHEREAS**, in 1993 the Corporation issued its Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project) (the "1993A Bonds") in the aggregate principal amount of \$134,535,000 and its Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) in the aggregate principal amount of \$14,525,000, for the purpose of refunding the 1989 Serial Bonds, the 2010 Term Bonds, the 2014 Term Bonds and the 1989 Capital Appreciation Bonds;

**WHEREAS**, in 1997 the Corporation issued its Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project) in the aggregate principal amount of \$41,170,072.65, for the purpose of providing additional funds for the completion of the Facilities Project;

**WHEREAS**, in 1997 the Corporation issued its Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the "1997B Bonds") in the aggregate principal amount of \$68,720,000 and its Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project) in the aggregate principal amount of \$3,265,000, for the purpose of refunding the 2019 Term Bonds and to provide additional funds for the completion of the Project;

**WHEREAS**, in 2003 the Corporation issued \$56,140,000 Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project) and \$4,040,000 Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project), for the purpose of providing funds to refund a portion of the 1993A Bonds;

**WHEREAS**, the Corporation and the County now wish to refund a portion of the 1997B Bonds and provide additional funds for the completion of the Facilities Project, and to amend the Original Facilities Lease, as amended and supplemented, in order to effect certain changes therein;

**WHEREAS**, concurrently herewith, the Corporation, the County and the Trustee have entered into Supplemental Indenture of Trust No. 8, dated as of May 1, 2012, modifying and amending the Indenture to provide for the issuance of County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) and County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (collectively, the "2012 Bonds");

**WHEREAS**, pursuant to and in accordance with the provisions of Section 19 of the Original Facilities Lease, as amended and supplemented, and Article XI of the Indenture, the Corporation and the County desire to enter into this Lease Amendment No. 7 (the "Seventh Facilities Lease Amendment") to provide for the dedication of all Base Rental payments thereunder to the payment of the 2012 Bonds and all other Outstanding Bonds and to effectuate the exercise of all of the rights and remedies intended to be conveyed under the Original Facilities Lease as amended and supplemented, including as amended and supplemented by this Seventh Facilities Lease Amendment; and

**WHEREAS**, the Original Facilities Lease, as amended and supplemented, including as amended and supplemented by this Seventh Facilities Lease Amendment, is referred to hereinafter as the "Facilities Lease."

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

**Section 1. Amendment to Section 1 of the Facilities Lease.** Section 1 of the Facilities Lease shall be amended and supplemented by deleting the definitions of "Indenture" and "Closing Date" in their entirety and adding the following definitions to Section 1:

**"Indenture"** shall mean that certain Indenture of Trust, by and among the County, the Corporation and the Security Pacific National Bank, as prior Trustee, dated as of July 1, 1989, as modified and amended by that certain Supplemental Indenture of Trust No. 1, dated as of July 1, 1989, as modified and amended by that certain Supplemental Indenture of Trust No. 2, dated as of January 1, 1993, as modified and amended by that

certain Supplemental Indenture of Trust No. 3, dated as of January 1, 1993, as modified and amended by that certain Supplemental Indenture of Trust No. 4, dated as of February 1, 1997, as modified and amended by that certain Supplemental Indenture of Trust No. 5, dated as of August 1, 1997, as modified and amended by that certain Supplemental Indenture of Trust No. 6, dated as of December 1, 1997, as modified and amended by that certain Supplemental Indenture of Trust No. 7, dated as of January 1, 2003, and as modified and amended by that certain Supplemental Indenture of Trust No. 8, dated as of May 1, 2012, each by and among the County, the Corporation and the Trustee named therein.”

“**2012 Closing Date**” shall mean May \_\_\_\_, 2012.

**Section 2. Amendment to Exhibit B of the Facilities Lease.** Exhibit B of the Facilities Lease shall be amended by deleting Exhibit B in its entirety and substituting the attached Exhibit B therefor.

**Section 3. Amendment to Exhibit C of the Facilities Lease.** Exhibit C of the Facilities Lease shall be amended by deleting Exhibit C in its entirety and substituting the attached Exhibit C therefor.

**Section 4. Validity.** If any one or more of the terms, provisions, promises, covenants or conditions of this Seventh Facilities Lease Amendment shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of this Seventh Facilities Lease Amendment shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

**Section 5. Execution in Counterparts.** This Seventh Facilities Lease Amendment may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all of which together shall constitute one and the same Seventh Facilities Lease Amendment.

**Section 6. Law Governing.** This Seventh Facilities Lease Amendment is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

**Section 7. Third Party Beneficiaries.** The Trustee is hereby designated as a third party beneficiary hereunder for the purpose of enforcing any of the respective covenants hereunder running to the Trustee.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 7 to Lease and Option to Purchase as of the day and year first above written.

COUNTY OF RIVERSIDE ASSET  
LEASING CORPORATION

By: \_\_\_\_\_  
Harold Trubo, President

ATTEST:

By: \_\_\_\_\_  
Christopher Hans, Assistant Secretary

[SEAL]

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
John F. Tavaglione, Chairman of the  
Board of Supervisors

ATTEST:

By: \_\_\_\_\_  
Kecia Harper-Ihem, Clerk of the  
Board of Supervisors

[SEAL]

STATE OF CALIFORNIA                            )  
  ) §  
COUNTY OF RIVERSIDE                        )

On \_\_\_\_\_ before me, \_\_\_\_\_, a  
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 me that he/she/they executed the same in his/her/their  
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or  
the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of Notary Public

[Affix seal here]



**Exhibit A**

**DESCRIPTION OF THE PROPERTY**

[See attached]

## EXHIBIT A

PORTIONS OF PARCELS 3, 4, 5 AND 6 AS DESCRIBED IN INSTRUMENT NO. 172049, RECORDED MAY 10, 1996, OFFICIAL RECORDS OF RIVERSIDE COUNTY.

BEGINNING AT THE SOUTHEAST CORNER OF PARCEL 3 AS DESCRIBED IN SAID INSTRUMENT NO. 172049;  
THENCE NORTH 00° 26' 40" EAST ALONG THE EAST LINE OF SAID PARCEL 3, A DISTANCE OF 366.85 FEET TO THE TRUE POINT OF BEGINNING;  
THENCE NORTH 89° 59' 58" WEST A DISTANCE OF 625.22 FEET TO A POINT ON THE COMMON LINE BETWEEN SAID PARCELS 3 AND 6;  
THENCE SOUTH 00° 26' 40" WEST ALONG SAID COMMON LINE, A DISTANCE OF 617.35 FEET TO THE CENTERLINE OF CACTUS AVENUE AND THE SOUTH LINE OF SAID PARCEL 6;  
THENCE NORTH 89° 33' 57" WEST ALONG SAID SOUTH LINE, A DISTANCE OF 1289.90 FEET TO THE WEST LINE OF SAID PARCEL 6;  
THENCE NORTH 00° 25' 44" EAST ALONG SAID WEST LINE, A DISTANCE OF 1280.10 FEET TO THE NORTH LINE OF SAID PARCEL 6;  
THENCE SOUTH 89° 33' 49" EAST ALONG SAID NORTH LINE, A DISTANCE OF 1260.25 FEET TO A POINT LYING DISTANT NORTH 89° 33' 49" WEST AND 655.20 FEET FROM THE NORTHEAST CORNER OF SAID PARCEL 4;  
THENCE SOUTH 00° 26' 40" WEST A DISTANCE OF 566.92 FEET;  
THENCE SOUTH 89° 59' 58" EAST A DISTANCE OF 655.22 FEET TO A POINT ON THE EAST LINE OF SAID PARCEL 5;  
THENCE SOUTH 00° 26' 40" WEST ALONG SAID EAST LINE AND THE EAST LINE OF SAID PARCEL 3, A DISTANCE OF 96.00 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL OIL, GAS, OTHER MINERALS AND HYDROCARBON SUBSTANCES, AND ACCOMPANYING FLUIDS INCLUDING, BUT NOT BY WAY OF LIMITATION, ALL GEOTHERMAL RESOURCES IN, UNDER OR PRODUCED AND SAVED FROM THE REAL PROPERTY GRANTED HEREIN, TOGETHER WITH ANY OF THE FOREGOING WHICH MAY BE ALLOCATED THERETO PURSUANT TO ANY POOLING OR UNITIZATION AGREEMENT OR RATABLE TAKINGS PROGRAM TO WHICH GRANTOR MAY SUBSCRIBE, AND TOGETHER WITH THE SOLE AND EXCLUSIVE RIGHT TO PROSPECT FOR, DRILL FOR, PRODUCE AND REMOVE SUCH OIL, GAS, OTHER MINERALS AND HYDROCARBON SUBSTANCES AND GEOTHERMAL RESOURCES, FROM THE REAL PROPERTY BELOW THE DEPTH OF FIVE HUNDRED (500) FEET FROM THE SURFACE OF SAID REAL PROPERTY, INCLUDING THE RIGHT TO SLANT DRILL FROM ADJACENT PROPERTY, THE RIGHT TO UTILIZE SUBSURFACE STORAGE FOR NATURAL SUBSTANCES, AND THE RIGHT TO MAINTAIN SUBSURFACE PRESSURES, AS RESERVED TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, A CALIFORNIA CORPORATION, RECORDED JUNE 29, 1990 AS INSTRUMENT NO. 241521, OFFICIAL RECORDS.

SAID LEGAL DESCRIPTION IS SHOWN PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT NO. 881, RECORDED OCTOBER 26, 1999 AS INSTRUMENT NO. 1999-470906, OFFICIAL RECORDS.

**Exhibit B**

**SCHEDULE OF BASE RENTAL PAYMENTS**

[See attached]

**Exhibit C**

**SCHEDULE OF OPTION PRICES**

[See attached]

§ \_\_\_\_\_  
**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 SERIES A  
(County of Riverside Capital Projects)**

§ \_\_\_\_\_  
**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 TAXABLE SERIES B  
(County of Riverside Capital Projects)**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2012

County of Riverside Asset Leasing Corporation  
County Administrative Center  
4080 Lemon Street, 4th Floor  
Riverside, California 92501  
Attention: President

County of Riverside  
County of Riverside, County Administrative Center  
4080 Lemon Street, 4th Floor  
Riverside, California 92501  
Attention: County Executive Officer

Ladies and Gentlemen:

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of itself (the "Representative"), E. J. De La Rosa & Co., Inc., and RBC Capital Markets, LLC (collectively, the "Underwriters"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (which, together with Exhibit A, is referred to as the "Purchase Agreement") with the County of Riverside Asset Leasing Corporation (the "Corporation") and the County of Riverside (the "County"), which, upon the acceptance of the Corporation and the County, will be binding upon the Corporation, the County and the Underwriters. This offer is made subject to acceptance by the Corporation and by the County by the execution of this Purchase Agreement and delivery of the same to the Underwriters prior to 6:00 P.M., Pacific Standard Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Corporation and the County at any time prior to the acceptance hereof by the Corporation and the County. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture of Trust, dated as of July 1, 1989, as modified and amended by Supplemental Indenture of Trust No. 1, dated as of July 1, 1989, as modified and amended by Supplemental Indenture of Trust No. 2, dated as of January 1, 1993, as modified and amended by Supplemental Indenture of Trust No. 3, dated as of January 1, 1993, as

modified and amended by Supplemental Indenture of Trust No. 4, dated as of February 1, 1997, as modified and amended by Supplemental Indenture of Trust No. 5, dated as of August 1, 1997, as modified and amended by Supplemental Indenture of Trust No. 6, dated as of December 1, 1997, as modified and amended by Supplemental Indenture of Trust No. 7, dated as of January 1, 2003, and as modified and amended by the Supplemental Indenture of Trust No. 8, dated as of \_\_\_\_\_ 1, 2012, each by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee") substantially in the form previously submitted to the Underwriters with only such changes therein as shall be mutually agreed upon by the Corporation, the County and the Representative (as amended, the "Indenture").

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the Corporation and the County, and the Corporation and the County hereby agrees to issue, sell and deliver to the Underwriters all (but not less than all) of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) in the aggregate principal amount of \$ \_\_\_\_\_ (the "2012 Series A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012 Taxable Series B Bonds" and together with the 2012 Series A Bonds, the "Bonds"). The Bonds will be dated as of their date of delivery. Interest on the Bonds shall be payable semiannually on June 1 and December 1 in each year, commencing December 1, 2012 and will bear interest at the rates and on the dates as set forth in Exhibit A hereto. The purchase price for the 2012 Series A Bonds shall be equal to \$ \_\_\_\_\_ (being the aggregate principal amount thereof [plus/minus] net original issue [premium/discount] of \$ \_\_\_\_\_ and less an Underwriters' discount of \$ \_\_\_\_\_). The purchase price for the 2012 Taxable Series B Bonds shall be equal to \$ \_\_\_\_\_ (being the aggregate principal amount thereof [plus/minus] net original issue [premium/discount] of \$ \_\_\_\_\_ and less an Underwriters' discount of \$ \_\_\_\_\_).

The Corporation and the County acknowledge and agree that: (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction among the Corporation, the County and the Underwriters, and the Underwriters have financial and other interests that differ from those of the Corporation and the County; (ii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the Corporation or the County and have not assumed any advisory or fiduciary responsibility to the Corporation or the County with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Corporation or the County on other matters); (iii) except as otherwise provided by law, the only obligations the Underwriters have to the Corporation and the County with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (iv) the Corporation and the County have consulted their own financial and/or municipal, legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

**Section 2. The Bonds.** The Bonds shall be secured by revenues consisting primarily of Base Rental payments ("Base Rental") to be paid by the County pursuant to the Lease and Option to Purchase, dated as of July 1, 1989 as amended, (the "Facilities Lease") and the Equipment Lease, dated as of July 1, 1989, as amended (the "Equipment Lease" and together with the Facilities Lease, the "Lease") by and between the County and the Corporation. The Corporation's right to receive the

Base Rental due under the Lease and to exercise remedies upon default under such Lease have been assigned to the Trustee for the benefit of the owners of the Bonds pursuant to the Indenture.

The Bonds shall be as described in, and shall be secured under and pursuant to the Indenture.

The proceeds of the 2012 Series A Bonds shall be used: (i) to provide for the [current] refunding and defeasance of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds (County of Riverside Hospital Project) maturing in the years 2016 and 2019 and the defeasance of the maturity in 2013 (collectively, the "Refunded 1997B Bonds"), and related County rental payment obligations; (ii) provide funds for improvements to the facilities leased under the Facilities Lease; and (iii) pay for the costs of issuance of the Bonds. The proceeds of the 2012 Taxable Series B Bonds will be used for the purposes of paying the costs of issuance of the Bonds [and a portion of the [current] refunding and defeasance of the Refunded 1997B Bonds].

The Bonds, this Purchase Agreement, the Indenture and the Lease, are collectively referred to herein as the "Corporation Documents." The Bonds and the Corporation documents have been authorized pursuant to resolutions of the Corporation adopted on \_\_\_\_\_, 2012 (collectively, the "Corporation Resolutions").

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of the Closing Date (as hereinafter defined) and entered into by the County (the "Continuing Disclosure Certificate"), the Indenture and the Lease are collectively referred to herein as the "County Documents." The Bonds the County Documents have been authorized pursuant to Resolutions of the County adopted on \_\_\_\_\_, 2012 (collectively, the "County Resolutions").

**Section 3. Public Offering.** The Underwriters agree to make a *bona fide* public offering of the Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth on the inside cover page of the printed paper form of the Official Statement of the Corporation and the County; *provided, however*, the Underwriters reserve the right to change such initial public offering prices as the Underwriters deem necessary or desirable, in their sole discretion, in connection with the marketing of the Bonds, and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters at prices lower than the public offering prices or yields greater than the yields set forth therein. The Representative shall provide to the Corporation and the County a certificate setting forth the offering prices of the Bonds in substantially the form set forth on Exhibit B.

**Section 4. The Official Statement.**

(a) The County and the Corporation have delivered or caused to be delivered to the Underwriters copies of the Preliminary Official Statement dated \_\_\_\_\_, 2012, which, together with the cover page and appendices thereto, is herein referred to as the "Preliminary Official Statement." It is acknowledged by the Corporation and the County that the Underwriters may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. For purposes of this Purchase Agreement, the printed paper form of the Preliminary Official Statement and the Official Statement are deemed controlling. The County and the Corporation have deemed the Preliminary Official Statement final as of its date and as of the date hereof for purposes of Rule 15c2-12 promulgated under the Securities

Exchange Act of 1934, as amended (“Rule 15c2-12”), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof.

(b) Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date, the Corporation and the County shall deliver to the Underwriters a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the Corporation and the County, Bond Counsel (as defined below), Disclosure Counsel (as defined below) and the Representative, is referred to herein as the “Official Statement”) and such additional conformed copies thereof as the Representative may reasonably request in sufficient quantities to comply with Rule 15c2-12 and rules of the Municipal Securities Rulemaking Board (“MSRB”) and to meet potential customer requests for copies of the Official Statement. The Underwriters agree to file a copy of the Official Statement, including any supplements prepared by the Corporation and the County, with the MSRB on its Electronic Municipal Markets Access (“EMMA”) system. The Corporation and the County shall execute the Official Statement by an authorized officer of the Corporation and the County. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the Corporation and the County shall only make such other additions, deletions, revisions and recent developments in the Official Statement as shall be approved by the Representative. The Underwriters hereby agree to cooperate and assist in the preparation of the Official Statement. The Corporation and the County hereby agree to deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission (“SEC”). The Corporation and the County hereby ratifies, confirms and approves the use and distribution by the Underwriters before the date hereof of the Preliminary Official Statement and hereby authorizes the Underwriters to use the Official Statement and the Indenture in connection with the public offering and sale of the Bonds.

(c) In order to assist the Underwriters in complying with Rule 15c2-12, the County will undertake, pursuant to the Continuing Disclosure Agreement, to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Agreement is set forth in, and a form of such agreement is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

**Section 5. Closing.** At 8:00 a.m., Pacific Standard Time, on \_\_\_\_\_, 2012 (the “Closing Date”), or at such other time or date as the Corporation and the Representative agree upon, the Corporation shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered to The Depository Trust Company, New York New York (“DTC”), the Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Bonds, the Corporation and the County will deliver the documents hereinafter mentioned at the offices of Nixon Peabody LLP, Los Angeles, California (“Bond Counsel”), or another place to be mutually agreed upon by the Corporation, the County and the Representative. The Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”



The Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof and shall be made available to the Representative at least one (1) business day before the Closing for purposes of inspection and packaging. The Corporation and the County acknowledge that the services of DTC will be used initially by the Underwriters in order to permit the issuance of the Bonds in book-entry form, and agree to cooperate fully with the Underwriters in employing such services.

**Section 6. Representations, Warranties and Covenants of the Corporation.** The Corporation represents, warrants and covenants to the Underwriters and the County that:

(a) The Corporation is a nonprofit public benefit corporation, duly organized and existing under the laws of the State of California (the "State").

(b) The Corporation Resolutions were duly adopted at a meeting of the Board of Directors of the Corporation called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and are in full force and effect and have not been rescinded or cancelled and the Corporation has full legal right, power and authority to enter into, and to carry out and consummate the transactions on its part contemplated by the Corporation Documents.

(c) By all necessary official action, the Corporation has duly adopted, authorized and approved the Corporation Documents, has duly authorized and approved the Preliminary Official Statement, will, by execution thereof, duly authorize and approve the Official Statement, and has duly adopted or authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Corporation Documents and the consummation by it of all other transactions contemplated by the Corporation Documents in connection with the issuance of the Bonds. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Corporation Documents will constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against joint powers authorities in the State. The Corporation will at the Closing be in compliance in all respects, with the terms of the Corporation Documents.

(d) Except as disclosed in the Official Statement, the Corporation is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party which breach or default has or may have an adverse effect on the ability of the Corporation to perform its obligations under the Corporation Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Corporation Documents, and compliance with the provisions on the Corporation's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or

other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation or under the terms of any such law, regulation or instrument, except as may be provided by the Corporation Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Corporation of its obligations in connection with the Corporation Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Corporation of its obligations under the Corporation Documents have been duly obtained.

(f) The Corporation hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined herein), the Corporation discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process having been accomplished, or threatened in writing and delivered to the Corporation: (i) in any way questioning the corporate existence of the Corporation or the titles of the officers of the Corporation to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Base Rental with respect to the Lease or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the other Corporation Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Corporation or its authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Corporation; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the best of the Corporation's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(g).

(i) The information in the Official Statement set forth under the caption "THE CORPORATION" does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) Any certificate signed by any officer of the Corporation authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriters shall be deemed a representation of the Corporation to the Underwriters and the County as to the statements made therein but not of the person signing such certificate.

**Section 7. Representations, Warranties and Covenants of the County.** The County represents, warrants and covenants to the Underwriters and the Corporation that:

(a) The County is a political subdivision of the State and is duly organized and operating pursuant to the Constitution and laws of the State.

(b) The County Resolutions were duly adopted at a meeting of Board of Supervisors at the County called and held pursuant to law and with all public notice required by law and of which a quorum was present and acting throughout, and are in full force and effect and have not been rescinded or cancelled and the County has full legal right, power and authority to enter into and to carry out and consummate the transactions on its part contemplated by the County Documents.

(c) By all necessary official action, the County has duly adopted, authorized and approved the County Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly adopted or authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the County Documents and the consummation by it of all other transactions contemplated by the County Documents in connection with the issuance of the Bonds. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the County Documents will constitute the legally valid and binding obligations of the County enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against counties in the State. The County will at the Closing be in compliance in all respects, with the terms of the County Documents.

(d) Except as disclosed in the Official Statement, the County is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party which breach or default has or may have an adverse effect on the ability of the County to perform its obligations under the County Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the County Documents, if applicable, and

compliance with the provisions on the County's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County or under the terms of any such law, regulation or instrument, except as may be provided by the County Documents.

(e) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the County of its obligations in connection with the County Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the County of its obligations under the County Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and will not contain and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, information under the caption "UNDERWRITING," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriters, as to which no view is expressed).

(g) The County will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriters, which consent will not be unreasonably withheld. The County will advise the Underwriters promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process having been accomplished, or threatened in writing and delivered to the County: (i) in any way questioning the corporate existence of the County or the titles of the officers of the County to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Base Rental with respect to the Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in

any way contesting or affecting the validity of the Bonds, or the County Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation, or contesting the powers of the Corporation to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the County; and (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the best of the County's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the "end of the underwriting period" if any event shall occur of which the County is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading, the County shall forthwith notify the Underwriters of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Representative's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the County shall promptly furnish to the Underwriters a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Corporation delivers the Bonds to the Underwriters; or (ii) the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Representative gives written notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Corporation and the County at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period." The County agrees to cooperate with the Underwriters in the filing by the Underwriters of such supplement or amendment to the Official Statement with the MSRB.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the County has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12, to provide annual reports or notices of material events specified in such rule.

(l) The financial statements relating to the receipts, expenditures and cash balances of the County as of June 30, 2011 attached as Appendix B to the Official Statement fairly represent the receipts, expenditures and cash balances of the County. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriters, there has not been any materially adverse change in the financial condition of the County or in its operations since June 30, 2011 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(m) To the extent required by law, the County will undertake, pursuant to the Continuing Disclosure Certificate, to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in Appendix E to the Preliminary Official Statement and will also be set forth in the Official Statement.

(n) Any certificate signed by any officer of the County authorized to execute such certificate in connection with the execution, sale and delivery of the Bonds and delivered to the Underwriters shall be deemed a representation of the County to the Underwriters and the Corporation as to the statements made therein but not of the person signing such certificate.

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

(p) Except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the County will not issue or enter into any lease or note obligations payable from the County's General Fund between the date of this Purchase Agreement and the Closing, except as approved in writing by the Representative.

**Section 8. Conditions to the Obligations of the Underwriters.** The Underwriters have entered into this Purchase Agreement in reliance upon the representations and warranties of the Corporation and the County contained herein. The obligations of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and of the County, as well as authorized representatives of the Trustee made in any certificates or other documents furnished pursuant to the provisions hereof; to the performance by the Corporation and the County of their obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the County and the Corporation contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the County Documents, the Corporation Documents, the County Resolutions and the Corporation Resolutions shall be in full force and effect, and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Representative.

(c) At the time of the Closing, no default shall have occurred or be existing under the County Documents or the Corporation Documents, and the County shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would adversely impact the ability of the County to pay the Base Rental.

(d) After the date hereof, up to and including the time of the Closing, there shall not have occurred any change in, or particularly affecting, the County, the Corporation, the County Resolutions, the Corporation Resolutions, the County Documents, the Corporation Documents or the Bonds as the foregoing matters are described in the Official Statement, which in the reasonable professional judgment of the Representative materially impairs the investment quality of the Bonds.

(e) at or prior to the Closing, the Underwriters shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Representative:

(i) All resolutions relating to the Bonds adopted by the Corporation and certified by an authorized official of the Corporation authorizing the issuance of the Bonds and the execution and delivery of the Corporation Documents;

(ii) All resolutions relating to the Bonds adopted by the County and certified by an authorized official of the County authorizing the execution and delivery of the County Documents and the delivery of the Bonds and the Official Statement;

(iii) The County Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Representative;

(iv) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Corporation and the County, in substantially the form attached as Appendix C to the Official Statement, and a reliance letter thereon addressed to the Representative;

(v) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Representative, to the effect that:

(A) the statements in the Official Statement under the captions "INTRODUCTION," "THE 2012 BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" and "TAX MATTERS," and in Appendix C—"FORM OF BOND COUNSEL OPINION" and Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS," insofar as such statements expressly summarize provisions of the Indenture, Lease, and Bond Counsel's final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the Closing Date;

(B) The Purchase Agreement has been duly authorized, executed and delivered by the County and the Corporation and is the valid, legal and binding agreement of the County and the Corporation, enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) A defeasance opinion of Bond Counsel dated the Closing Date relating to the Refunded 1997B Bonds and addressed to the Trustee and the Representative in form and substance acceptable to the Representative.

(vii) The Official Statement, executed on behalf of the Corporation and County, and the Preliminary Official Statement;

(viii) Evidence that the ratings on the Bonds are as described in the Official Statement;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation satisfactory in form and substance to the Representative to the effect that: (i) the representations, warranties and covenants of the Corporation contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Corporation, and the Corporation has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Corporation at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the Corporation has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the information and statements contained in the Official Statement under the caption "THE CORPORATION" did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(x) A certificate, dated the Closing Date, signed by a duly authorized officer of the County satisfactory in form and substance to the Representative to the effect that: (i) the representations, warranties and covenants of the County contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the County, and the County has complied with all of the terms and conditions of the Purchase Agreement required to be complied with by the County at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the County has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the information and statements contained in the Official Statement (except that this representation does not include information regarding DTC and its book entry only system, information under the captions "UNDERWRITING" and "THE CORPORATION," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriters, as to which no view is expressed) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(xi) An opinion dated the Closing Date and addressed to the Representative, the Corporation, the County and Bond Counsel, of Riverside County Counsel, as counsel to the Corporation, to the effect that:

(A) The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State;



(B) The Corporation Resolutions have been duly adopted at a regular meeting of the Board of Directors of the Corporation, and are in full force and effect and have not been modified, amended, rescinded or repealed since the date of their adoption;

(C) The Corporation Documents have been duly authorized, executed and delivered by the Corporation and constitute valid, legal and binding agreements of the Corporation enforceable in accordance with their respective terms, as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases;

(D) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the Corporation, challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin the collection of Base Rental with respect to the Lease or the repayment of the Bonds or in any way contesting or affecting the validity of the Corporation Documents or contesting the authority of the Corporation to enter into or perform its obligations under any of the Corporation Documents;

(E) The execution and delivery of the Corporation Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Corporation a breach of or default under any agreement or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject, which breach or default has or may have a material adverse effect on the ability of the Corporation to perform its obligations under the Corporation Documents;

(F) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the Corporation Documents or the Official Statement by the Corporation or the consummation by the Corporation of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters; and

(G) Based on the information made available to such counsel in its role as counsel to the Corporation, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement under the caption entitled "THE CORPORATION," nothing has come to its attention which would lead it to believe that the statements contained in the above-referenced caption as of the date of the Official Statement and as of the Closing Date (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xii) an opinion dated the Closing Date and addressed to the Representative and Bond Counsel, of Riverside County Counsel, to the effect that:

(A) The County is a political subdivision of the State and is duly organized and operating pursuant to the Constitution and laws of the State;

(B) The County Resolutions have been duly adopted at a regular meeting of the Board of Directors of the Corporation, and are in full force and effect and have not been modified, amended, rescinded or repealed since the date of their adoption;

(C) The County Documents have been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery by the other parties thereto, if applicable, constitute the valid, legal and binding agreements of the County enforceable in accordance with their respective terms, as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases;

(D) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the County, challenging the creation, organization or existence of the County, or the validity of the County Documents or seeking to restrain or enjoin the payment of the Base Rental or the repayment of the Bonds or in any way contesting or affecting the validity of the County Documents or contesting the authority of the County to enter into or perform its obligations under any of the County Documents, or which, in any manner, questions the right of the County to pay the Base Rental under the Lease;

(E) The execution and delivery of the County Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject, which breach or default has or may have a material adverse effect on the ability of the County to perform its obligations under the County Documents;

(F) No authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the County Documents or the consummation by the County of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriters; and

(G) Based on the information made available to Riverside County Counsel, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to its attention which would lead it to believe that the Official Statement as of its date and as of the Closing Date (excluding therefrom financial statements and other statistical data, information regarding DTC and its book entry only system, information under the captions "UNDERWRITING" and "THE CORPORATION" CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriters, as to which no view need be expressed)

contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) A negative assurance letter of Kutak Rock LLP as Disclosure Counsel to the Corporation and the County, dated the Closing Date and addressed to County, Corporation and the Representative, to the effect that, based on the information made available to them in their role as Disclosure Counsel, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in the conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records, documents, certificates and matters mentioned above, such counsel advises the Underwriters as a matter of fact and not opinion that, during the course of such counsel's role as disclosure counsel with respect to the Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such role which caused them to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, accounting, statistical, economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about The Depository Trust Company or its book-entry system, and Appendices B, C, D, E and F included or referred to therein, which such counsel shall expressly exclude from the scope of this paragraph and as to which such counsel shall express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiv) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, dated the Closing Date, addressed to the Representative to the effect that, (i) although such attorneys have not undertaken to check the accuracy, completeness or fairness of, or verified the information contained in, the Official Statement, and are therefore unable to make any representation in that regard, such attorneys have participated in conferences prior to the date of the Official Statement with representatives of the County, the Corporation, the Underwriters and others, during which conferences the contents of the Official Statement and related matters were discussed. Based upon the information made available to such attorneys in the course of their participation in such conferences, their review of the documents referred to above, their reliance on the certificates and the opinions of counsel described above and their understanding of applicable law, such attorneys do not believe that the Official Statement (other than financial statements and projections and statistical data therein, information concerning The Depository Trust Company and the book-entry system and Appendices B, C, D, E and F thereto, as to which no view need be expressed) as of its date contained, or as of the date of such opinion, contains, any untrue statement or a material fact, or as of its date omitted, or as of the date of such opinion omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (ii) the Bonds are exempt from registration under the Securities Act of 1993, as amended, and the Indenture is exempt from the Trust Indenture Act of 1939, as amended, and (iii) the Continuing Disclosure Certificate satisfies the requirements of Rule 15c2-12;

(xv) An opinion of counsel to the Trustee, addressed to the Representative and dated the Closing Date, in form and substance satisfactory to the Representative and to Bond Counsel;

(xvi) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Representative;

(xvii) The preliminary and final Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xviii) A copy of the executed Blanket Letter of Representations by and between the Corporation and DTC relating to the book-entry system;

(xix) The tax and nonarbitrage certificate of the County and the Corporation in form and substance to the reasonable satisfaction of Bond Counsel and the Representative;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the County, as required under Rule 15c2-12;

(xxi) A certificate, dated the date of the Preliminary Official Statement, of the Corporation, as required under Rule 15c2-12;

(xxii) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Bonds by the Trustee;

(xxiii) Evidence of insurance as required by the Lease; and

(xxiv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Representative may reasonably request.

**Section 9. Termination.** If the County or the Corporation shall be unable to satisfy the conditions of the Underwriters' obligations contained in this Purchase Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Representative at, or at any time before, the time of the Closing. Notice of such cancellation shall be given by the Representative to the County and the Corporation in writing, or by telephone confirmed in writing. The performance by the Corporation and the County of any and all conditions contained in this Purchase Agreement for the benefit of the Underwriters may be waived by the Representative.

(a) The Underwriters shall also have the right, before the time of Closing, to cancel their obligations to purchase the Bonds, by written notice by the Representative to the County and the Corporation, if between the date hereof and the time of Closing:

(i) Any event or circumstance occurs or information becomes known, which, in the professional judgment of the Representative, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(ii) The market for the Bonds or the market prices of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the professional judgment of the Representative, by:

(1) An amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the County or the Corporation or upon interest received on obligations of the general character of the 2012 Series A Bonds which, in the judgment of the Representative, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the County or the Corporation, its property or income, its securities (including the 2012 Series A Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation with respect to the Bonds; or

(2) The declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other national emergency or calamity or terrorism affecting the operation of the government of, or the financial community in, the United States; or

(3) The declaration of a general banking moratorium by federal, New York or California authorities; or

(4) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market; or

(5) Additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(6) The general suspension of trading on any national securities exchange; or

(iii) Legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that the Bonds, other securities of the Corporation and the County or obligations of the general character of the Bonds are not exempt from registration under the 1933 Act, or that the Indenture is not exempt from qualification under the Trust Indenture Act; or

(iv) Any change in, or particularly affecting, the County or the Corporation, the County Resolutions, the Corporation Resolutions, the County Departments, the Corporation Documents, the Base Rental payments or the Bonds as the foregoing matters are described in the Official Statement, which in the professional judgment of the Representative materially impairs the investment quality of the Bonds; or

(v) An order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws as amended and then in effect; or

(vi) A stop order, ruling, regulation or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the execution and delivery of any County Documents or Corporation Documents, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 or the Trust Indenture Act, each as amended and as then in effect; or

(vii) Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Bonds, the County Resolutions, the Corporation Resolutions, the County Documents, the Corporation Documents, or the existence or powers of the County or the Corporation with respect to their respective obligations under such documents or the Bonds; or

(viii) A reduction or withdrawal in any of the following assigned ratings, or, as of the Closing Date, the failure by any of the following rating agencies to

assign the following ratings, to the Bonds: the long-term ratings assigned by Moody's Investors Services of "\_\_\_\_\_" and Standard & Poor's of "\_\_\_\_\_."

**Section 10. Expenses.** All expenses and costs of the County and the Corporation incident to the performance of their obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including the costs of printing or reproduction of the Bonds, the County Documents, the Corporation Documents and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the Trustee and its counsel and fees and expenses of counsel to the County and the Corporation and Bond Counsel and Disclosure Counsel, shall be paid by the County and the Corporation from the proceeds of the Bonds or other revenues of the County and the Corporation. The County and the Corporation shall be solely responsible for and shall pay for any expenses incurred by the Underwriters on behalf of the County's or the Corporation's employees and representatives which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. All expenses and costs of the Underwriters incurred under or pursuant to this Purchase Agreement, including, without limitation, the cost of preparing this Purchase Agreement and other Underwriter documents, travel expenses and the fees and expenses of counsel to the Underwriters, shall be paid by the Underwriters (which may be included as an expense component of the Underwriters' discount).

**Section 11. Qualification of Securities.** The County and the Corporation will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and to provide for the continuance of such qualification; *provided, however*, that the County and the Corporation will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

**Section 12. Notices.** Any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to Merrill Lynch, Pierce, Fenner & Smith Incorporated, 333 South Hope Street, Suite 2310, Los Angeles, California 90071, Attention: Frank Lauterbur. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Corporation under this Purchase Agreement may be given by delivering the same in writing to the County of Riverside Asset Leasing Corporation, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501, Attention: President. Any notice or communication to be given the County under this Purchase Agreement may be given by delivering the same in writing to County Executive Officer, County of Riverside, County Administrative Center, 4080 Lemon Street, 4th Floor, Riverside, California 92501.

**Section 13. Parties in Interest.** This Purchase Agreement is made solely for the benefit of the Corporation, the County and the Underwriters (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Corporation and the County in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

**Section 14. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

**Section 15. Approval.** The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the County.

**Section 16. Attorneys Fees.** In the event of a dispute arising under this Purchase Agreement, the prevailing party shall have the right to collect from the other party its reasonable costs and necessary disbursements and attorneys' fees incurred in enforcing this Purchase Agreement.

**Section 17. Counterparts.** This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 18. Governing Law.** This Purchase Agreement shall be governed by the laws of the State.

MERRILL LYNCH, PIERCE, FENNER & SMITH,  
INCORPORATED

By: \_\_\_\_\_  
Title: Authorized Officer

Accepted as of the date first stated above at \_\_\_\_\_ p.m. (Pacific):

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Christopher Hans, Deputy County Executive Officer

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By: \_\_\_\_\_  
Harold Trubo, President



**EXHIBIT A**

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 SERIES A  
(County of Riverside Capital Projects)**

**MATURITY SCHEDULE**

<i>Maturity Date (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
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**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 TAXABLE SERIES B  
(County of Riverside Capital Projects)**

**MATURITY SCHEDULE**

<i>Maturity Date (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
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**EXHIBIT B**

**ISSUE PRICE CERTIFICATE**

**§ \_\_\_\_\_  
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, 2012 SERIES A  
(County of Riverside Capital Projects)**

**ISSUE PRICE CERTIFICATE OF THE UNDERWRITER**

This Certificate is furnished by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters (the "Underwriter"), in connection with the sale and issuance by \_\_\_\_\_ (the "Issuer") of its \$ \_\_\_\_\_ aggregate principal amount of County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the "Bonds") issued \_\_\_\_\_, 2012, and hereby certifies and represents the following, based upon information available to us:

1. As of \_\_\_\_\_, the date on which the bond purchase agreement for the Bonds was executed (the "Sale Date"), the Underwriter reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "Public") in a bona fide public offering, and based on our assessment of the then prevailing market conditions, the Underwriter reasonably expected that the first prices at which at least 10% of each maturity would be sold by the Underwriter to the Public were the prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those listed for each maturity on Schedule A hereto (the "Initial Offering Prices").

2. As of the date of this certificate, all of the Bonds have actually been offered to the Public in a bona fide public offering at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, the Initial Offering Prices.

3. The first price, or yield in the case of obligations sold on a yield basis, at which ten percent (10%) of each maturity of the Bonds has been sold to the Public was at a price not higher than, or, in the case of obligations sold on a yield basis, at a yield not lower than, the Initial Public Offering Prices [except for the Bonds with the following maturities:].

4. The Underwriter had no reason to believe that any of the Initial Public Offering Prices of the Bonds exceeded the expected fair market value of the Bonds as of the Sale Date.

We understand that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and by Nixon Peabody LLP, in connection with rendering its opinion to the Issuer that the interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws; in particular the regulations under the Internal Revenue Code of 1986, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although

certain information furnished in this Certificate has been derived from other purchasers, bond houses and brokers and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED, as Representative of the  
Underwriters

By: \_\_\_\_\_  
NAME  
TITLE

Dated: \_\_\_\_\_

**NEW ISSUE - BOOK-ENTRY ONLY**

*In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Corporation and the County described herein, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2012B Bonds is not excluded from gross income for federal income tax purposes nor are the owners thereof entitled to any credit under the Internal Revenue Code. Bond Counsel is further of the opinion that the interest on the 2012 Bonds is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.*

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

**County of Riverside Asset Leasing Corporation**  
**Lease Revenue Bonds, 2012 Series A**  
**(County of Riverside Capital Projects)**

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

**County of Riverside Asset Leasing Corporation**  
**Lease Revenue Bonds, 2012 Taxable Series B**  
**(County of Riverside Capital Projects)**

**Dated: As shown on the inside front cover**

**Due: As shown on the inside front cover**

**This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or terms of the above-captioned bonds. Investors are advised to read the entire Official Statement, including the section entitled "RISK FACTORS" to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.**

The County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the "2012A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds") are being issued pursuant to an Indenture of Trust, dated as of July 1, 1989 by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Security Pacific National Bank, as the original trustee thereunder (the "Original Indenture"), as amended and supplemented, including as amended and supplemented by a Supplemental Indenture of Trust No. 8, dated as of May 1, 2012 (the "Eighth Supplemental Indenture" and, collectively with the Original Indenture and prior amendments and supplements, the "Indenture"), by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee"), to (i) refund a portion of the Corporation's Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the "1997B Bonds"); (ii) provide funds for improvements to the Medical Center Campus (as hereinafter defined); [(iii) deposit funds into the Debt Service Reserve Fund established under the Indenture, (iv) fund capitalized interest with respect to a portion of the 2012 Bonds through [\_\_\_\_\_]; and (v) pay the cost of issuance, all as more fully described herein. See "SOURCES AND USES OF FUNDS."

The 2012 Bonds are issuable as fully registered bonds registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2012 Bonds. Purchases of the 2012 Bonds may be made in book-entry form only, in the denominations set forth on the inside front cover of this Official Statement through brokers and dealers who are or who act through, DTC Participants. Beneficial owners of the 2012 Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the 2012 Bonds will be made to DTC by the Trustee. Disbursements of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the beneficial owners is the responsibility of DTC Participants. See "THE 2012 BONDS—General—Book-Entry System for the 2012 Bonds" herein. Principal will be payable on the dates set forth on the inside cover of the Official Statement. Interest on the 2012 Bonds will be payable semiannually on June 1 and December 1, commencing [December 1, 2012]. Upon receipt of payments of principal or early redemption and interest, DTC will in turn remit such principal and interest to DTC Participants for subsequent disbursement to beneficial owners of the 2012 Bonds, all as more fully described herein.

The 2012 Bonds will be subject to optional, mandatory and extraordinary redemption as described herein.

The 2012 Bonds will be payable and secured solely from revenues, consisting primarily of Base Rental payments to be made by the County to the Corporation for certain real property, equipment and improvements to be constructed thereon and in connection therewith (the "Facilities") under a Lease and Option to Purchase, dated as of July 1, 1989, by and between the Corporation and the County, as amended, and an Equipment Lease, dated as of July 1, 1989, by and between the Corporation and the County, as amended to date (collectively referred to herein as the "Lease"). The 2012 Bonds will be secured on a parity basis with the Corporation's outstanding Leasehold Revenue Bonds 1993 Series A, 1993 Series B, 1997 Series A, 1997 Series B and 1997 Series C Bonds (County of Riverside Hospital Project). The County has covenanted in the Lease to take such action as may be necessary to include Base Rental and Additional Rental payments due under the Lease in its annual budget, and to make necessary annual appropriations therefor.

**THE 2012 BONDS WILL BE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE PROCEEDS, REVENUES AND AMOUNTS PLEDGED THEREFOR. NEITHER THE 2012 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.**

The 2012 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Corporation and the County by the Riverside County Counsel. Kutak Rock LLP, Los Angeles, California, served as Disclosure Counsel to the Corporation and the County. It is expected that the 2012 Bonds will be available for delivery through the DTC book-entry system on or about \_\_\_\_\_, 2012.

**BofA Merrill Lynch**

**De La Rosa & Co.**

**RBC Capital Markets**

Dated: \_\_\_\_\_, 2012

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification or filing under the securities laws of any such jurisdiction.

## **MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS®**

® Copyright 2012, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation or the County and are included solely for the convenience of the registered owners of the applicable 2012 Bonds. None of the Corporation, the County or the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2012 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2012 Bonds.

## **COUNTY OF RIVERSIDE**

County Executive Office  
4<sup>th</sup> Floor  
4080 Lemon Street  
Riverside, California 92501

### **Board of Supervisors**

John Tavaglione, Second District, Chairman  
John Benoit, Fourth District, Vice Chairman  
Bob Buster, First District  
Marion Ashley, Fifth District  
Jeff Stone, Third District

### **County Officials**

Jay Orr, County Executive Officer  
Don Kent, Treasurer-Tax Collector  
Paul Angulo, Auditor-Controller  
Larry Ward, Assessor-County Clerk-Recorder  
Pamela J. Walls, County Counsel  
Ed Corser, Finance Director

## **COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**

### **Board of Directors**

Harold Trubo, President  
Bernard Simon, Secretary and Vice President  
Joe Deledonne, Vice President  
Kari Middleton Vice President

### **SPECIAL SERVICES**

#### **Bond Counsel**

Nixon Peabody LLP  
Los Angeles, California

#### **Disclosure Counsel**

Kutak Rock LLP  
Los Angeles, California

#### **Financial Advisor**

KKN Public Finance, A Division of Zions First National Bank  
Oakland, California

#### **Trustee**

U.S. Bank National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2012 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2012 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS IN  
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The County maintains a website at <http://www.countyofriverside.us>. However, the information presented there is not part of this Official Statement and is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the 2012 Bonds.

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## OFFICIAL STATEMENT

\$ \_\_\_\_\_\*  
**County of Riverside Asset Leasing Corporation**  
**Lease Revenue Bonds, 2012 Series A**  
**(County of Riverside Capital Projects)**

\$ \_\_\_\_\_\*  
**County of Riverside Asset Leasing Corporation**  
**Lease Revenue Bonds, 2012 Taxable Series B**  
**(County of Riverside Capital Projects)**

### INTRODUCTION

The purpose of this Official Statement, including the cover page, and the appendices attached hereto, is to provide information in connection with the offering of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects), in the aggregate principal amount of \_\_\_\_\_\* (the "2012A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects), in the aggregate principal amount of \_\_\_\_\_\* (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds"). The 2012 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 1989 by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Security Pacific National Bank, as the original trustee thereunder (the "Original Indenture"), as amended and supplemented, including as amended and supplemented by a Supplemental Indenture of Trust No. 8, dated as of May 1, 2012 (the "Eighth Supplemental Indenture" and, collectively with the Original Indenture and prior amendments and supplements, the "Indenture"), by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee").

All capitalized terms used but not otherwise defined in this Official Statement shall have the meanings set forth in the Lease (as hereinafter defined) or the Indenture. See "APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

In 1989, the Corporation issued \$200,102,532.50 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project) (the "1989 Bonds"). The 1989 Bonds were issued to provide funds to acquire and construct certain improvements and equipment (the "Improvements") to be located on certain real property (the "Property" together with the Improvements are hereinafter referred to as the "Facilities") leased by the Corporation to the County pursuant to a Lease and Option to Purchase, dated as of July 1, 1989, as amended, and an Equipment Lease, dated as of July 1, 1989; as amended, each by and between the Corporation and the County (collectively, the "Lease").

In 1993, the Corporation issued \$134,535,000 Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project) (the "1993A Bonds") and \$14,525,000 Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) (the "1993B Bonds" together with the 1993A Bonds, the "1993 Bonds") for the purpose of refunding certain of the 1989 Bonds. In February 1997, the Corporation issued \$41,170,072.65 Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project) (the "1997A Bonds") for the purpose of providing additional funds for the completion of the Facilities. In August 1997, the Corporation issued \$68,720,000 Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the "1997B Bonds") and \$3,265,000 Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project) (the "1997C Bonds" and together with the 1997A Bonds and 1997B Bonds, the "1997 Bonds") for the purpose of refunding the remaining 1989 Bonds and providing additional funds for the completion of the Facilities.

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\*Preliminary, subject to change.

The 2012A Bonds are being issued for the purpose of (a) refunding the 1997B Bonds maturing in the years 2013, 2016 and 2019, in the aggregate outstanding principal amount of \$65,280,000 (the "Refunded 1997B Bonds"); (b) providing funds for additional improvements to the Medical Center Campus (as hereinafter defined); (c) depositing funds into the Debt Service Reserve Fund established under the Indenture; (d) [funding capitalized interest with respect to a portion of the 2012 Bonds through \_\_\_\_\_];] and (e) paying a portion of the costs of issuance of the 2012 Bonds. The 2012B Bonds are being issued for the purpose of paying costs of issuance of the 2012 Bonds. A portion of the proceeds of the 2012A Bonds will be deposited pursuant to the Indenture for the prepayment of the Refunded 1997B Bonds maturing in 2016 and 2019 with U.S. Bank, National Association, as the trustee for the Refunded 1997B Bonds (the "1997B Trustee"), and held by the 1997B Trustee for the sole benefit of the Owners of such maturities of the Refunded 1997B Bonds. A portion of the proceeds of the 2012A Bonds will be deposited in an escrow account held by the 1997B Trustee to defease the Refunded 1997B Bonds maturing in 2013 on June 1, 2013. The 2012 Bonds will not be secured, in whole or in part, by moneys held by the 1997B Trustee for the prepayment of the Refunded 1997B Bonds. Upon the deposit of moneys with the 1997B Trustee, the Refunded 1997B Bonds will no longer be Outstanding under the Indenture. The 1993 Bonds, the 1997 Bonds, the 2012 Bonds and any Additional Bonds, Refunding Bonds and Capital Appreciation Bonds (as defined in the Indenture) issued from time to time pursuant to and under the Indenture are referred to collectively as the "Bonds."

The outstanding 1993 Bonds in the aggregate principal amount of \$28,395,000, the outstanding 1997A Bonds in the aggregate principal amount of approximately \$41,170,000 and the outstanding 1997C Bonds in the aggregate principal amount of \$3,265,000 are payable on a parity with the 2012 Bonds. The outstanding 1997B Bond maturing on June 1, 2012 in the principal amount of \$435,000 will be paid by the County when due. Until such time, such 1997B Bond remains outstanding on parity with the 2012 Bonds.

Upon the issuance of the 2012 Bonds, the 2012 Bonds, the 1997 Bonds and the 1993 Bonds will be payable from Revenues consisting primarily of Base Rental payments to be made by the County to the Corporation pursuant to the terms of the Lease. Under the Lease, the County is required to deposit with the Trustee that portion of Base Rental due under the Lease semiannually on each June 1 and December 1 during the term of the Lease (or if such day is not a Business Day, on the immediately preceding Business Day). The County is also required under the Lease to pay as Additional Rental certain other costs and expenses relating to the Facilities and the Trustee. The County is required under the Lease to budget and appropriate annually the Base Rental and Additional Rental due under the Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Base Rental Payment Schedule" herein.

Brief descriptions of the 2012 Bonds, the Refunded Bonds, the Facilities, the Continuing Disclosure Certificate, the Lease, the Indenture, the County and the Corporation are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, copies of which may be obtained from the Trustee.

## **THE FACILITIES**

### **General**

The County has owned and operated the Riverside County Regional Medical Center since 1893. In 1998, hospital operations were moved to newly-constructed facilities in Moreno Valley, California (the Medical Center"). The Medical Center is comprised of modern, seismically compliant buildings that were constructed beginning in 1990 and opened in December 1998. The Medical Center is owned by the

Corporation and operated by the County, under the control and direction of the Riverside County Board of Supervisors (the "Board of Supervisors").

The Medical Center is located on an approximately 38 acre site and comprises the Facilities subject to the Lease. The Facilities are located within approximately 58 acres of land which comprise the Medical Center campus (the "Medical Center Campus"). The Facilities will also include the Nursing and Allied Health Education Building to be constructed with proceeds of the Bonds, as further described under "The Acquisition and Construction Fund" below. The remaining land of the Medical Center Campus is dedicated to activities supporting the Medical Center, including a free-standing dialysis center, integrated care community facilities and an office building.

The Medical Center is an approximately 520,000 square foot tertiary care and level II adult and pediatric facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital, and 77 licensed beds in a separate psychiatric facility. The Medical Center includes 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The Medical Center has the capacity to manage 200,000 patient visits annually in specialty outpatient clinics and the Trauma Center has the capacity to manage 100,000 patient visits annually. The Medical Center is also affiliated with several local colleges and community colleges for the training of nurses and professional health care workers. There are approximately 2,300 permanent employees at the Medical Center.

### **Licensing and Accreditation**

The County received a building permit for the Facilities from the Office of Statewide Health Planning and Development ("OSHPD") on August 18, 1994. The Facilities are licensed by the California Department of Health Services since 1998 and were previously licensed as Riverside General Hospital since 1893. The Facilities also comply with the Center for Medicare and Medicare Services Conditions of Participation. In addition, the Facilities are accredited by The Joint Commission, an independent, nonprofit organization that accredits and certifies more than 19,000 health care organizations and programs in the United States.

### **The Acquisition and Construction Fund**

A portion of the proceeds of the 2012 Bonds will be used for the construction, renovation, equipping and furnishing of the operations building supporting the hospital (the "Operations Building"). The Operations Building, to be located on the Medical Center Campus and owned and operated by the County, is planned to be an approximately 50,000 square foot, two-story building consisting of an approximately 5,500 square foot data center, an approximately 12,000 square foot information services office space, an approximately 14,000 square foot plant operations center and an approximately 18,500 square foot warehouse located on the hospital campus. Approximately \$15.5 million of proceeds of sale of the 2012 Bonds will be applied to the Operations Building project. The County expects the constructions of the Operations Building to commence in 2012, following the issuance of the 2012 Bonds, and be completed in 2013. The Operations Building will not be subject to the Lease.

A portion of the proceeds of the 2012 Bonds will also be used for the construction, renovation, equipping and furnishing of a new Nursing and Allied Health Education Building (the "Nursing and Allied Health Education Building") to be located on the Medical Center Campus. The Nursing and Allied Health Education Building will be subject to the Lease and comprise part of the Facilities, and will be owned by CORAL and operated by the County. The proposed Nursing and Allied Health Education

Building is planned to be a three-story structure with approximately 34,750 square feet. It will provide new and expanded space for services currently provided within the main hospital, including nursing orientation, specialty training, new program development, patient education, coordination of outside speakers and clinical affiliation coordination. Program spaces will include a lobby, meeting hall, classrooms, teaching/simulation areas, administration areas, and open courtyard and support spaces. Approximately \$13.5 million of proceeds of sale of the 2012 Bonds will be applied to the Nursing and Allied Health Education Building project. The County expects the construction of the Nursing and Allied Health Education Building to commence in 2012, following the issuance of the 2012 Bonds, and be completed in 2013.

### PLAN OF FINANCE\*

A portion of the proceeds of the 2012A Bonds (the "Refunding Proceeds") will be deposited with the Trustee to redeem on June 1, 2012 (the "Redemption Date") the Refunded 1997B Bonds maturing on June 1, 2016 and June 1, 2019 and a portion of the proceeds will be deposited in an escrow account held by the Trustee to defease the Refunded 1997B maturing in 2013 on June 1, 2013. The Refunding Proceeds will be applied by the Trustee to pay the principal of, accrued interest on, and redemption price with respect to the Refunded 1997B Bonds as set forth in the following table:

Maturity Date	Principal Amount	Interest Rate	Redemption Price	CUSIP®
June 1, 2013	\$ 455,000	5.100%	100%	
June 1, 2016	25,070,000	5.700%	101%	
June 1, 2019	38,865,000	5.000%	101%	

® Copyright 2012, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation or the County and are included solely for the convenience of the registered owners of the applicable 2012 Bonds. None of the Corporation, the County or the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2012 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2012 Bonds.

The Refunding Proceeds will be deposited with the Trustee in the Redemption Fund established under the Indenture until such Refunding Proceeds are applied on the Redemption Date to redeem the Refunded 1997B Bonds. Upon the deposit of the Refunding Proceeds with the Trustee, the Refunded 1997B Bonds will be defeased and no longer Outstanding pursuant to the Indenture. Upon the issuance of the 2012 Bonds, Bond Counsel will render an opinion that the Refunded 1997B Bonds are no longer Outstanding under the Indenture.

The remaining portion of the proceeds of the 2012A Bonds will be used to pay for improvements of the Medical Center Campus (the "2012 Improvements") and to pay for the portion of costs of issuance of the 2012A Bonds allocated to the 2012 Improvements or to the refunding of the Refunded 1997B Bonds which, at the time of their issuance, was not allocated to refunding a prior issue. [Proceeds of the

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\*Preliminary, subject to change.

2012A Bonds will also be applied to deposit money into the Debt Service Reserve Fund held by the Trustee under the Indenture for the common benefit of all of the Outstanding Bonds, and to fund capitalized interest in the amount of \$\_\_\_\_\_ to cover a portion of the interest due with respect to the 2012A Bonds through [\_\_\_\_\_]. The proceeds of the 2012B Bonds will be used to pay for remaining costs of issuance and to pay the redemption premium of the Refunded Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" below.

### ESTIMATED SOURCES AND USES OF 2012 BOND PROCEEDS

Following is a table of the estimated sources and uses of funds with respect to the 2012 Bonds:

Sources of Funds	
Par Amount of 2012A Bonds	\$
Plus/Less Premium/Discount	
Par Amount of 2012B Bonds	
Plus/Less Premium/Discount	
Total Sources	_____
Uses of Funds	
Redemption of 1997B Bonds	
Acquisition and Construction Fund [Debt Service Reserve Fund] [Capitalized Interest]	
Costs of Issuance Fund <sup>(1)</sup>	
Total Uses	\$ _____

<sup>(1)</sup>Includes certain legal fees, financing and consulting fees, Underwriters' discount, fees of Bond Counsel, Disclosure Counsel, Underwriters' Counsel, Trustee, and the Financial Advisor, printing costs, rating agency fees, title insurance and other miscellaneous expenses.

### THE 2012 BONDS

#### General Provisions

The 2012 Bonds will be dated the date of delivery. Interest on the 2012 Bonds will be payable from such dates at the rates set forth on the inside cover page of this Official Statement.

The 2012 Bonds will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2012 Bonds will be issued in fully registered form and individual purchases will be made in book-entry form only. Principal at maturity or early redemption and interest are payable by U.S. Bank National Association, as trustee, to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such principal at maturity or early redemption and interest to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners of the 2012 Bonds, as described in "APPENDIX F—BOOK-ENTRY SYSTEM."

The 2012 Bonds will be issued in denominations of \$5,000 and any multiple integral thereof. Interest will be payable semi-annually on June 1 and December 1, commencing [December 1, 2012].

## **Book-Entry System for 2012 Bonds**

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2012 Bonds. The 2012 Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., DTC’s partnership nominee. One fully registered bond certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC. See “APPENDIX F—BOOK-ENTRY SYSTEM.”

## **Redemption Provisions of the 2012 Bonds**

### ***Optional Redemption of the 2012 Bonds.***

The 2012A Bonds maturing on or before June 1, 20\_\_ are not subject to redemption prior to maturity at the option of the Corporation. The 2012A Bonds maturing after June 1, 20\_\_ are subject to redemption, except as provided in “Mandatory Redemption of the 2012A Bonds” below, on or after June 1, 20\_\_, at the option of the Corporation, upon the direction of the County, in whole or in part on any day a redemption price equal to the principal amount of the 2012A Bonds to be redeemed, together with accrued but unpaid interest to the redemption date, without premium.

The 2012B Bonds are not subject to redemption prior to maturity at the option of the Corporation.

### ***Mandatory Redemption of the 2012 Bonds.***

The 2012A Bonds maturing on June 1, 20\_\_ are subject to mandatory redemption prior to their maturity on June 1, 20\_\_, and on each June 1 thereafter, solely from Sinking Account Installments, at the principal amount of such Bonds to be redeemed, without premium, plus accrued but unpaid interest. The principal amount of such Bonds to be so redeemed and the dates therefor will be as indicated on the following table:

<b>Date</b>	<b>Principal Amount</b>
<b>June 1</b>	

The 2012B Bonds are not subject to mandatory redemption prior to their maturity.

### ***Extraordinary Redemption of the 2012 Bonds.***

In the event of a deposit of funds into the Prepayment Account by virtue of (a) the County’s decision not to use insurance or condemnation proceeds to make repairs to the Facilities or (b) an abatement of Base Rental due to a title defect relating to the Facilities, the Trustee shall provide for the call and redemption of the 2012 Bonds, at the principal amount thereof plus interest accrued thereon to the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

The 2012 Bonds of each maturity Outstanding on the date immediately preceding the date set for such redemption shall be redeemed in amounts so as to reduce the Debt Service relating to such Bonds

scheduled to be paid in each year by an amount which is as equal as practicable for each other such year. Moneys remaining in the Interest Account or Principal Account following such Interest Payment Date, if any, shall be paid immediately to the County.

***Procedure for and Notice of Redemption of 2012 Bonds.*** The Trustee shall give notice of each redemption to Owner of any 2012 Bonds of a series designated for redemption by first-class mail, postage prepaid, at the address which appears upon the Bond Register of the Trustee by mailing a copy of the redemption notice at least 30 but not more than 60 days prior to the redemption date. The failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any 2012 Bonds.

***Selection of 2012 Bonds for Redemption.*** Whenever less than all the 2012 Bonds of a series of like maturity shall be called for prior redemption, the Trustee shall select 2012 Bonds from such series for redemption by lot in such manner as the Trustee in its discretion may deem appropriate; provided, however, that the portion of any 2012 Bond of a series to be redeemed shall be in the principal amount of an Authorized Denomination.

When any of the 2012 Bonds are to be redeemed at the request of the Corporation as set forth in the Indenture, such request shall state whether such redemption shall be conditioned on a deposit of sufficient funds or if sufficient moneys will be on deposit prior to sending the notice of redemption.

#### **DEBT SERVICE REQUIREMENTS**

Under the Indenture, Base Rental payments payable by the County to the Corporation are due and payable by the County on each June 1 and December 1, commencing on [December 1, 2012]. Pursuant to the Indenture, on June 1 and December 1 of each year, commencing on [December 1, 2012], the Trustee will apply such amounts as are necessary to make principal, premium, if any, and interest payments with respect to the 2012 Bonds as the same shall become due and payable, as shown in the following table:



**PARITY BONDS  
DEBT SERVICE SCHEDULE**

Bond Year Ending June 1	2012 Bonds Principal	2012 Bonds Interest	2012 Bonds Total Principal and Interest <sup>(1)</sup>	1993 Bonds Principal and Interest	1997 Bonds Principal and Interest	Total Parity Bonds Principal and Interest

Total

<sup>(1)</sup> Represents total debt service of the 2012 Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, which like the 2012 Bonds, are payable from lease payments by the County made from its General Fund.

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

### General

The Bonds constitute special, limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured as to principal and redemption price thereof and interest thereon, and as to any premiums upon the redemption thereof, solely from (a) the proceeds of the sale of the Bonds, (b) the Revenues, (c) the Funds and Accounts under the Indenture (other than the Excess Earnings Fund, the County Contribution Account and any fund or account established pursuant to the Indenture, relating to the deposit of moneys to defease any Bonds); and (d) other property subject to the lien of the Indenture, and do not constitute obligations, nor evidence any indebtedness, of the County or the State. The Bonds are not secured, in whole or in part, by moneys held by the Trustee for the redemption of the Refunded 1997B Bonds. **The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

Revenues are defined in the Indenture to mean (a) all revenues, issues, income, rents, royalties, profits and receipts derived or to be derived by the Corporation from or attributable to the ownership of the Facilities, including all revenues attributable to the Facilities or to the payment of the costs thereof received or to be received by the Corporation under the Lease or any part thereof or any contractual arrangement with respect to the use of the Facilities, including payments of Base Rental; (b) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering loss relating to the Facilities; (c) interest received or to be received on any moneys or securities held pursuant to the Indenture and required or permitted to be paid and which are paid into the Revenue Fund (except for amounts required to be on deposit in the Excess Earnings Fund); (d) all damage payments received from the County that are not a part of the Cost of the Project (as defined in the Indenture); and (e) all proceeds of rental interruption insurance policies carried with respect to the Facilities pursuant to the Lease or in accordance with the Indenture.

**Base Rental.** The obligation of the County to make Base Rental payments when due is a general fund obligation of the County and does not constitute a debt of the County for which the County is obligated to pledge or levy any form of taxation or for which the County has levied or pledged any form of taxation. Base Rental payments will be made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from proceeds of the Bonds, the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Debt Service Reserve Fund established under the Indenture.

The Trustee, pursuant to the Indenture and the Lease, will receive Base Rental payments for the benefit of the Owners of the Bonds. The County is required under the Lease to make semiannual Base Rental payments from legally available funds, and Base Rental payments are scheduled to be sufficient to pay, when due, the principal of and interest on the Bonds. The Trustee's obligation to make such payments to Owners is limited to amounts designated as principal of and interest on the Bonds. Additional Rental payments due from the County under the Lease include amounts sufficient to pay certain taxes and assessments, insurance premiums, all fees and charges and certain administrative costs. Base Rental payments will be abated proportionately in the event of damage to, destruction or condemnation of the Facilities or any portion thereof. See "APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Facilities Lease, The Equipment Lease" herein. The County is also responsible for repair and maintenance of the Facilities during the term of the Lease.

The County has covenanted in the Lease to take such action as may be necessary to include the annual portion of all rental payments due under the Lease for the Facilities in its annual budget and to make the necessary annual appropriations therefor.

So long as the County has the use and occupancy of the Facilities, the obligation of the County to make Base Rental and Additional Rental payments and payment of all other amounts provided for in the Lease, and to perform its obligations thereunder will be absolute and unconditional and such payments will not be subject to setoff, counterclaim or recoupment, subject only to provisions in the Indenture related to abatement.

The Lease provides that the covenants of the County thereunder are deemed ministerial duties imposed by law, and it further provides that it will be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such official to enable the County to carry out and perform the covenants and agreements of the County contained in the Lease.

Should the County default under the Lease, the Corporation may exercise any and all remedies available at law or in equity or granted pursuant to the Lease and may elect, without terminating the County's rights under the Lease, to continue the Lease in effect and enforce all of its rights and remedies thereunder, including the right to recover Base Rental payments as they become due. See "APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Facilities Lease, The Equipment Lease" herein. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee the rents of the Trust Estate (as defined in the Indenture), and confers upon the Trustee the power to collect such rents and appoints the Trustee as its attorney-in-fact to demand, receive and enforce payment of such rents. See "APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Indenture" herein.

#### **Debt Service Reserve Fund**

A Debt Service Reserve Fund in an amount equal to the lesser of (a) the maximum amount of principal and interest payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds; or (b) 10% of the sum of the principal amount of the Bonds, less original issue discount, if any (the "Debt Service Reserve Requirement") is pledged to pay principal of and interest on the Outstanding Bonds. Amounts in the Debt Service Reserve Fund are to be used for such purpose only in the event amounts in the Debt Service Fund are insufficient to make such payments. If on any Interest Payment Date the amounts in the Principal Account or Interest Account of the Debt Service Fund are less than the principal and interest then due with respect to the Outstanding Bonds on such date, then the Trustee will transfer from the Debt Service Reserve Fund, for credit to the Interest Account and/or Principal Account, amounts sufficient to make up such deficiencies.

The Indenture provides that, at the option of the Corporation as directed by the County, amounts required to be held in the Debt Service Reserve Fund may be substituted by the deposit with the Trustee of a Credit Facility (as defined in the Indenture) in a stated amount equal to the Debt Service Reserve Requirement provided certain conditions are satisfied.

As of April 1, 2012, there was \$19,599,869 in cash and securities on deposit in the Debt Service Reserve Fund funded from proceeds of the 1989 Bonds. [Upon the issuance of the 2012 Bonds, \$\_\_\_\_\_ of the proceeds of the 2012 Bonds will be deposited in the Debt Service Reserve Fund.]

## **Insurance**

The Lease provides that the County will maintain rental interruption insurance throughout the term of the Lease so that in the event Base Rental payments are abated due to loss of use and occupancy of the Facilities as a result of any of the hazards required to be covered by property insurance required by the Lease, moneys will be available in an amount sufficient to pay two years' maximum Base Rental payments under the Lease.

The Lease also requires the County to maintain insurance on the Facilities against loss or damage to the Facilities or any portion thereof known as "all risk," including loss or damage caused by earthquake or flood or explosion of steam boilers, pressure vessels and similar apparatus, except that if such insurance is not available from insurers of recognized responsibility at reasonable cost on the open market, the County may self-insure under the terms and conditions set forth in the Lease. See "APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Facilities Lease, The Equipment Lease" and "RISK FACTORS—Risk of Uninsured Loss; Earthquakes" herein.

The County plans to obtain, contemporaneously with the issuance of the 2012 Bonds, a CLTA title insurance policy from Chicago Title Company with respect to the Facilities in the amount of the aggregate principal amount of all of the outstanding Bonds.

## **Hospital Finances and Operations**

The County has covenanted in the Lease to take such action as may be necessary to include the annual portion of all rental payments due under the Lease for the Facilities in its annual budget and to make the necessary annual appropriations therefor. The County also anticipates the receipt of funds from the operation of the Facilities will be used in their entirety to supplement amounts in the County's General Fund.

The Medical Center receives a majority of its funds from federal and State sources including Medicare, Medi-Cal and other funds for uninsured and underinsured patients. See APPENDIX A—"FINANCIAL INFORMATION—Medical Center" herein.

At June 30, 2011, the Medical Center reflected unrestricted net assets of approximately \$92.9 million. The Medical Center had a cash balance of approximately \$36.8 million as of June 30, 2011. In Fiscal Year 2010-11, the Medical Center had an increase in net unrestricted assets of approximately \$5.4 million. The Medical Center continued to experience a decline in patient collections in Fiscal Year 2010-11 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by the Medical Center in fiscal year 2010-11 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, the Medical Center may receive additional payments from the State for Fiscal Year 2010-11 or may be required to reimburse the State for any overpayment received during such Fiscal Year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

The Medical Center's financial operations are the largest of the County's business-type activities, and are undertaken as a separate enterprise fund. For Fiscal Year 2010-11, Medical Center revenues and expenses comprised 87% of the total revenues and expenses for all of the County's enterprise funds.

The Medical Center has historically relied upon the County's General Fund and operating reserves to finance a portion of the Medical Center's cash flow needs and to fund a portion of the Medical Center's operating expenses. The total General Fund subsidy includes redevelopment pass-through funds, tobacco settlement revenues (each as further described below) and a general County contribution. For fiscal year 2011-12, the County anticipates contributing approximately \$10 million to the Medical Center from general fund tobacco settlement revenues and \$5 million in redevelopment pass-through funds (discussed below) to support debt service on the Facilities and to offset operating expenses.

The table below shows a summary history of the General Fund funding components to the Medical Center.

**COUNTY OF RIVERSIDE  
GENERAL FUND SUBSIDY TO THE MEDICAL CENTER**

	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
Tax Increment Revenue	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Tobacco Settlement Revenue	16,600,000	10,000,000	10,000,000	10,000,000	10,000,000
County contribution	<u>14,400,000</u>	<u>21,000,000</u>	<u>13,700,000</u>	<u>9,000,000</u>	<u>0</u>
Total General Fund Subsidy	\$36,000,000	\$36,000,000	\$28,700,000	\$24,000,000	\$15,000,000
Use of Medical Center Budget Reserves	\$31,160,000	(\$2,375,000)	\$17,170,000	\$6,310,000	\$1,939,000

In consideration for the County agreeing to locate the Medical Center within the City of Moreno Valley, the Redevelopment Agency of the City of Moreno Valley (the "Redevelopment Agency") contracted with the County to apportion over a twenty-five year period an annual amount of \$5,000,000 once tax increment exceeds an annual threshold amount of \$7,000,000. The total contractual commitment by the Redevelopment Agency to the County is up to \$75,000,000 over twenty-five years. To date, the County has received a total of \$38,034,794 pursuant to this agreement. The full amount may not be realized due to declines in real estate values. The County has received the full \$5,000,000 in each of the past five fiscal years and expects to receive the full amount in the 2012-13 fiscal year. Effective February 1, 2012, the City of Moreno Valley is acting as the successor agency to the Redevelopment Agency. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" herein.

The County receives tobacco settlement revenues under a Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, the State of California and six other U.S. jurisdictions in 1998 in settlement of certain cigarette-smoking related litigation. A portion of such revenues, consisting of the first \$10 million per year until December 31, 2020 and the first \$11.5 million per year from January 1, 2021 to December 31, 2026, are intended to be used by the County for debt service and operating costs related to the Facilities, and the remainder of such revenues has been pledged to pay debt service with respect to tobacco-asset backed bonds issued by the Inland Empire Tobacco Securitization Authority (a blended component unit of the County), the proceeds of which were applied for acquisition of certain County capital projects, facilities and improvements, including the expansion of the Smith Correctional Facility in the City of Banning and acquisition of an office building in the City of Riverside and land in the cities of Perris and Desert Hot Springs. In the fiscal year ended June 30, 2011, \$19.1 million was received by the Tobacco Authority, of which \$10 million was distributed to the County and applied towards hospital debt service and operating costs, and the remaining \$9.1 million was pledged to the Tobacco Authority bonds.

Senate Bill 1732, later amended by Senate Bill 2665, was adopted by the legislature of the State of California (the "State") in 1988. SB1732 permits hospitals which contract to provide Medi-Cal in-

patient hospital services to receive reimbursement for a portion of the costs of qualified capital projects and directs the State to make supplemental reimbursement payments to those hospitals that meet the requirements of the program. The Facilities operate as and expect to continue to qualify as a Disproportionate Share Hospital. The amount of reimbursement for a hospital during any fiscal year is computed through a formula which takes into account debt service for that year on indebtedness issued to finance any such capital project and the percentage of hospital patient days attributed to Medi-Cal patients. The County expects to receive reimbursements of approximately 43% of qualifying debt-service payments. The County has qualified for and received \$8.9 million in the past fiscal year pursuant to the County's participation in the SB1732 program.

## **RISK FACTORS**

The following section describes certain risk factors affecting the payment of and security for the 2012 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2012 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 2012 Bonds. There can be no assurance that other risk factors will not become material in the future.

### **Economy of the County and the State**

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The slowdown of the economy of the County which began in 2008 is still ongoing, as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums, in each case as compared to historical levels. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

### **Not a Pledge of Taxes**

The obligation of the County to make Base Rental payments or Additional Rental payments under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to make Base Rental payments or Additional Rental payments under the Lease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay the Base Rental payments and Additional Rental payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental payments and Additional Rental payments.

## **Additional Obligations of the County**

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the County. The County is currently liable on other obligations payable from general revenues. The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE- Financial Information - Long-Term Obligations of County" and "- Lease Obligations" attached hereto for a description of other obligations payable from general revenues of the County.

## **Limitations on Remedies**

The rights of the Owners of the 2012 Bonds are subject to limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the 2012 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the 2012 Bonds and/or delays in the enforcement of such rights. In addition, the rights of Owners of the 2012 Bonds may be limited by the rights of MBIA Insurance Corporation, as bond insurer with respect to the Outstanding Parity Bonds, to consent to amendments to the Indenture and the Lease, and to direct proceedings upon a default with respect to the insured Parity Bonds.

## **Default**

In the event of default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease. The remedies provided for in the Lease include, in addition to all other remedies provided at law, terminating the Lease and reletting the Property and retaining the Lease and holding the County liable for each installment of Base Rental payments as it becomes due. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments was due and against funds needed to serve the public welfare and interest.

## **Abatement**

Except to the extent of (i) amounts held by the Trustee in the Debt Service Reserve Fund for the Bonds, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, Base

Rental payments due under the Lease with respect to the Facilities or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Facilities or any portion thereof, there is substantial interference with the use or right of possession by the County of the Facilities or a portion thereof. Base Rental payments will be abated proportionately under the Lease. The amount of abatement will be such that the resulting Base Rental payments and Additional Rental payments represents fair rental value for the use and possession of the remaining portions of the Facilities as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere.

### **Wildfires and Flooding**

The County is exposed to a variety of wildfire hazard conditions ranging from low levels of risk along the eastern portions of the County, which is primarily desert and sparsely populated to higher hazards in the western portion of the County, which is more urban and densely populated. Currently, fire hazard severity is a function of fuel conditions, historic climate, and topography. Population density or the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated mainly as having a "Very High Hazard" and "High Hazard." The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is fewer.

The State, particularly Southern California, is periodically subject to wildfires. When wildfires scorch thousands of acres in Southern California, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) as being within a Non-Special Flood Hazard Area (a "NSFHA"). A NSFHA is an area that is in a low- to moderate-risk flood zone (i.e. not in a floodplain) and has less than a 1% chance of flooding each year. While the County, including the Facilities, is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Property and the abatement of the Base Rental payments.

### **Risk of Uninsured Loss; Earthquakes**

The County covenants under the Lease to cause to be maintained certain insurance policies on the Facilities; provided, however, the County does not covenant to maintain earthquake insurance under all circumstances, as more fully described below. These insurance policies are "all risk" policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims. Currently, the County maintains earthquake and flood insurance with respect to the Facilities. In the event the Facilities are damaged or destroyed due to a casualty for which the Facilities is uninsured, an abatement of the Base Rental payments could occur and could continue indefinitely. The providers of the County's liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Facilities will be sufficient to prepay the Bonds.



The County is obligated under the Lease to secure and maintain, or cause to be secured and maintained, earthquake insurance with respect to the Facilities as part of its applicable “all-risk” insurance policy, provided that such insurance is available from reputable insurers at a reasonable cost. The County in the past has purchased an “all-risk” insurance policy with respect to certain properties located within the County. Accordingly, the Facilities are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Facilities, sustain one or more losses or damages in a fiscal year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Facilities.

For additional information regarding the County’s risk management programs, see APPENDIX A: “INFORMATION REGARDING THE COUNTY OF RIVERSIDE–Financial Information – Insurance” and APPENDIX D–“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease” attached hereto.

## **THE COUNTY**

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the State and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County’s population was estimated at 2,217,778 as of January 1, 2011, reflecting a 1% increase over the County’s population as estimated by the 2010 census.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (the “Board”), elected by district, and serve staggered four-year terms. The Chair of the Board is elected by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services and public assistance programs. Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities at cost by the County.

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains and the desert areas. The western portion of the County, which includes the San Jacinto Mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

See APPENDIX A: “INFORMATION REGARDING THE COUNTY OF RIVERSIDE” for a more detailed description of the County.

## **THE CORPORATION**

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1983 to assist the County by providing for the acquisition and maintenance of equipment, the acquisition, construction and renovation of facilities and other improvements, and the leasing of such equipment and facilities to the County. The Corporation is governed by a Board of Directors composed of five members appointed by the Board to serve one-year terms. The Board of Directors elects a President, Secretary, and Treasurer from among its members. The County's Executive Officer, Clerk of the Board of Supervisors, Treasurer-Tax Collector, Purchasing Agent and County Counsel serve as staff to the Corporation.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to the County continues as part of its allocation in future years.

### **Article XIII B of the State Constitution**

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article

XIIIB provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIIIB include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIIIB permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIIIB provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIIIB provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

The County's appropriations limit for the Fiscal Year 2010-11 was \$2,050,230,730 and the amount shown in its budget for that year as the appropriations subject to limitation was \$971,645,571. The County's appropriations limit for Fiscal Year 2011-12 is \$2,139,732,138 and the amount subject to the limitation is \$900,975,704.

### **Right To Vote on Taxes Initiative-Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. Proposition 218 (Article XIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which a county imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

Proposition 218 (Article XIID) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots

weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any county will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

The County is unaware of any assessments imposed by the County which, if challenged, would adversely affect County finances. Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time-to-time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

### **Proposition 62**

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *County of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers*

*Association v. County of La Habra, et al.* (“La Habra”). In this decision, the court held that a public agency’s continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. No such challenge against the County is currently pending, or to the knowledge of the County, proposed.

### **Proposition 1A**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such shifting occurred in the 2009-10 Fiscal Year. See APPENDIX A: “INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget.” The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate then in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the County.

### **Proposition 25**

According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Under Proposition 25, a two-thirds vote of the Legislature is still required to override any veto by the Governor.

### **Proposition 26**

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal became effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

### **Assessment Appeals and Assessor Reductions**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In Fiscal Year 2011-12, the secured property tax roll declined by approximately 1.5% from the prior year. The County expects assessed valuation to decline by approximately 2.5% in Fiscal Year 2012-13, primarily as a result of declining commercial property values which were not subject to unilateral reductions by the County Assessor under Proposition 8. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

The County Assessor prepares the tax roll in each spring and summer. Owners are notified of changes in valuation by early fall and have the ability to file an appeal. The deadline for appeals in the

County is November 30th. Current year appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. For Fiscal Year 2011-12 over 414,000 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the tax roll in the summer.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 1A, 25 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

## **STATE OF CALIFORNIA BUDGET INFORMATION**

*The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guaranty the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest due with respect to the 2012 Bonds is payable from any funds of the State.*

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2011-12, approximately 39% of the County's General Fund budget revenues consist of payments from the State and 21% consists of payments from the Federal government.

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The severe economic downturn and slow recovery resulted in General Fund revenues in Fiscal Year 2010-11 (\$93.2 billion) that are 9.2% lower from their peak in Fiscal Year 2007-08 (\$102.6 billion). Since the beginning of 2010, the nation and California have been gradually recovering from what has been characterized as the worst recession since the Great Depression. Recent national economic output has grown as has personal income in both the State and the nation, and job growth has similarly. However, because of the magnitude of the economic displacement resulting from the recession, California continues to face significant financial challenges. To the extent the State is constrained by constitutional or statutory spending limits, or by other fiscal considerations, State assistance to local governments may be reduced. Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. In 2009, the California legislature enacted legislation allowing the State to delay scheduled payments to local governments in Fiscal Year 2010-11, until May 2011. In prior years, the State's cash management problems caused it to refrain from making some payments or issuing "IOUs" so that the State's "priority payments," such as debt service and payroll, could be made as scheduled. The State's budgetary decisions during the recent economic downturn have had, and will continue to have, a significant financial and programmatic impact on counties, cities and other local jurisdictions. For a discussion of the County's budget and finances, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information."

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

For a description of certain potential impacts of the State budget on the finances and operations of the County, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE – Financial Information – Impacts of State Budget" attached hereto.

**State Budget for Fiscal Year 2011-12.** On June 30, 2011, the State's budget for fiscal year 2011-12 (the "2011 Budget Act") was enacted. The 2011 Budget projects State General Fund revenues and transfers for fiscal year 2011-12 at \$88.5 billion, a reduction of \$6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at \$85.9 billion – a reduction of \$5.5 billion compared to the prior year.

In approving the 2011 Budget Act, Governor Jerry Brown exercised his line-item veto power to reduce General Fund expenditures, mostly in the Judicial Branch, which included a reduction of \$22.9 million related to parole revocation workload. The 2011 Budget Act also includes special fund expenditures of \$34.2 billion and bond fund expenditures of \$9.4 billion. The estimated General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately \$7.1 billion in Fiscal Year 2010-11) and the transfer of about one percent of the State sales tax rate to local governments to fund the realignment described further below. See "Realigning Services to Local Governments" below. Offsetting these reductions were improved revenue estimates for the remaining state tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus funding provided for under the American Recovery and Reinvestment Act of 2009 ("ARRA") which supported about \$4.2 billion of State General Fund programs in fiscal year 2010-11.

The 2011 Budget Act closed a projected budget gap of \$26.6 billion over Fiscal Years 2010-11 and 2011-12, and projected a \$543 million reserve by June 30, 2012, for a total of \$27.2 billion in solutions (including a combination of expenditure reductions, additional revenues, and other solutions) and improved revenue results for the State's tax base.

The 2011 Budget Act includes, but is not limited to, the following major expenditure reductions and other significant solutions targeted towards solving the State General Fund budget gap:

- (a) Reduction in Medi-Cal health benefits & spending by \$2.0 billion;
- (b) Reduction in the State's support of the University of California and California State University by \$1.4 billion; and
- (c) Reduction in California Work Opportunity and Responsibility to Kids Program ("CalWORKs") grants by \$837 million.



**Redevelopment Agencies.** Legislation enacted as part of the 2011 Budget Act, upheld by the California Supreme Court, has resulted in the formal dissolution of redevelopment agencies effective February 1, 2012. The statute redirects the property tax increment that would have been received by the dissolved redevelopment agencies, after payment of redevelopment debt obligations and “pass through” payments to local agencies that they would have received under the prior law, be paid to local agencies and school and community college districts and special districts according to their base property tax allocations.

**Realignment of Certain Services to Local Governments.** As part of the 2011 Budget Act, the California Legislature enacted a major shift, or “realignment,” of certain State program responsibilities and related revenues to local governments (“Realignment”). In total, Realignment provides \$6.3 billion to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs in Fiscal Year 2011-12. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate (\$5.1 billion); 2) the redirection of \$763 million of the revenue generated by Proposition 63 (the “millionaire tax” which supports mental health programs statewide); and 3) the redirection of a portion of vehicle license fee revenues (\$463.0 million).

Realignment is best understood as comprising two distinct components: Health and Human Services and Public Safety. With respect to the former, the State has replaced the funding previously provided to counties as State reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change has resulted from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on a host of new responsibilities related to released inmates, newly convicted offenders, and parole violators. The County has received a \$22 million appropriation from the State to address the needs of the realigned criminal justice population. In the current fiscal year, the County anticipates that this funding will be sufficient to support its achievement of the complementary goals of increasing public safety and reducing recidivism.

**Events Subsequent to Adoption of The 2011 Budget Act.** The 2011 Budget Act recognized the potential risk to the State’s fiscal condition if certain forecasted revenues did not materialize and included a “trigger mechanism” to provide automatic expenditure reductions if the projections of Fiscal Year 2011-12 revenues, as updated in November and December of 2011 by the State’s Legislative Analyst Office and the State’s Department of Finance, respectively, were more than \$1 billion less than projected under the 2011 Budget Act.

On December 13, 2011, the Department of Finance estimated that State revenues for Fiscal Year 2011-12 would not meet, and would be \$2.2 billion less than, earlier revenue projections. If projected revenues fell short of expectations by more than \$1 billion, the Legislature had established the specific spending reductions (up to a maximum of approximately \$1.5 billion in reductions) that should occur determined by the amount of the projected revenue shortfall. As part of its December forecast and based on its forecast that revenue would be \$2.2 billion less than projected, the Department of Finance decreased expenditures by \$980,831,000. These reductions, effective January 1, 2012, included:

- (a) \$248 million from the Home-to-School Transportation program;
- (b) \$102 million from California community college apportionments;
- (c) \$100 million from the Department of Developmental Services;

- (d) \$100 million from the University of California; and
- (e) \$100 million from the California State University.

The County does not anticipate a material impact on its receipt of revenues from the State as a result of these “trigger” reductions.

In February 2012, State Controller John Chiang issued a warning to lawmakers that, absent aggressive action (including a combination of short-term borrowing and deferring payments), the State could run out of money in March 2012. The shortfall was avoided by a series of short-term cash solutions instituted by the State. However, a shortfall could occur in the future and any ensuring deferrals in State payments may jeopardize the County’s ability to maintain core discretionary programs and could require suspension of such programs.

***Proposed State Budget for Fiscal Year 2012-13.*** On January 5, 2012, the Governor released his proposed budget for Fiscal Year 2012-13 (the “Proposed Budget”). The Proposed Budget recognizes a budget gap of \$9.2 billion, comprised of a 2011-12 projected deficit of \$4.1 billion and a 2012-13 projected deficit, absent corrective actions, of \$5.1 billion. In addition, the Proposed Budget seeks to rebuild a \$1.1 billion reserve, bringing the total projected budget deficit to \$10.3 billion. The Proposed Budget includes a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the Proposed Budget seeks \$4.2 billion in expenditure reductions, \$4.6 billion in additional revenues and \$1.4 billion in other budget solutions. The Proposed Budget proposes that voters approve, at the November 2012 election, a temporary increase in personal income tax on the State’s wealthiest individuals and a temporary increase in sales tax of one-half percent. The Proposed Budget includes a “backup plan” if the ballot measure is not approved by the voters, which entails \$5.4 billion in further cuts including further impacts on education and public safety.

Features of the Proposed Budget affecting counties in general include the following:

(a) A permanent funding structure for the general realignment adopted in the 2011 Budget Act would be implemented, designed to provide local entities with a known and stable funding source for re-aligned programs. Counties would be responsible for drawing down the maximum amount of federal funding the re-aligned programs and, where applicable, meeting associated federal requirements.

(b) Reductions in expenditures at the State level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of \$946.2 million in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

In the event the State reduces funding for State-funded County programs, the County does not expect to backfill such reductions from other sources unless otherwise required by law, thereby resulting in corresponding reductions in County services.

In March 2012, the Governor announced his agreement with the proponents of a competing tax initiative to support a different version of a tax proposal (the “March Revenue Initiative”). At this time, the Governor is collecting signatures for both initiatives. The March Revenue Initiative provides for

increased State personal income tax rates on the State's wealthiest individuals through 2018 by 1 percent, 2 percent or 3 percent, depending on income, and an increase of 0.25 percent in the sales and use tax through 2016. If placed on the ballot and approved by the voters, the March Revenue Initiative is projected to result in \$6.8 billion of additional revenues for the 2012-13 State budget, and an average of \$5.4 billion during the following five fiscal years.

*LAO's Overview of Fiscal Year 2012-13.* The Legislative Analyst's Office Overview of the Governor's Budget was released on January 11, 2012 (the "Budget Overview"). The Budget Overview projects lower revenues than are estimated by the Proposed Budget, but acknowledges that the adoption of the budgetary actions included in the Proposed Budget would move the State closer to a balanced budget over the next few years.

The Budget Overview credits the Governor for the proposed restructuring of the K-12 finance system, the community college categorical funding model and the education mandate system. The Legislative Analyst's Office looks favorably on these proposals, stating that the restructuring would overcome the main longstanding fundamental shortcomings of education funding and would institute lasting improvements. Likewise, the Budget Overview agrees with the Proposed Budget that now is not the time to initiate major new programs or authorize program expansions, such as the transitional kindergarten program and Cal Grant expansions scheduled to commence in 2012-13.

However, the Budget Overview highlights several concerns with respect to the Proposed Budget, including the uncertainty caused by increased dependency on income tax payments by the state's wealthiest individuals and the uncertainty caused by the timing of the election. Also, the Budget Overview recommends that the Legislature should carefully consider the Governor's proposed reductions in CalWORKs and child care, as well as whether specific proposed trigger plans are workable.

*Future State Budgets.* No prediction can be made by the County as to whether the State will encounter budgetary problems in future fiscal years, and if this occurs, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, over which the County has no control.

## **TAX MATTERS**

### **2012A Bonds**

#### *Federal Income Taxes*

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2012A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2012A Bonds. Pursuant to the Indenture and the Tax and Nonarbitrage Certificate, executed by the Corporation and the County relating to the 2012A Bonds (the "Tax Certificate"), the Corporation and the County have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2012A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the County have made certain representations and certifications in the Indenture and the

Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and the County described above, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2012A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

#### *State Taxes*

Bond Counsel is also of the opinion that interest on the 2012A Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the 2012A Bonds nor as to the taxability of the 2011A Bonds or the income therefrom under the laws of any state other than California.

#### *Original Issue Discount*

Bond Counsel is further of the opinion that the difference between the principal amount of the 2012A Bonds maturing June 1, 20\_\_ through June 1, 20\_\_, inclusive; (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2012A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

#### *Original Issue Premium*

The 2012A Bonds maturing on June 1, 20\_\_ through June 1, 20\_\_, inclusive; (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are

advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

#### *Ancillary Tax Matters*

Ownership of the 2012A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the 2012A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2012A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the 2012A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2012A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix C. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2012A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

#### *Changes in Law and Post Issuance Events*

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2012A Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2012A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2012A Bonds from gross income for federal or state income tax purposes, or otherwise. For example, the President recently released legislative proposals that would, among other things, subject interest on tax-exempt bonds (including the 2012A Bonds) to a federal income tax for taxpayers with incomes above certain thresholds for tax years beginning after 2012. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2012A Bonds may occur. Prospective purchasers of the 2012A Bonds should consult their own tax advisors regarding the impact of any change in law on the 2012A Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2012A Bonds may affect the tax status of interest on the 2012A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2012A Bonds, or the interest thereon, if any action is taken with respect to the 2012A Bonds or the proceeds thereof upon the advice or approval of other counsel.

#### **2012B Bonds**

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the 2012B Bonds (the "Taxable Bonds"). The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and

administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Taxable Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Bonds.

### *IRS Circular 230 Notice*

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Taxable Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Taxable Bonds. The advice set forth herein is written to support the promotion or marketing of the Taxable Bonds. Each owner of the Taxable Bonds should seek advice based on its particular circumstances from an independent tax advisor.

### *Generally*

In the opinion of Nixon Peabody LLP, Bond Counsel, interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Taxable Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Taxable Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

### *Original Issue Discount*

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Taxable Bonds issued with original issue discount (“Discount Taxable Bonds”). A Taxable Bond will be treated as having been issued at an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Taxable Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Taxable Bond’s “stated redemption price at maturity” is the total of all payments provided by the Taxable Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Taxable Bond is the sum of the “daily portions” of original issue discount with respect to such Taxable Bond for each day during the taxable year in which such holder held such Taxable Bond. The daily portion of original issue discount on any Discount Taxable Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Taxable Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Taxable Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Taxable Bond at the beginning of any accrual period is the sum of the issue price of the Discount Taxable Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Taxable Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Taxable Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

#### *Market Discount*

Any owner who purchases a Taxable Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Taxable Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Taxable Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Taxable Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable Bond for the days during the taxable year on which the owner held the Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This

deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

### *Bond Premium*

A purchaser of a Taxable Bond who purchases such Taxable Bond at a cost greater than its then principal amount (or, in the case of a Taxable Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Taxable Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Taxable Bonds.

### *Sale or Redemption of Taxable Bonds*

A bondowner's tax basis for a Taxable Bond is the price such owner pays for the Taxable Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Taxable Bond, measured by the difference between the amount realized and the Taxable Bond basis as so adjusted, will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of the Taxable Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

### *Backup Withholding*

A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 30% (although the rate is scheduled to be reduced over the next few year) with respect to interest or original issue discount on the Taxable Bonds. This withholding generally applies if the owner of a Taxable Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Taxable Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Taxable Bonds will be reported to the bondowners and to the IRS.

### *Nonresident Bondowners*



Under the Code, interest and original issue discount income with respect to Taxable Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the Corporation and the County (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Taxable Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

### *ERISA*

The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Taxable Bonds.

### *State Taxes*

Bond Counsel is also of the opinion that interest on the Taxable Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Taxable Bonds nor as to the taxability of the Taxable Bonds or the income therefrom under the laws of any state other than California.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the 2012 Bonds.

## **LEGAL MATTERS**

The validity of the 2012 Bonds and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C-“FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Corporation and for the County by County Council. Kutak Rock LLP served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation. None of Bond Counsel, counsel to the Underwriters, Disclosure Counsel or County Council undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

## **CONTINUING DISCLOSURE**

The County will agree to provide, during the time the 2012 Bonds are outstanding, certain financial information and operating data and notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). The specific nature of the notices of events and certain other terms of the continuing disclosure obligation are described in APPENDIX E-“FORM OF THE CONTINUING DISCLOSURE CERTIFICATE.” Failure of the County to provide the required ongoing information may affect transferability, liquidity and the market price of the 2012 Bonds in the secondary market, but shall not constitute a default under the

Indenture or the Lease. The County has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual reports or notices of certain events.

### **ABSENCE OF LITIGATION**

No litigation is pending or threatened concerning the validity of the 2012 Bonds, the Lease or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the 2012 Bonds. Neither the County nor the Corporation is aware of any litigation pending or threatened questioning the existence of the Corporation or the County or contesting the County's ability to appropriate or make Base Rental payments. See APPENDIX A-"THE COUNTY OF RIVERSIDE-Financial Information-Litigation" for a discussion of the County's pending general litigation.

### **FINANCIAL STATEMENTS**

The County's audited financial statements with supplemental information for the year ended June 30, 2011, are included in this Official Statement as part of APPENDIX B-"COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011." In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **RATINGS**

Moody's Investors Service and Standard & Poor's have assigned the 2012 Bonds the ratings of "[ ]" and "[ ]," respectively. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2012 Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or any of them, if in their, or its, judgment, circumstances so warrant. The Corporation, the County, the Trustee and the Underwriters undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2012 Bonds.

### **UNDERWRITING**

The 2012 Bonds are being purchased through negotiation by Merrill Lynch, Pierce, Fenner & Smith Incorporated, E.J. De La Rosa & Co., Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters"). The Underwriters have agreed to purchase the 2012 Bonds at a purchase price of \$\_\_\_\_\_ (representing the par amount of the 2012 Bonds, [plus/minus] net original issue [premium/discount] in the amount of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_). The Underwriters are obligated to purchase all of the 2012 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2012 Bonds.

The Underwriters may also offer and sell the 2012 Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

**FINANCIAL ADVISOR**

The Corporation and the County have retained KKN Public Finance, A Division of Zions First National Bank, Oakland, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the 2012 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

**EXECUTION AND DELIVERY**

The preparation and distribution of this Official Statement have been authorized by the Corporation and the County.

COUNTY OF RIVERSIDE ASSET  
LEASING CORPORATION

By: /s/ \_\_\_\_\_  
Authorized Officer

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/ \_\_\_\_\_  
Authorized Officer

**APPENDIX B**

**THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL  
YEAR ENDED JUNE 30, 2011**

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

[Closing Date]

County of Riverside Asset Leasing Corporation  
Riverside, California

County of Riverside  
Riverside, California

RE: \$\_\_\_\_\_ County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects); and

\$\_\_\_\_\_ County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the County of Riverside Asset Leasing Corporation (the "Corporation") of its \$\_\_\_\_\_ County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) (the "2012A Bonds") and \$\_\_\_\_\_ County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (the "2012B Bonds," and together with the 2012A Bonds, the "Series 2012 Bonds").

The Series 2012 Bonds are issued by the Corporation on behalf of the County of Riverside, California (the "County"), pursuant to an Indenture of Trust, dated as of July 1, 1989, as amended and supplemented by Supplemental Indenture of Trust No. 1, dated as of July 1, 1989, as amended and supplemented by Supplemental Indenture of Trust No. 2, dated as of January 1, 1993, as amended and supplemented by Supplemental Indenture of Trust No. 3, dated as of January 1, 1993, as amended and supplemented by Supplemental Indenture of Trust No. 4, dated as of February 1, 1997, as amended and supplemented by Supplemental Indenture of Trust No. 5, dated as of August 1, 1997, as amended and supplemented by Supplemental Indenture of Trust No. 6, dated as of December 1, 1997, as amended and supplemented by Supplemental Indenture of Trust No. 7, dated as of January 1, 2003, and as amended and supplemented by Supplemental Indenture of Trust No. 8, dated as of June 1, 2012 (the "Supplemental Indenture No. 8," and collectively, as amended and supplemented, the "Indenture"), each by and among the Corporation, the County and U.S. Bank National Association, as successor trustee (the "Trustee").

The Corporation and the County have entered into that certain Lease and Option To Purchase, dated as of July 1, 1989, as amended and supplemented, including as amended and supplemented by Amendment No. 7 to Lease and Option to Purchase, dated as of June 1, 2012 (the "Amendment No. 7 to Lease," and as amended and supplemented, the "Facilities Lease"), by and between the County and the Corporation with respect to the real property and

improvements thereon described therein and which provides for the dedication of all Base Rental payments made by the County thereunder to the payment of all Outstanding Bonds. The Corporation and the County have additionally entered into that certain Equipment Lease, dated as of July 1, 1989, as amended and supplemented (as amended and supplemented, the "Equipment Lease," and together with the Facilities Lease, the "Leases") with respect to items of equipment described therein and which provides for the dedication of all Base Rental payments made by the County thereunder to the payment of all Outstanding Bonds.

Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Indenture or the Lease.

As Bond Counsel, we have examined the record of proceedings submitted to us in connection with the issuance of the Series 2012 Bonds, the Supplemental Indenture No. 8, the Amendment No. 7 to Lease, and the Tax and Nonarbitrage Certificate relating to the 2012A Bonds (the "Tax Certificate"), other certifications of the County and the Corporation, and such other documents and matters deemed necessary by us to render the opinions sets forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2012 Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Corporation and the County. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City and the Corporation in the Indenture, the Leases and the Tax Certificate and other relevant documents to which each is a party. We call attention to the fact that the rights and obligations under the Series 2012 Bonds, the Supplemental Indenture No. 8, the Amendment No. 7 to Lease, and the Tax Certificate, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in applicable law regarding legal remedies against the County or the Corporation. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or any interest in, any of the Property or any personal property in or subject to the Leases or the accuracy or sufficiency of the description of any such property contained therein. Finally, we

undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2012 Bonds, having been issued in duly authorized form and executed by the proper officials, and delivered to and paid for by the purchasers, constitute the legally valid and binding obligations of the Corporation, payable solely from Revenues (as defined in the Indenture) and from certain other funds as provided in the Indenture.

2. The Leases have been duly and validly authorized, executed and delivered by the Corporation and constitute the legally valid and binding obligation of the Corporation, enforceable in accordance with their respective terms.

3. The Indenture, including the Supplemental Indenture No. 8, has been duly and validly authorized, executed and delivered by the County and the Corporation and constitutes the legally valid and binding obligation of the County and the Corporation, respectively, enforceable in accordance with its terms, and the Series 2012 Bonds are entitled to the benefits of the Indenture.

4. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2012A Bonds (the "Tax-Exempt Bonds") for interest with respect thereto to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. Pursuant to the Indenture and the Tax Certificate, the Corporation and County have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the County have made certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein, and the accuracy of the aforementioned representations and certifications, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Except as provided in the following sentence, we express no opinion with regard to the federal income tax consequences with respect to the 2012B Bonds (the "Taxable Bonds"). Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes

nor are the owners thereof entitled to any credit under the Code. This opinion is not intended or provided to be used and cannot be used by an owner of the Taxable Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Taxable Bonds. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Taxable Bonds. Each owner of Taxable Bonds should seek advice based on its particular circumstances from an independent tax advisor.

6. Interest on the Series 2012 Bonds is exempt from California personal income taxes.

Except as stated in opinions 4 and 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Tax-Exempt Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Tax-Exempt Bonds, or the interest thereon, if any action is taken with respect to the Tax-Exempt Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have acted in this transaction solely as bond counsel to you. This opinion is addressed to you solely for your benefit in connection with the issuance and delivery of the Series 2012 Bonds on the date hereof. This opinion may not be utilized for any other purpose and may not be quoted without our express prior written consent. This opinion speaks only as of its date and is limited to the opinions stated herein. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Respectfully submitted,



**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS**

## APPENDIX E

### FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County"), in connection with the issuance, execution and delivery of \$\_\_\_\_\_ aggregate principal amount of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) and of \$\_\_\_\_\_ aggregate principal amount of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (together, the "Bonds"). The Bonds are being delivered pursuant to an Indenture of Trust, dated as of July 1, 1989 by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Security Pacific National Bank, as the original trustee thereunder (as amended and supplemented, the "Original Indenture"), as amended and supplemented by Supplemental Indenture of Trust No. 8, dated as of May 1, 2012 (the "Eight Supplemental Indenture" and, collectively with the Original Indenture and prior amendments and supplements, the "Indenture"), by and among the Corporation, the County and U.S. Bank National Association, as trustee (the "Trustee"). The County is executing this Disclosure Certificate as the "Obligated Person" in connection with the 2012 Bonds, as further defined and described in Section 1 below. The County covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the County, as the "Obligated Person" under the Rule (as hereinafter defined) for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

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

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

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

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

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be

made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the 2012 Bonds, dated \_\_\_\_\_, 2012.

“Participating Underwriter” shall mean any of the original underwriters of the 2012 Bonds required to comply with the Rule in connection with the offerings of the 2012 Bonds.

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

### **Section 3. Provision of Annual Reports.**

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the 2011-2012 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Corporation stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

**Section 4. Content of Annual Reports.** The County’s Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the 2012 Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statement contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) A description of any occurrence which would adversely impact the County’s beneficial use and possession of the Property and other occurrence which may provide the County with the opportunity to abate in whole or in part any Base Rental Payment; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the 2012 Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

#### **Section 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2012 Bonds:

(i) principal or interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to the rights of the Holders of the 2012 Bonds, if material;

(iv) optional, contingent or unscheduled calls, if any of the preceding are material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2012 Bonds or other material events affecting the tax status of the 2012 Bonds;

(viii) unscheduled draws on debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the 2012 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

(xiii) appointment of a successor or additional trustee or the change or name of a trustee, if material; or

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the Corporation or the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(b) An event described in item 12 above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**Section 6. Termination of Reporting Obligation.** The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the County with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the County's obligations under this Disclosure Certificate shall terminate to a like extent. If either such termination occurs prior to the final maturity of the 2012 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 7. Dissemination Agent.** The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorney's fees). The Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the County.

**Section 8. Amendment.** Notwithstanding any other provision of this Disclosure Certificate, the County may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2012 Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Corporation (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this



**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: COUNTY OF RIVERSIDE, CALIFORNIA

Name of Bond Issue: County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A (County of Riverside Capital Projects) and County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Taxable Series B (County of Riverside Capital Projects) (together, the "Bonds")

Date of Delivery: \_\_\_\_\_, 2012

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Bonds. The County anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

COUNTY OF RIVERSIDE, CALIFORNIA

By: [To be signed only if filed]  
Authorized Officer



## APPENDIX F

### BOOK-ENTRY SYSTEM

**The following information concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”**

DTC will act as securities depository for the 2012 Bonds. The 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on this website is not incorporated herein by this reference.

Purchases of 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the County nor the Corporation will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the 2012 Bonds. Beneficial Owners of the 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments with respect to the 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2012 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

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

The Corporation cannot and does not give any assurances that DTC will distribute to Direct or Indirect Participants, or that Direct or Indirect Participant or others will distribute to the Beneficial Owners (a) payments of principal of, interest and premium, if any, on the 2012 Bonds paid or (b) any evidence of ownership or redemption or other notices, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. Neither the Corporation nor the Underwriters are responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2012 Bonds or any error or delay related thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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**APPENDIX A**  
**INFORMATION REGARDING THE COUNTY OF RIVERSIDE**  
**GENERAL INFORMATION**

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Population**

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,217,778 as of January 1, 2011, representing an approximately 1% increase over the County's population as estimated by the 2010 Census, following an increase of approximately 42% over the prior decade. For the eleven year period of January 1, 2000 to January 1, 2011, the County's population grew by over 600,000, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 59,000 to its population. This is followed by Riverside, Temecula, Moreno Valley, Indio, Corona, Beaumont, Lake Elsinore and La Quinta. The city of Beaumont experienced the most rapid growth rate. Several areas in the unincorporated County also grew rapidly. These include Eastvale (which incorporated in 2010), Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. Currently, the growth in the County has tempered due to the economy. Between January 1, 2010 and January 1, 2011, the County population increased by approximately 1%, a rate close to the statewide average.

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

**COUNTY OF RIVERSIDE  
POPULATION OF CITIES WITHIN THE COUNTY  
(As of January 1)**

<u>CITY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Banning	28,148	28,551	29,507	29,844
Beaumont	31,317	32,448	36,496	38,195
Blythe	21,627	21,346	20,873	20,158
Calimesa	7,423	7,504	7,853	7,941
Canyon Lake	10,994	11,143	10,528	10,647
Cathedral City	51,972	52,508	51,037	51,603
Coachella	40,317	41,043	40,464	41,502
Corona	146,698	148,770	151,854	153,649
Desert Hot Springs	25,939	26,584	25,852	27,383
Eastvale	-	-	-	54,303
Hemet	73,205	74,931	78,335	79,607
Indian Wells	5,000	5,099	4,941	5,010
Indio	80,962	82,325	75,122	77,165
Lake Elsinore	49,556	50,324	51,445	52,503
La Quinta	42,743	43,830	37,307	37,836
Menifee	-	67,819	77,267	79,444
Moreno Valley	182,945	186,515	192,654	195,216
Murrieta	99,576	100,835	103,085	104,459
Norco	27,143	27,189	27,066	27,060
Palm Desert	50,686	51,570	48,132	49,111
Palm Springs	47,019	47,653	44,385	45,002
Perris	53,340	54,387	67,879	69,781
Rancho Mirage	16,975	16,938	17,168	17,463
Riverside	296,191	300,769	302,814	306,779
San Jacinto	35,491	36,521	44,043	44,597
Temecula	99,873	102,713	99,611	101,657
Wildomar	-	<u>31,374</u>	<u>32,006</u>	<u>32,543</u>
<b>TOTALS</b>				
Incorporated	1,525,140	1,650,689	1,677,724	1,760,548
Unincorporated	<u>553,461</u>	<u>459,193</u>	<u>501,968</u>	<u>457,320</u>
County-Wide	<u>2,078,601</u>	<u>2,109,882</u>	<u>2,179,692</u>	<u>2,217,778</u>
California	37,883,992	38,255,508	37,223,900	37,510,766

Source: State Department of Finance, Demographic Research Unit.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2007 through 2011.

### RIVERSIDE COUNTY AND CALIFORNIA TOTAL EFFECTIVE BUYING INCOME, MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000<sup>(1)</sup>

	<u>Total Effective Buying Income<sup>(2)</sup></u>	<u>Median Household Effective Buying Income</u>	<u>Percent of Households with Income over \$50,000</u>
<b>2007</b>			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%
<b>2008</b>			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%
<b>2009</b>			
Riverside County	\$40,935,686	\$46,852	46.2%
California	\$832,528,809	\$48,915	48.7%
<b>2010</b>			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
<b>2011</b>			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%

<sup>(1)</sup> Estimated.

<sup>(2)</sup> Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009, 2010 and 2011.

## Industry And Employment

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

### RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY<sup>(1)</sup> (IN THOUSANDS)

<u>INDUSTRY</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>March 2012<sup>(2)</sup></u>
Agriculture	16.4	15.9	14.9	14.8	15.4
Construction	112.5	90.7	67.9	59.5	55.0
Finance Activities	49.8	46.1	42.5	41.1	38.3
Government	225.3	229.9	228.4	224.3	228.4
Manufacturing:	118.5	106.9	88.8	84.6	87.6
Nondurables	36.5	34.3	30.6	29.6	31.1
Durables	82.1	72.5	58.1	55.0	56.5
Natural Resources and Mining	1.3	1.2	1.1	1.0	1.0
Retail Trade	175.6	168.6	156.2	154.6	154.3
Professional, Educational and other Services	446.2	441.3	419.0	414.9	442.1
Transportation, Warehousing and Utilities	69.5	70.2	66.8	66.5	68.4
Wholesale Trade	56.8	54.1	48.9	48.8	50.9
Information, Publishing and Telecommunications	<u>15.4</u>	<u>14.9</u>	<u>15.1</u>	<u>15.9</u>	<u>14.9</u>
<b>Total, All Industries</b>	1,287.3	1,239.7	1,149.7	1,126.0	1,156.3

<sup>(1)</sup> The employment figures by industry which are shown above are not directly comparable to the “Total, All Industries” employment figures due to rounded data.

<sup>(2)</sup> Monthly totals, preliminary.

Source: State Employment Development Department, Labor Market Information Division.



The following table sets forth the major employers located in the County as of 2011:

**COUNTY OF RIVERSIDE  
CERTAIN MAJOR EMPLOYERS<sup>(1)</sup>  
(2011)**

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees<sup>(2)</sup></u>
County of Riverside	County Government	17,702
March Air Reserve Base	Military Reserve Base	9,000
Stater Bros. Markets	Supermarkets	6,900
University of California, Riverside	University	5,790
Wal-Mart	Retail Store	5,360
Corona-Norco Unified School District	School District	4,686
Pechanga Resort & Casino	Casino & Resort	4,000
Riverside Unified School District	School District	3,796
Moreno Valley Unified School District	School District	3,500
Hemet Unified School District	School District	3,238

<sup>(1)</sup> Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.

<sup>(2)</sup> Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Source: County Economic Development Agency

Unemployment statistics for the County, the State and the United States are set forth in the following table.

**COUNTY OF RIVERSIDE  
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>March 2012</u>
County <sup>(1)</sup>	6.0%	8.5%	13.6%	14.7%	13.6%	12.8%
California <sup>(1)</sup>	5.3	7.2	11.4	12.4	11.7	11.0
United States <sup>(2)</sup>	4.6	5.8	9.3	9.6	8.9	8.2

<sup>(1)</sup> Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

<sup>(2)</sup> Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics

**Commercial Activity**

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2006 through 2010, the period for which data is currently available:

**COUNTY OF RIVERSIDE  
TAXABLE SALES TRANSACTIONS  
(IN THOUSANDS)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Apparel Stores	\$ 1,080,385	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271	\$1,391,174
General					
Merchandise Stores	3,250,377	3,272,665	3,081,989	2,855,733	2,947,905
Drug Stores	303,177	320,469	307,947	288,768	292,463
Food Stores	1,309,782	1,352,609	1,254,366	1,144,235	1,152,507
Packaged Liquor Stores	78,895	84,397	98,338	106,981	115,251
Eating and Drinking Places	2,316,422	2,388,039	2,340,554	2,266,853	2,317,486
Home Furnishing and Appliances	948,217	843,945	816,379	858,098	883,109
Building Materials & Farm Implements	2,738,153	1,961,911	1,435,337	1,128,595	1,232,145
Auto Dealers & Supplies	4,326,040	4,301,385	3,115,036	2,449,747	2,620,568
Service Stations	2,630,716	2,835,690	3,011,476	2,300,247	2,685,840
Other Retail Stores	<u>2,860,181</u>	<u>2,710,393</u>	<u>2,106,283</u>	<u>1,364,956</u>	<u>1,281,052</u>
Retail Stores Total	\$21,842,345	\$21,242,516	\$18,689,249	\$16,057,488	\$16,919,500
All Other Outlets	<u>7,973,892</u>	<u>7,781,093</u>	<u>7,314,346</u>	<u>6,170,390</u>	<u>6,233,280</u>
Total All Outlets	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$26,003,595</u>	<u>\$22,227,878</u>	<u>\$23,152,780</u>

Source: California State Board of Equalization, Research and Statistics Division.

## Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2007.

### COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS (IN THOUSANDS)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>RESIDENTIAL</b>					
New Single-Family	\$2,207,320	\$1,214,752	\$ 891,825	\$ 914,058	\$651,747
New Multi-Family	238,316	243,741	76,717	71,152	115,064
Alterations and Adjustments	<u>141,996</u>	<u>118,490</u>	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>
Total Residential	\$2,587,832	\$1,576,983	\$1,053,690	\$1,079,639	\$886,495
<b>NON-RESIDENTIAL</b>					
New Commercial	\$ 682,331	\$ 539,944	\$ 94,653	\$ 191,324	\$152,160
New Industry	184,506	70,411	12,278	6,686	10,000
New Other <sup>(1)</sup>	240,765	138,766	107,334	98,105	99,898
Alterations & Adjustments	<u>350,539</u>	<u>292,694</u>	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>
Total Nonresidential	\$1,458,141	\$1,041,815	\$376,822	\$ 539,380	\$559,415
<b>TOTAL ALL BUILDING</b>	<u>\$4,045,973</u>	<u>\$2,618,798</u>	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board

### COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Single Family	9,763	3,815	3,424	4,031	2,676
Multi-Family	<u>2,690</u>	<u>2,104</u>	<u>784</u>	<u>526</u>	<u>1,073</u>
<b>TOTAL</b>	<u>12,453</u>	<u>5,919</u>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>

Source: Construction Industry Research Board

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF MEDIAN HOUSING PRICES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> <sup>(1)</sup>
2006	\$515,000	\$419,000	\$365,000	\$481,000
2007	535,000	395,000	355,000	487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000

<sup>(1)</sup> Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> <sup>(1)</sup>
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003

<sup>(1)</sup> Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

**Agriculture**

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2006 through 2010 is presented in the following table.

**COUNTY OF RIVERSIDE  
VALUE OF AGRICULTURAL PRODUCTION**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Citrus Fruits	\$ 107,897,000	\$ 121,387,100	\$ 135,759,800	\$ 101,652,000	\$140,501,000
Trees and Vines	191,321,200	189,286,500	173,678,000	191,682,600	164,994,000
Vegetables, Melons, Miscellaneous	213,643,300	234,854,700	266,414,900	221,286,700	292,002,200
Field and Seed Crops	68,611,700	94,492,000	123,545,400	69,699,800	81,328,300
Nursery	270,992,800	272,326,200	230,416,200	206,499,900	169,341,300
Apiculture	3,554,300	3,948,900	5,637,000	5,017,600	4,631,700
Aquaculture					
Products	<u>11,514,700</u>	<u>9,829,200</u>	<u>12,077,700</u>	<u>5,243,900</u>	<u>4,921,700</u>
Total Crop Valuation	\$ 867,535,000	\$ 926,124,600	\$ 947,529,000	\$ 801,082,500	\$857,720,200
Livestock and Poultry Valuation	<u>234,903,400</u>	<u>338,938,600</u>	<u>321,060,900</u>	<u>214,672,800</u>	<u>235,926,300</u>
Grand Total	<u>\$1,102,438,400</u>	<u>\$1,265,063,200</u>	<u>\$1,268,589,900</u>	<u>\$1,015,755,300</u>	<u>\$1,093,646,500</u>

Source: Riverside County Agricultural Commissioner

**Transportation**

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

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

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

## **Education**

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

## **Environmental Control Services**

**Water Supply.** The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronio Pass Water Agency, Desert Water Agency, Palo Verde Irrigation District and Rancho California Water District also provide supplemental water to cities and agencies within the County.

The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California. The governor and the state legislature are currently engaged in discussions with respect to a comprehensive state-wide plan with respect to water supply, storage and conveyance, but no assurance can be made that a sustainable solution will be achieved.

Due to the water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

**Flood Control.** Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

**Sewage.** There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal. The State Water Resources Control Board is required by State law to develop statewide standards for small septic systems. Once such standards are adopted, the disposal methods used in the unsewered areas will be evaluated against the standards and upgraded, if necessary.

## **FINANCIAL INFORMATION**

### **Budgetary Process and Budget**

Riverside County operates on an annual budget cycle. Under the Government Code, the County must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. A final budget that reflects any revisions to the recommended budget must be adopted by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed at the end of the first, second and third quarters.

### **Fiscal Year 2011-12 Budget**

The Board of Supervisors approved the budget for fiscal year 2011-12 on September 13, 2011. The adopted budget includes total general fund appropriations of approximately \$2.4 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy will continue to stabilize in fiscal year 2011-12 but does not expect additional revenue to be available to expand services. However, the County believes additional, minor revenue losses are likely, especially with respect to property taxes. For fiscal year 2011-12, approximately 39% of the County's general fund revenue is projected to consist of payments from the State and 21% will consist of payments from the Federal government. The County projects that discretionary revenue will decrease by \$15 million to \$577 million for fiscal year 2011-12.

The assessed valuation of taxable property is expected to decrease by approximately 1.5%, equating to a decrease of approximately \$9.4 million of property tax revenue, in fiscal year 2011-12. Sales tax receipts in fiscal year 2011-12 for the County from the 1/2 cent levy pursuant to Proposition 172 are budgeted at \$119 million. Any of this revenue in excess of the budgeted amount will be added to a public safety reserve for future budgetary needs. General sales tax receipts for the County are expected to be approximately \$25 million, a reduction of more than \$3 million from the prior year due to revenue loss associated with newly incorporated areas.

The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-12 will incorporate additional direct cuts and labor savings of \$33 million and a \$28 million draw on reserves.

### **Mid-Year Developments and Adjustments**

In April 2012, the County Executive Office released its Third Quarter Budget Report. Overall, most departments reported that they will end the year on target, and the County reported a modest net discretionary revenue increase of \$3.9 million from the originally budgeted amount. However, the Executive Office projects another notable decrease in discretionary revenue in 2012-13 due largely to a projected decrease in assessed valuation of approximately 2.5% in such fiscal year. Such decrease is primarily as a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years. In addition, the Executive Office anticipates additional costs for upcoming fiscal years, including a larger operating budget associated with the newly implemented public safety communications project, increased labor costs based on newly negotiated agreements with various labor unions, and the County's commitment to the State to expand correctional facilities.

### **Impacts of State Budget**

Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. Approximately \$36 million in fiscal year 2011-12 County revenue is subject to Proposition 1A. It should be noted that these

revenues may not be suspended until the State repays the revenue suspension in the amount of approximately \$38 million that occurred in fiscal year 2009-10 pursuant to Proposition 1A.

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2011-12 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2011-12 Final Budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.



## Final Budget Comparison

The following table compares the general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

**COUNTY OF RIVERSIDE**  
**ADOPTED GENERAL FUND BUDGETS<sup>(1)</sup>**  
**FISCAL YEARS 2007-08, 2008-09, 2009-10, 2010-11 AND 2011-12**  
**(IN MILLIONS)**

	2007-08 <u>Budget</u>	2008-09 <u>Budget</u>	2009-10 <u>Budget</u>	2010-11 <u>Budget</u>	2011-12 <u>Budget</u>
<b><u>REQUIREMENTS</u></b>					
General Government	\$ 279.30	\$ 238.6	\$ 239.2	\$ 175.3	\$ 174.4
Public Protection	1,032.48	1,132.0	1,055.2	1,062.4	1,060.0
Public Ways and Facilities	6.79	2.1	2.2	0.0	0.0
Health and Sanitation	410.68	392.3	295.2	396.0	411.9
Public Assistance	721.38	791.1	815.5	780.0	802.9
Education	0.49	0.6	0.4	0.6	0.6
Recreation and Cultural	0.29	0.3	0.3	0.3	0.4
Debt Retirement-Capital Leases	14.82	22.3	6.8	6.8	5.0
Contingencies	32.15	34.8	30.0	20.0	20.0
Increase to Reserves	<u>8.92</u>	<u>5.0</u>	<u>(12.8)</u>	<u>17.5</u>	<u>2.4</u>
Total Requirements <sup>(3)</sup>	<u>\$ 2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>
<b><u>AVAILABLE FUNDS</u></b>					
Use of Fund Balance and Reserves	\$ 33.43	\$ 107.1	\$ 112.8	\$ 107.8	\$ 90.1
Estimated Revenues:					
Property Taxes <sup>(2)</sup>	262.61	287.2	244.9	222.4	214.9
Other Taxes <sup>(2)</sup>	71.06	49.1	46.1	46.0	35.5
Licenses, Permits and Franchises	31.63	24.9	20.7	19.8	18.1
Fines, Forfeitures and Penalties	51.99	60.6	55.7	58.0	56.2
Use of Money and Properties	53.16	29.7	13.5	11.2	10.0
Aid from Other Governmental Agencies:					
State	938.46	991.8	962.0	921.7	936.3
Federal	444.70	465.4	511.1	501.2	506.7
Charges for Current Services	462.26	385.1	452.7	461.0	462.8
Other Revenues	<u>158.01</u>	<u>217.9</u>	<u>112.5</u>	<u>111.9</u>	<u>147.7</u>
Total Available Funds <sup>(3)</sup>	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>

<sup>(1)</sup> Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

<sup>(2)</sup> Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2008-09 Budget, the 2009-10 Budget, the 2010-11 Budget and the 2011-12 Budget and included with Other Taxes in the 2007-08 Budget.

<sup>(3)</sup> Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

**Riverside County Treasurer’s Pooled Investment Fund**

The County Treasurer maintains one Pooled Investment Fund (the “PIF”) for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2012, the portfolio assets comprising the PIF had a market value of \$5,001,811,731.51.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2010, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of “mandatory” vs. “discretionary” depositors. Collectively, these mandatory deposits constituted approximately 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County’s PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer’s 2011 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of March 31, 2012, was as follows:

	<u>% of Pool</u>
Federal Agency Securities	85.42
Cash Equivalents & Money Market Funds	4.70
Commercial Paper	3.00
Medium Term Notes	0.00
Municipal Notes	1.78
Certificates of Deposit	0.00
U.S. Treasury Bonds	3.01
Local Agency Obligations <sup>(1)</sup>	<u>2.09</u>
Total	100.00%
Book Yield:	0.49%
Weighted Average Maturity:	1.24 years

<sup>(1)</sup> Includes County obligations issued by the Riverside District Court Financing Corporation and the CalTrust Short Term Fund.  
Source: County Treasurer-Tax Collector

As of March 31, 2012, the market value of the PIF was 100.09% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa/MR1" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

### **Ad Valorem Property Taxes**

*General.* Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the twenty-eight dollar administrative cost, a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer - Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2000-01 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE  
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS  
FISCAL YEARS 2000-01 THROUGH 2011-12**

**SECURED PROPERTY TAX ROLL<sup>(1)</sup>**

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 <sup>(2)</sup>	Total Collections <sup>(3)</sup>	Percentage of Total Collections to Current Levy
2000-01	\$1,106,323,882	\$40,719,497	3.68%	\$1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	N/A	N/A	N/A	N/A

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

<sup>(3)</sup> Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

**UNSECURED PROPERTY TAX ROLL<sup>(1)</sup>**

Fiscal Year	Unsecured Property Tax Levy	Total Collections <sup>(2)</sup>	Percentage of Total Collections to Original Levy
2000-01	\$44,069,979	\$42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	86,326,418	[74,917,295] <sup>(3)</sup>	[89.29] <sup>(3)</sup>

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

<sup>(3)</sup> Reflects partial year collections, through [October 2011].

Source: County Auditor-Controller

State legislation enacted in 1984 established the “supplemental roll,” which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following table describes the supplemental tax roll of the County for fiscal year 2001-02 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE  
SUMMARY OF SUPPLEMENTAL ROLL  
AD VALOREM PROPERTY TAXATION  
FISCAL YEARS 2001-02 THROUGH 2011-12**

Fiscal Year	Tax Levy for Increased Assessments <sup>(1),(2)(3)</sup>	Refunds for Decreased Assessments <sup>(1)(3)</sup>	Net Supplemental Tax Levy	Collections <sup>(1),(2)</sup>
2001-02	\$ 68,229,225	\$ 2,080,315	\$ 66,148,910	\$ 58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 <sup>(4)</sup>	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) <sup>(5)</sup>	19,632,809
2010-11	34,612,092	27,686,887 <sup>(6)</sup>	6,925,205	16,813,302
2011-12 <sup>(6)</sup>	17,846,534	13,440,897	4,405,636	6,159,869

- <sup>(1)</sup> These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
- <sup>(2)</sup> Includes current and prior years' taxes, redemption penalties and interest collected.
- <sup>(3)</sup> Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.
- <sup>(4)</sup> Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
- <sup>(5)</sup> The negative tax levy is a result of refunds exceeding the billed amounts.
- <sup>(6)</sup> From July 2011 through February 2012.

Source: County Auditor-Controller/County Treasurer and Tax Collector

The following table sets forth the assessed valuation by category and property type for fiscal year 2007-08 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE  
 ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE<sup>(1)</sup>  
 FISCAL YEARS 2007-08 THROUGH 2011-12  
 (IN MILLIONS)**

Category	2007-08	2008-09	2009-10	2010-11	2011-12
<b>SECURED PROPERTY:</b>					
Land.....	\$ 76,817	\$ 82,768	\$ 69,917	\$ 65,877	\$ 64,308
Structures.....	153,297	149,837	137,292	132,431	131,516
Personal Property .....	841	860	906	819	836
Utilities .....	2,807	3,154	2,907	3,018	3,614
<b>Total Secured.....</b>	<b>\$233,762</b>	<b>\$236,529</b>	<b>\$211,022</b>	<b>\$202,145</b>	<b>\$200,274</b>
<b>UNSECURED PROPERTY:</b>					
Land.....	\$ 9	\$ 16	\$ 2	\$ 14	\$ 29
Improvements.....	3,199	3,866	3,761	3,748	3,778
Personal Property .....	3,996	4,426	4,154	4,049	3,975
<b>Total Unsecured<sup>(2)</sup>.....</b>	<b>\$ 7,204</b>	<b>\$ 8,308</b>	<b>\$ 7,917</b>	<b>\$ 7,811</b>	<b>\$ 7,782</b>
<b>Grand Total.....</b>	<b>\$248,966</b>	<b>\$244,837</b>	<b>\$218,939</b>	<b>\$209,956</b>	<b>\$208,059</b>

<sup>(1)</sup> Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

<sup>(2)</sup> Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and remained at the lower levels since 2009. See "Demographic and Economic Information-Building and Real Estate Activities" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in marked values call for such reductions.

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal

year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year.

**Property Tax Appeals.** The County has received assessment appeals applicable to fiscal year 2010-11 totaling approximately \$10.3 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$887.7 million of assessed value, representing \$8.877 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2009-10 and fiscal year 2010-11. Fifty percent of the fiscal year 2010-11 assessment appeals have been completed. The majority of the remaining fiscal year 2010-11 assessment appeals are expected to be completed by November 30, 2012.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2012-13 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2010-11 assessment appeals still to be completed; (ii) a portion of the fiscal year 2011-12 and fiscal year 2012-13 assessment appeals being completed during fiscal year 2012-13.

### **Teeter Plan**

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2010-11, approximately 55% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at \$14.8 million as of June 30, 2011. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the sale, in October 2011, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of approximately \$171.3 million. The total amount of approximately \$171.3 million is comprised of approximately \$64.7 million representing fiscal year 2010-11 delinquent property taxes and approximately \$106.6 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment. The letter of credit will expire on November 5, 2012.

## Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2011-12.

### COUNTY OF RIVERSIDE TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2011-12 SECURED AND UNSECURED ASSESSMENTS

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
Southern California Edison Company	\$23,446,942.30	0.83%
Verizon California Inc.	10,213,927.62	0.36
Inland Empire Energy Center, LLC	8,422,577.26	0.30
Federal National Mortgage Association	6,612,150.42	0.23
Southern California Gas Company	6,553,812.58	0.23
Wells Fargo Bank	3,104,806.58	0.11
Abbot Vascular Inc.	3,095,876.90	0.11
Walgreen Co.	3,015,242.90	0.11
Tyler Mall Ltd Partnership	2,880,987.58	0.10
Standard Pacific Corp.	2,872,677.34	0.10
Lowes HIW Inc.	2,616,515.40	0.09
Ashby USA	2,489,779.40	0.09
Blythe Energy, LLC	2,462,725.50	0.09
Chelsea GCA Realty Partnership	2,454,238.36	0.09
Federal Home Loan Mortgage Corp.	2,425,075.80	0.09
Richmond American Homes of Maryland Inc.	2,345,048.08	0.08
Target Corp.	2,326,056.98	0.08
Costco Wholesale Corp.	2,306,008.70	0.08
WalMart Real Estate Business Trust	2,192,416.22	0.08
Pacific Bell Telephone Co. DBA AT&T California	2,188,606.38	0.08
KB Home Coastal Inc.	2,125,032.80	0.08
Deutsche Bank National Trust Company	2,061,692.28	0.07
Palm Desert Funding Co.	2,031,157.10	0.07
Health Care REIT	2,004,059.06	0.07
Watson Laboratories Inc.	<u>1,991,964.94</u>	<u>0.07</u>
<b>Total</b>	<b>\$104,239,378.48</b>	<b>3.69%</b>
<b><u>Total Tax Charge for 2011-12</u></b>	<b>\$2,825,246,587.69</b>	

Source: County Treasurer and Tax Collector



The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2011-12 are shown below.

**COUNTY OF RIVERSIDE  
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2011-12  
BY ASSESSED VALUE**

<u>ASSESSEE</u>	<u>ASSESSED VALUE</u>
Federal National Mortgage Association	\$ 406,311,651
Eisenhower Memorial Hospital	348,117,164
Abbott Vascular Inc.	300,813,032
Kaiser Foundation Hospitals	299,690,062
Walgreen Co.	265,725,430
Target Corp.	213,907,840
Wells Fargo Bank	211,650,832
Lowes HIW Inc.	210,879,208
Costco Wholesale Corp.	202,994,718
Kaiser Foundation Health Plan Inc.	<u>196,869,609</u>
Subtotal	\$ 2,656,959,546
All Others	<u>202,530,732,634</u>
Total	\$205,187,692,180 †

† Excludes State assessed property.  
Source: County Assessor.

**Other Taxing Entities**

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2010-11, the County retained approximately 12.44% of the total amount collected (and is budgeted to retain 12.39% in fiscal year 2011-12). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution to take place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

**Redevelopment Agencies**

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE  
COMMUNITY REDEVELOPMENT AGENCIES'  
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS  
AND TOTAL TAX ALLOCATIONS  
FISCAL YEARS 2000-01 THROUGH 2011-12**

Fiscal Year	Frozen Base Value	Full Cash Value Increments <sup>(1)</sup>	Total Tax Allocations <sup>(2)</sup>
2000-01	\$10,966,072,778	\$20,127,612,843	\$203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279 <sup>(3)</sup>	56,587,373,841	594,154,174 <sup>(4)</sup>

- <sup>(1)</sup> Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
- <sup>(2)</sup> Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- <sup>(3)</sup> Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2011-12.
- <sup>(4)</sup> Includes general purpose and debt.

Source: County Auditor-Controller

The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency. In the early years of redevelopment the amount "passed through" by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County had formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the county redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$2,667,188,535, and a 2011-12 assessed value of \$\_\_\_\_\_. In fiscal year 2011-12, the County received \$\_\_\_\_\_ of pass-through payments from the County redevelopment agency. As a consequence of the dissolution of redevelopment agencies, the County will no longer receive pass-through payments from the County redevelopment agency, but these amounts are relatively modest and will be largely offset by the County's receipt of its tax allocation under the AB 8 formula. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

In fiscal year 2012-13, the County expects to receive approximately \$74 million in pass-through payments pursuant to agreements with various city redevelopment agencies. County Counsel has opined that pursuant to ABx1 26 the County's

negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency. Based on this opinion, no budget adjustments have been made as a result of the dissolution of such redevelopment agencies. However, there is uncertainty with respect to the interpretation of the provisions of ABx1 26 applicable to pass-through payments, and no court has yet interpreted these specific provisions. Furthermore, the Legislative Analyst's Office has asked the State legislature to adopt clarifying legislation which contradicts the County Counsel's interpretation. It is possible that an adverse judicial interpretation or the adoption of clarifying legislation would result in the County not receiving the pass-through payments but would instead receive a significantly lesser amount of tax revenues under the AB8 formula.

### **Financial Statements and Related Issues**

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

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2010-11 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B - "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2011, which are included in APPENDIX B - "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

**COUNTY OF RIVERSIDE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN UNRESERVED FUND BALANCES – GENERAL FUND**  
**FISCAL YEARS 2006-07 THROUGH 2010-11**

(In Thousands)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
BEGINNING FUND BALANCE	\$ 446,918	\$ 570,964	\$ 481,776 <sup>(1)</sup>	\$ 372,121	\$ 386,486
<b>REVENUES</b>					
Taxes	301,573	309,295	274,480	229,631	221,807
Licenses, permits and franchises	25,803	24,525	19,840	16,724	18,187
Fines, forfeitures and penalties	81,148	90,788	107,147	112,813	93,528
Use of money and property – Interest	62,848	61,623	33,414	12,197	8,196
Use of money and property –					
Rents and concessions	2,805	2,578	3,157	3,936	3,669
Government Aid – State	893,390	905,998	908,334	820,432	856,327
Government Aid – Federal	430,606	473,731	472,210	504,605	490,088
Governmental Aid-Other	81,703	95,808	95,812	89,312	82,147
Charges for current services	319,198	358,767	364,649	367,249	369,780
Other revenues	<u>38,856</u>	<u>29,308</u>	<u>36,149</u>	<u>30,670</u>	<u>37,654</u>
<b>TOTAL REVENUES</b>	<b>\$2,237,932</b>	<b>\$2,352,421</b>	<b>\$2,315,192</b>	<b>\$2,187,569</b>	<b>\$2,181,383</b>
<b>EXPENDITURES</b>					
General government	\$ 119,365	\$ 145,290	\$ 146,816	\$ 130,516	\$ 109,146
Public protection	916,524	1,032,582	1,062,437	1,005,679	1,025,584
Public ways and facilities	4,405	4,717	4,378	-	-
Health and sanitation	341,467	368,753	382,588	333,068	345,649
Public assistance	644,912	704,404	719,328	712,353	731,017
Education	394	464	675	551	548
Recreation and cultural	203	206	230	312	364
Capital Outlay	8,811	8,670	22,746	31,018	8,321
Debt service	<u>29,751</u>	<u>26,132</u>	<u>22,501</u>	<u>21,876</u>	<u>24,829</u>
<b>TOTAL EXPENDITURES</b>	<b>\$2,065,932</b>	<b>\$2,291,218</b>	<b>\$2,361,699</b>	<b>\$2,234,373</b>	<b>\$2,245,458</b>
Excess (deficit) of revenues over (under) expenditures	172,000	61,203	(46,507)	(47,804)	(64,075)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other reserves	\$ 89,449	\$ 104,892	\$ 99,825	\$ 168,833	\$ 106,047
Transfer to other funds	(146,214)	(269,961)	(185,719)	(132,682)	(93,217)
Capital Leases	<u>8,811</u>	<u>8,670</u>	<u>22,746</u>	<u>31,018</u>	<u>8,321</u>
Total other Financing Sources (Uses)	(47,954)	(153,399)	(63,148)	62,169	21,151
<b>NET CHANGE IN FUND BALANCES</b>	<b>124,046</b>	<b>(92,196)</b>	<b>(109,655)</b>	<b>14,365</b>	<b>(42,924)</b>
<b>FUND BALANCE, END OF YEAR<sup>(2)</sup></b>	<b>570,964</b>	<b>478,768</b>	<b>372,121</b>	<b>386,486</b>	<b>343,562</b>
Less:					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Reserved Fund Balance	88,233	84,466	91,196	90,374	-
Designated Fund Balance	<u>339,773</u>	<u>335,630</u>	<u>203,821</u>	<u>250,463</u>	<u>-</u>
<b>UNDESIGNATED UNRESERVED FUND BALANCE</b>	<b><u>\$ 142,958</u></b>	<b><u>\$ 58,672</u></b>	<b><u>\$ 77,104</u></b>	<b><u>\$ 45,649</u></b>	<b><u>\$189,236</u></b>

<sup>(1)</sup> Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

<sup>(2)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCE SHEETS  
AT JUNE 30, 2007 THROUGH JUNE 30, 2011**

(In Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>ASSETS:</b>					
Cash & Marketable Securities	\$283,080	\$216,816	\$150,728	\$122,902	\$160,887
Taxes Receivable	40,766	58,256	46,813	27,714	17,790
Accounts Receivable	60,621	48,196	31,150	8,468	12,771
Interest Receivable	14,673	9,384	3,315	2,091	1,119
Advances to Other Funds	37	0	0	0	3,692
Due from Other Funds	5,417	24,716	19,110	25,353	18,787
Due from Other Governments	252,411	239,844	250,144	263,240	276,656
Inventories	1,540	2,105	2,132	1,941	1,564
Prepaid items	0	0	3,720	888	277
Restricted Assets	<u>263,390</u>	<u>263,566</u>	<u>252,084</u>	<u>296,543</u>	<u>283,095</u>
Total Assets	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 82,441	\$ 94,061	\$ 68,560	\$ 57,236	\$ 84,116
Salaries & Benefits Payable	70,585	83,753	88,184	46,376	50,374
Due To Other Funds	288	283	0	2,155	2,639
Due to Other Governments	41,432	40,991	47,579	35,161	34,550
Deferred Revenue	156,155	168,282	180,777	218,676	260,343
Deposits Payable	<u>70</u>	<u>121</u>	<u>1,975</u>	<u>3,050</u>	<u>2,054</u>
Total Liabilities	\$350,971	\$387,491	\$387,075	\$362,654	\$434,076
<b>FUND BALANCE: <sup>(2)</sup></b>					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Unassigned					189,236
Reserved	\$ 88,233	\$ 84,466	\$ 91,196	90,374	
Unreserved	<u>482,731</u>	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>	
Fund Balance	\$570,964	\$478,768	\$372,121	\$386,486	\$343,562
Total Liabilities and Fund Balance	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>

<sup>(1)</sup> No activity to report.

<sup>(2)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

### **Short-Term Obligations of County**

In June 2011, the County issued its 2011-12 Tax and Revenue Anticipation Note (the "2011-12 TRAN") in the principal amount of \$250,000,000 to provide funds to meet the County's fiscal year 2011-12 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. \$125,000,000 of the 2011-12 TRAN remains outstanding and is due on June 29, 2012. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2011-12 fiscal year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment. The County expects to issue a tax and revenue anticipation note in June 2012 to provide funds to meet the County's fiscal year 2012-13 general fund expenditures.

### **Long-Term Obligations of County**

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of April 5, 2012, the County had \$675,812,450 in direct general fund obligations and \$357,540,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of April 5, 2012.

**COUNTY OF RIVERSIDE  
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS  
(AS OF APRIL 5, 2012)**

2011-12 Assessed Valuation: \$205,754,734,033 (includes unitary utility valuation)  
 Redevelopment Incremental Valuation: 57,091,455,136  
 Adjusted Assessed Valuation: \$148,663,278,897

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/12</u>
Metropolitan Water District	5.900%	\$ 11,596,155
Community College Districts	1.435-99.999	554,701,209
Unified School Districts	2.879-100.	1,978,936,030
Perris Union High School District	100.	53,032,260
Union School Districts	100.	56,208,493
City of Riverside	100.	15,915,000
Eastern Municipal Water District Improvement Districts	100.	42,780,000
Coachella County Water District Improvement Districts	100.	6,095,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,380,000
San Geronio Memorial Hospital District	100.	107,885,000
Community Facilities Districts	94.268-100.	2,613,350,521
Riverside County 1915 Act Bonds	100.	7,389,942
City and Special District 1915 Act Bonds (Estimated)	100.	<u>244,016,778</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$5,694,286,388</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
<b>Riverside County General Fund Obligations</b>	<b>100.</b>	<b>%</b>	<b>\$ 675,812,450</b>
<b>Riverside County Pension Obligations</b>	<b>100.</b>		<b>357,540,000</b>
Riverside County Board of Education Obligations	100.		5,055,000
School Districts General Fund and Lease Tax Obligations	2.879-100.		512,491,216
City of Corona General Fund Obligations	100.		64,415,000
City of Moreno Valley General Fund Obligations	100.		75,350,000
City of Murrieta General Fund Obligations	100.		12,770,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.		120,858,620
City of Riverside Certificates of Participation	100.		206,595,000
City of Riverside Pension Obligations	100.		132,095,000
Other City General Fund and Special Tax Obligations	100.		113,013,800
Other Water District Certificates of Participation	98.511-100.		2,908,486
Other Special District Certificates of Participation	100.		<u>3,180,000</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$2,282,084,572</b>
Less: <b>Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)</b>			<b>13,111,177</b>
City of Corona Certificates of Participation supported by waste water revenues			2,395,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues			<u>9,515,000</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$2,257,063,395</b>
 <b>GROSS COMBINED TOTAL DEBT</b>			 <b>\$7,976,370,960 (1)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$7,951,349,783</b>

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2011-12 Assessed Valuation:  
 Overlapping Tax and Assessment Debt.....2.77%

Ratios to Adjusted Assessed Valuation:  
**Combined Gross Direct Debt (\$1,033,352,450).....0.70%**  
**Combined Net Direct Debt (\$1,020,241,273).....0.69%**  
 Gross Combined Total Debt.....5.37%  
 Net Combined Total Debt.....5.35%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

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

## **Lease Obligations**

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

As of March 31, 2012, the County's current outstanding lease obligations total \$674,601,248. The County's annual lease obligation is approximately \$73,450,060 and the maximum annual lease payment is \$83,774,702.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of March 31, 2012.



**COUNTY OF RIVERSIDE  
SUMMARY OF LEASE RENTAL OBLIGATIONS  
(PAYABLE FROM THE COUNTY'S GENERAL FUND)  
(As of March 31, 2012)**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental<sup>(1)</sup></i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 50,400,000	\$ 12,537,973 <sup>(2)</sup>
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	28,395,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C <sup>(3)</sup>	2019	71,985,000	68,500,000	19,599,244 <sup>(4)</sup>
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	886,000 <sup>(5)</sup>
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	18,575,000	1,481,828
2008 Series A	2022	72,445,000	66,090,000	8,251,800
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	873,455
2005 Series B <sup>(6)</sup>	2027	22,610,000	19,360,000	1,521,687
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,488
County of Riverside Certificates of Participation <sup>(7)</sup> (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,750
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	12,551,175	
Series 2002	2020	925,000	560,000	1,812,110 <sup>(8)</sup>
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,304,710
2008 Series A <sup>(9)</sup>	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B <sup>(10)</sup>	2018	8,685,000	2,470,000	401,540
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) <sup>(11)</sup>	2036	51,655,000	45,775,000	3,403,100
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,163,094
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	6,206,830
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,860,000	1,154,355
County of Riverside Certificates of Participation <sup>(12)</sup> (2009 Public Safety Communication and Woodcrest Library Refunding Projects)	2040	45,685,000	45,530,000	1,911,518
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	5,170,000	616,293
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)	2031	33,360,000	33,360,000	248,248
<b>TOTAL</b>		<u>\$ 1,032,595,073</u>	<u>\$ 674,601,248</u>	<u>\$ 73,450,060</u>

<sup>(1)</sup> Annual base rental for fiscal year 2011-2012 unless otherwise noted.

<sup>(2)</sup> Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending January 23, 2012 was approximately 0.15%.

<sup>(3)</sup> A portion of the 1997 Series B Bonds is being refunded with proceeds of the 2012 Bonds.

<sup>(4)</sup> Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.

<sup>(5)</sup> Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending January 24, 2012 was approximately 0.20%.

<sup>(6)</sup> The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

<sup>(7)</sup> The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

<sup>(8)</sup> Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

<sup>(9)</sup> The 2008 Series A refunded the 2000 Series B SWJC Project.

<sup>(10)</sup> The 2003 Series B refunded the 1993 Master Refunding Project.

<sup>(11)</sup> A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).

<sup>(12)</sup> The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

Source: County Executive Office.

## Interest Rate Swap Agreements

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

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of January 2012. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the County may opt, in its sole discretion, to post collateral in lieu of terminating the swap agreement.

The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of Baa2 from Moody's and BBB from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "Aa-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a Pledgor in accordance with the terms of such ISDA Credit Support Annex. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. As of April 2, 2012, Assured Guaranty Corp. had a rating of "A-" by S&P and "Aa3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

## Employees

A summary of the County's employment levels are reflected for the past ten years.

### COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2001 THROUGH 2011

<u>Year</u>	<u>Regular Employees<sup>(1)</sup></u>
2002	14,729
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,759

<sup>(1)</sup> As of December 31<sup>st</sup> of each year. Excludes temporary and per diem employees.  
Source: County Human Resources Department

County employees comprise 12 bargaining units, plus another 6 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 74% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance for personnel matters.

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

Recently the County entered into long-term agreements with SEIU, LIUNA, RCDDAA, and LEMU; the County's agreements for these unions extends through Dec. 2016, June 2016, June 2015, and June 2017 for SEIU, LIUNA, RCDDAA and LEMU respectively. The County is currently in bargaining with RSA.

## Retirement Program

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

Trial Court ("Courts") employees are also included among the employees covered under the County's PERS retirement plan contract, although the Courts left the County's employment jurisdiction in December 2006 and since transitioned into an agency of the State. The State is obligated to reimburse the County for the share of PERS costs associated with trial court employees, but the County remains primarily liable for such costs under the PERS contract.

In 2003, the County established a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions regarding retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on May 4, 2010 (the "2010 PARC Report") and included discussion and recommendations regarding pension reform for the County. See "- Retirement Program - Funding Status" and "- Retirement Program - Projected County Contributions and UAAL" herein for a description of the PARC Report.

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee's conclusions and recommendations included: (i) that current unfunded liability in the County's pension resulted in part from the "pension contribution holidays" and County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees should be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In April 2011, the Board of Supervisors approved the concept for a second tier level of benefits for new Miscellaneous and Safety employees. The County intends to implement a second tier of benefits immediately upon conclusion of collective bargaining and PERS approval, with a goal of substantial savings over the long term. It is anticipated that the second tier of benefits for new Miscellaneous and Safety employees will be 2% at age 60, and 2% at age 50, respectively.

***The County's PERS Contract.*** The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2011 covered PERS' fiscal year 2009-10). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County's contribution rates derived from the actuarial valuation as of June 30, 2010, which was prepared in October 2011, is effective for the County's fiscal year 2012-13). PERS rules require the County to implement the actuary's recommended rates.

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

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90%-110% of market value to 80%-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses

had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary spreads gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a "smoothing technique." Under the rate stabilization policy effective as of April 2005, one-fifteenth (1/15) of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return. However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

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

In May 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 8.25% to 7.75% effective March 2011; (ii) the long-term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved significant demographic assumption changes.

In March 2012, the PERS Board lowered the discount rate assumption, from 7.75% to 7.50%. According to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution rate of 0.6% of payroll for fiscal year 2013-14 and an increase of 1.3% of payroll for fiscal year 2014-15. The Safety Plan is estimated to incur an increase in the employer contribution rate of 1.0% of payroll for fiscal year 2013-14 and an increase of 2.2% of payroll for fiscal year 2014-15. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

In fiscal year 2011-12, the County entered into collective bargaining agreements with SEIU, LIUNA, RCDDAA, and LEMU; as part of those agreements the parties agreed on a phase out of the County's obligation to pay the employee's required member contributions. Current Terms and Conditions of Employment were imposed on RSA in fiscal year 2011-12 as a result of the collective bargaining process, also phased out the County's obligation to pay employee's member contributions. The elimination of the County's obligation to pay employee's required member contributions is anticipated to produce significant annual savings. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

**Funding Status.** The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.494% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$102.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$15.1 million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year

2012-13 of approximately \$118.0 million. In the actuarial valuation for the Safety Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 22.459% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$65.5 million for that fiscal year.

Contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during fiscal year 2008-09. While investment gains experienced in fiscal years 2009-10 and 2010-11 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel, due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of \$23.1 million as of February 15, 2012. The County believes that it is reasonable to expect that over the remaining 23 years of the bond's life, the transaction will produce savings. A liability management fund was established in connection with the 2005 pension obligation bonds. From 2006 to 2008 pursuant to recommendations set forth in the annual PARC reports the Board of Supervisors authorized the transfer of funds to PERS to reduce the County's PERS liability. In 2009 pursuant the PARC recommendations, the Board of Supervisors authorized the use of \$6 million from the Liability Management Fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. Of this amount, the County has purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$247,000. In 2010, liability management funds of \$8.3 million were transferred to PERS. In 2011, liability management funds of \$5.4 million were transferred to balance the fund used to close out the PERS prepayments made in July 2011. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

**Historical Funding Status.** The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2006 through June 30, 2010 and the total employer contributions made by the County for fiscal year 2008-09 through fiscal year 2012-13. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS  
(Safety Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount <sup>(1)</sup>	County Offsets of Employee Contributions
2006	\$ 61,861,506	95.0%	2008-09	\$46,983,428	\$17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,423,159 <sup>(2)</sup>	13,824,570 <sup>(2)(3)</sup>
2010	184,737,814	89.8	2012-13	60,423,159 <sup>(2)</sup>	2,122,700 <sup>(2)(3)</sup>

- (1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
- (2) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.
- (3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS  
(Miscellaneous Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount <sup>(1)</sup>	County Offsets of Employee Contributions
2006	\$142,160,688	94.8%	2008-09	\$95,930,361	\$40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	103,088,391 <sup>(2)</sup>	38,187,252 <sup>(2)(3)</sup>
2010	444,330,905	89.2	2012-13	103,088,391 <sup>(2)</sup>	4,004,154 <sup>(2)(3)</sup>

- (1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
- (2) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.
- (3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

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

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$1,231,954,415	\$1,170,092,909	\$61,861,506	95.0%	\$189,606,339	32.6%
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

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

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$2,741,753,157	\$2,599,592,469	\$142,160,688	94.8%	\$659,274,265	21.6%
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2008-09 through fiscal year 2012-13 to satisfy its retirement funding obligations.

**SCHEDULE OF EMPLOYER CONTRIBUTION RATES**

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2006	2008-09	19.033%	12.164%
2007	2009-10	18.605	11.999
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

**Projected County Contributions and UAAL.** The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the



**assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.**

The investment losses incurred by CalPERS in 2008 – 2009 impact the County's contribution rates beginning in fiscal year 2011-2012. The PERS actuary, in its June 30, 2010 actuarial valuation, stated that the County's contribution rate under the Safety Plan for the fiscal year 2012-13 will be 22.459%, which would result in an approximate 1.173% increase in the contribution rate from fiscal year 2011-12 and projected a 0.34% increase for fiscal year 2013-14. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for fiscal year 2012-13 will be 13.494%, which would result in an approximate 0.382% increase in the contribution rate from fiscal year 2011-12, and projected a 13.7% increase for fiscal year 2013-14. Due to the smoothing methodology used by PERS, the County expects similar rate increases through fiscal year 2014-15 followed by additional but less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.75% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see "– The County's PERS Contract" above. According to the PERS actuary, as of June 30, 2010, the funded status of the Miscellaneous Plan based on its market value was 70.4% and the funded status of the Safety Plan based on its market value was 70.7%.

**Other Retirement Plans.** The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2010, the County's current required contribution level is 0.38%. The County elected to contribute 1.36% to achieve a 90% funded ratio by June 30, 2012, so the County's contribution to the Plan was \$893,932 for fiscal year 2010-11 and is estimated to be \$588,239 for fiscal year 2011-12. The Plan's unfunded liabilities as of June 30, 2010 are approximately \$3,641,816.

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

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

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

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2011 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%, the present value of benefits was estimated to be \$49.1 million, the accrued actuarial liability was estimated to be \$40.2 million and the annual normal cost was \$1.2 million. If the accrued actuarial liability of \$40.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.5 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. On June 26, 2009, the County contributed an additional \$2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$20.7 million most recently.

### **Medical Center**

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

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II trauma facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, Medi-Cal and insurance, in addition to the uninsured.

At June 30, 2011, RCRMC reflected unrestricted net assets of approximately \$92.9 million. RCRMC had a cash balance of approximately \$36.8 million as of June 30, 2011. In fiscal year 2010-11, RCRMC had an increase in net unrestricted assets of approximately \$5.4 million. RCRMC continued to experience a decline in patient collections in fiscal year 2010-11 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2010-11 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for fiscal year 2010-11 or may be required to reimburse the State for any overpayment received during such fiscal year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2011-12, the County anticipates contributing approximately \$10 million to RCRMC from general fund tobacco settlement revenues and \$5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses.

### **Insurance**

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

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$610 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2011 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2011 was approximately \$144 million.

### **Litigation**

There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the 2012 Bonds or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.