

ARTICLE V
MAINTENANCE; TAXES; INSURANCE; USE
LIMITATIONS; AND OTHER MATTERS

Section 5.01 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Premises, all improvement, repair and maintenance of the Leased Premises shall be the responsibility of the County and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Premises, as hereinbefore more specifically set forth. The County waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the County under the terms of this Lease Agreement.

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

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

Section 5.02 Modification of Leased Premises. The County shall, at its own expense, have the right to make additions, modifications and improvements to the Facilities subject to the reasonable review and approval by the Corporation. All additions, modifications and improvements to the Facilities shall thereafter comprise part of the Facilities and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall be consistent with the use of the Facilities and shall not in any way damage the Facilities or cause the Facilities to be used for purposes other than those authorized under the provisions of State and federal law; and the County shall file with the Trustee and the Corporation a Certificate stating that, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.02, the Leased Premises shall be of a value which is not substantially less than the value of the Leased Premises immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be

established or remain against the Leased Premises for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the County pursuant to this Section 5.02; provided that if any such lien is established and the County shall first notify or cause to be notified the Corporation of the County's intention to do so, the County may in good faith contest any lien filed or established against the Leased Premises, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

Section 5.03 Public Liability and Property Damage Insurance. The County shall maintain or cause to be maintained throughout the Term of this Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the County, a standard comprehensive general insurance policy or policies in protection of the Corporation, County, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$25,000) of damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy or policies in the amount of \$3,000,000 covering all such risks. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the County shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of self-insurance by the County, subject to the provisions of Section 5.07, or in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. In the case of the County's self-insurance of public liability and workers' compensation, the County may maintain a self-insured retention, and pay up to \$500,000 of each liability claim and up to \$300,000 of each worker's compensation claim, so long as the provisions of Section 5.07(b) hereof have been met. The proceeds of such liability insurance shall be applied by the County toward extinguishment or satisfaction of the liability with respect to which paid.

Section 5.04 Casualty Insurance. The County shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, insurance against loss or damage to any Facilities by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the County's risk manager. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of the Facilities; or (b) the aggregate unpaid principal components of the Lease Payments allocable to the Facilities. Such insurance may be subject to such deductibles as the County shall deem prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers

agency or other program providing pooled insurance. The Net Proceeds of such insurance shall be applied as provided in Section 6.02(a).

Each policy of insurance to be maintained by the County pursuant to this Section 5.04 shall (a) provide for the full payment of insurance proceeds up to the applicable dollar limit in connection with damage to the Leased Premises and Facilities and shall, under no circumstances, be contingent upon the degree of damage sustained at other facilities owned or leased by the County; and (b) explicitly waive any co-insurance penalty.

Section 5.05 Rental Interruption Insurance. The County shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any Facilities on the Leased Premises, as a result of any of the hazards covered by the insurance required by Section 5.04, in an amount at least equal to the maximum Lease Payments allocable to the Facilities coming due and payable during any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Bond Fund, and shall be applied for the uses and purposes set forth in Article V of the Indenture.

Section 5.06 Recordation Hereof; Title Insurance. On or before the Closing Date the County shall, at its expense, (a) cause this Lease Agreement, or a memorandum hereof in form and substance approved by Bond Counsel, to be recorded in the office of the Riverside County Recorder; and (b) obtain a CLTA policy of title insurance insuring the County's leasehold estate hereunder, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under said policy shall be deposited with the Trustee in the Redemption Fund and shall be applied to the redemption of the Bonds pursuant to Section 4.01(c) of the Indenture.

Section 5.07 Net Proceeds of Insurance; Form of Policies.

(a) Each policy of insurance maintained pursuant to Sections 5.04, 5.05 and 5.06 shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee and shall name the Corporation, the County and the Trustee as insureds. The County shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The County shall cause to be delivered to the Trustee annually, no later than December 1 in each year, a certificate stating that all of the insurance policies required by this Lease Agreement are in full force and effect and identifying whether any such insurance is then maintained in the form of self-insurance.

(b) In the event that any insurance maintained pursuant to Section 5.03 shall be provided in the form of self-insurance, the County shall file with the Trustee annually, no later than December 1 of each year, a statement of the risk manager of the County or an independent insurance adviser engaged by the County identifying the extent of such self-insurance and stating the determination that the County maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the County, the County shall not be obligated to make any payment with respect to any insured event except from such reserves. The Trustee shall not be responsible for the sufficiency or adequacy of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(c) If the County shall fail to perform any of its obligations under this Article V, the Corporation or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the County shall be obligated to repay all such advances as soon as possible, with interest at the rate payable by the Corporation on the Bonds from the date of the advance to the date of repayment.

Section 5.08 Installation of Personal Property. The County may, at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Leased Premises. All such items shall remain the sole property of the County, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by the County at any time provided that the County shall repair and restore any and all damage to the Leased Premises and Facilities resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the County from purchasing or leasing items to be installed pursuant to this Section 5.08 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Premises and Facilities.

Section 5.09 Liens. Neither the County nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to any portion of the Leased Premises, other than the respective rights of the Corporation and the County as provided herein and other than Permitted Encumbrances. Except as expressly provided in this Article V, the County and the Corporation shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.10 Tax Covenants.

The County shall use the portion of the Facilities financed with the Bonds in furtherance of its governmental activities and further covenants for the benefit of the Corporation and the Owners of the Bonds that:

(a) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Series 2013A Bonds, would have caused any of the Series 2013A Bonds to be "arbitrage bonds" within the meaning of Section 103(b) and Section 148 of the Code;

(b) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Series 2013A Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest to the Series 2013A Bonds;

(c) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Series 2013A Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the County contained in this Section 5.10 shall survive the payment, redemption or defeasance of Series 2013A Bonds.

Section 5.11 Payment of Rebatable Amounts. The County agrees to furnish all information to, and cooperate fully with, the Corporation and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07(e) of the Indenture. In the event that the Corporation shall determine, pursuant to Section 6.07(e) of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Corporation nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Corporation shall promptly notify the County of such fact. Upon receipt of any such notice, the County shall promptly pay the amounts determined by the Corporation to be due and payable to the United States of America under such Section 6.07(e), such payments to be made in accordance with the applicable provisions of the Tax Code.

Section 5.12 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 with respect to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of this Lease Agreement, failure of the County to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Bondholder may take such actions, as provided in such Continuing Disclosure Certificate, as may be necessary and appropriate to cause the County to comply with its obligations under such Continuing Disclosure Certificate.

ARTICLE VI DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.01 (a) Eminent Domain. If all of the Leased Premises shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently,

or if all of the Leased Premises or any part thereof shall be taken temporarily under the power of eminent domain, (a) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary; and (b) there shall be a partial abatement of Lease Payments in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments for the Leased Premises, represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Premises.

(b) Damage or Destruction. The Net Proceeds of any insurance award resulting from any damage to or destruction of any structure on the Leased Premises by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trustee promptly upon receipt thereof and, if the County and Corporation determine that the replacement, repair, restoration, modification or improvement of such Leased Premises is not economically feasible or in the best interest of the County and Corporation, the County shall certify to the Trustee and then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied as provided in Section 6.02 hereof, and this Lease Agreement shall be terminated; provided, however, that in the event of damage or destruction of the Leased Premises in full, such Net Proceeds may be transferred to the Redemption Fund only if sufficient, together with other money available therefor, to cause the redemption of all Outstanding Bonds. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed Lease Premises by the County, and this Lease Agreement shall remain in effect, subject to the provisions of Section 6.03 hereof upon receipt of a requisition signed by the Authorized Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Corporation.

Section 6.02 Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Premises by fire or other casualty shall be deposited in its Insurance and Condemnation Fund or the Redemption fund, as applicable, by the Trustee and applied in accordance with Section 5.08 of the Indenture.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.01 shall be deposited in the Insurance and Condemnation Fund or the Redemption Fund, as applicable, by the Trustee and applied in accordance with Section 5.08 of the Indenture.

Section 6.03 Abatement of Lease Payments in the Event of Damage or Destruction. The Lease Payments allocable to the Leased Premises shall be abated during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the County of the

Facilities or any portion thereof. The amounts of the Lease Payments under such circumstances may not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Facilities not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the County waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there may be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance, are available to pay Lease Payments; or (b) amounts in the Bond Fund are available to pay Debt Service payable from Lease Payments which would otherwise be abated.

ARTICLE VII DISCLAIMER OF WARRANTIES; ACCESS

Section 7.01 Disclaimer of Warranties. Neither the Corporation nor the Trustee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Premises and Facilities, or any other representation or warranty with respect to the Leased Premises and Facilities. In no event shall the Corporation, the Trustee, and their respective assigns be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Lease Agreement or the Indenture for the existence, furnishing, functioning or the County's use of the Leased Premises and Facilities.

Section 7.02 Rights of Access. The County agrees that the Corporation and any Authorized Representative of the Corporation, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Premises and Facilities. The County further agrees that the Corporation, any Authorized Representative of the Corporation, and the Corporation's successors or assigns shall have such rights of access to the Leased Premises and Facilities as may be reasonably necessary to cause the proper maintenance of the Leased Premises and Facilities in the event of failure by the County to perform its obligations hereunder.

Section 7.03 Release and Indemnification Covenants. To the extent permitted by law, the County shall and hereby agrees to indemnify and save the Corporation and the Trustee and their respective officers, agents, successors and assigns, harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Premises and Facilities by the County; (b) any breach or default on the part of the County in the performance of any of its obligations under this Lease Agreement; (c) any act or negligence of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Premises and Facilities; (d) the use, presence, storage, disposal of any Hazardous Substances on or about the Leased Premises and Facilities; or (e) the Trustee's acceptance or

administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party; (f) any act or negligence of any sublessee of the County with respect to the Leased Premises and Facilities. No indemnification is made under this Section 7.03 or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Corporation, the Trustee or any of their respective officers, agents, employees, successors or assigns.

ARTICLE VIII ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.01 Assignment by the Corporation. The Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the County under this Lease Agreement, have been pledged and assigned to the Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, to which pledge and assignment the County hereby consents. The assignment of this Lease Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article VIII thereof.

Section 8.02 Assignment and Subleasing by the County. This Lease Agreement may not be assigned by the County. In addition to the existing Subleases, the County may sublease the Leased Premises or any portion thereof, subject to all of the following conditions:

- (a) this Lease Agreement and the obligation of the County to make Lease Payments hereunder shall remain obligations of the County;
- (b) the County shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the County shall cause the Leased Premises to be used for a purpose other than as may be authorized under the provisions of the laws of the State; and
- (d) the County shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, stating that such sublease is permitted by this Lease Agreement and the Indenture, and will not cause the interest on the Bonds to become included in gross income for federal income tax purposes.

Section 8.03 Amendment Hereof. The Corporation and the County may at any time amend or modify any of the provisions of this Lease Agreement, but only (a) with the prior written consent of a majority in aggregate principal amount of the Bonds Outstanding, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the County contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the County may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds;

(iii) to amend any provision thereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;

(iv) to amend the description of the Leased Premises set forth in Exhibit A hereto to add property acquired by the County and the Corporation from proceeds on deposit in the Project Fund or to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release pursuant to Section 4.08; or

(v) to obligate the County to pay additional amounts of rental hereunder for the use and occupancy of the Leased Premises and Facilities, provided that (A) no Event of Default has occurred and is continuing under this Lease, (B) such additional amounts of rental do not cause the total rental payments made by the County hereunder to exceed the fair rental value of the Leased Premises and Facilities, as set forth in a certificate of a County Representative filed with the Trustee and the Corporation, (C) the County shall have obtained and filed with the Trustee and the Corporation a Written Certificate of an Authorized Representative of the County showing that the fair rental value of the Leased Premises and Facilities is not less than the sum of the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other capital improvements which are authorized pursuant to the laws of the State.

ARTICLE IX EVENTS OF DEFAULT; REMEDIES

Section 9.01 Events of Default Defined. The following shall be "Events of Default" under this Lease Agreement:

(a) Failure by the County to pay any Lease Payment required to be paid hereunder at the time specified herein.

(b) Failure by the County to make any Additional Rent payment required hereunder and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation or the Trustee; provided, however, that if in the reasonable opinion of the County the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if the County shall commence to cure such failure within such sixty (60) day

period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time.

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

Section 9.02 Remedies on Default. Whenever any Event of Default referred to in Section 9.01 shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; provided, however, that notwithstanding anything to the contrary herein or in the Indenture, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to terminate this Lease Agreement or to cause the leasehold interest of the Corporation or the subleasehold interest of the County in the Leased Premises to be sold, assigned or otherwise alienated. Each and every covenant hereof to be kept and performed by the County is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Leased Premises. In the event of such default and notwithstanding any re-entry by the Corporation, the County shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained, and in any event such rent and damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) The County agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Premises, or, in the event the Corporation is unable to relet the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by the Corporation.

(b) The County hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to enter upon and re-lease the Leased Premises in the event of default by the County in the performance of any covenants herein contained to be performed by the County and to remove all personal property whatsoever situated upon the Leased Premises to place such property in storage or other suitable place in the County of Riverside, for the account of and at the expense of the County, and the County hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Premises and the removal and storage of such property

by the Corporation or its duly authorized agents in accordance with the provisions herein contained.

(c) The County hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the County that may be in or upon the Leased Premises.

(d) The County agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Premises in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such releasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

(e) The County further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Leased Premises.

Section 9.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall, except as herein expressly provided to the contrary, be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.04 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.05 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.06 Trustee and Bondholder to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Trustee under the Indenture, to which assignment the County hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the

Indenture to the extent that this Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ARTICLE X MISCELLANEOUS

Section 10.01 Notices. All written notices to be given under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication; (b) 48 hours after deposit in the United States mail, postage prepaid; or (c) otherwise, upon actual receipt. The Corporation, the County, the Member Agencies or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Corporation: County of Riverside Asset Leasing Corporation
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3679
Attention:

If to the County: County of Riverside
County Executive Office
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3679
Attention: Deputy County Executive Officer

If to the Trustee: Wells Fargo Bank, N.A.
707 Wilshire Blvd., 17th Floor
Los Angeles, CA 90017
Attention: Corporate Trust

Section 10.02 Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the County and their respective successors and assigns.

Section 10.03 Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.04 Absolute Obligation; Net-net-net Lease. The Obligation of the County to make Lease Payments and Additional Payments and payment of all other amounts provided for in this Lease Agreement, and to perform its obligations hereunder shall be absolute and unconditional. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the County hereby agrees that the Lease Payments shall be an absolute net return to the

Corporation, free and clear of any expenses, charges, set-offs, counter-claims or recoupment whatsoever, subject only to abatements as set forth herein and in the Indenture.

Section 10.05 Further Assurances and Corrective Instruments. The Corporation and the County agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Premises hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.06 Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.07 Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.08 Authorized Representatives. Whenever under the provisions of this Lease Agreement the approval of the Corporation or the County is required, or the Corporation or the County is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Authorized Representative of the Corporation and for the County by an authorized Representative of the County, and any party hereto shall be authorized to rely upon any such approval or request.

Section 10.09 Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Lease Agreement to be executed in its name by its duly authorized officer; and the County has caused this Lease Agreement to be executed in its name by its duly authorized officers and sealed with its seal, as of the date first above written.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By _____
Authorized Signatory

ATTEST:

By: _____
Secretary

COUNTY OF RIVERSIDE

By _____
Chairman, Board of Supervisors

(S E A L)

ATTEST:

Clerk of the Board of Supervisors

STATE OF CALIFORNIA)
)
COUNTY OF RIVERSIDE)

On _____, 2013, 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 _____

(Seal)

STATE OF CALIFORNIA)
)
COUNTY OF RIVERSIDE)

On _____, 2013, 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 _____

(Seal)

EXHIBIT A
DESCRIPTION OF THE SITES

EXHIBIT B

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date	Principal Component	Interest Component	Total Lease Payment	Annual Lease Payment
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PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE - BOOK-ENTRY ONLY

S&P: [AA- (stable)]

Fitch: [AA- (stable)]

See "RATINGS" herein

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2013 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.

§ _____ *

**County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, Series 2013A
(Public Defender and Information Technology Building Projects)**

Dated: Date of Delivery

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, Series 2013A (Public Defender and Information Technology Building Projects) (the "2013 Bonds") are being issued pursuant to an Indenture of Trust, dated as of _____ 1, 2013 (the "Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, N.A., as trustee (the "Indenture"), to (i) provide moneys to acquire, construct, improve, furnish and equip buildings that will house the offices for the County of Riverside's (the "County") Public Defender and Information and Technology Department; (ii) fund a reserve fund for the 2013 Bonds and (iii) pay the cost of issuance in connection with the issuance of the 2013 Bonds, all as more fully described herein. See "SOURCES AND USES OF FUNDS."

The 2013 Bonds will be issued 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 2013 Bonds. Purchases of the 2013 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 2013 Bonds will not receive physical delivery of bond certificates. Payments of principal and interest on the 2013 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 2013 BONDS—General—Book-Entry System for the 2013 Bonds" herein. Principal will be payable on the dates set forth on the inside cover of the Official Statement. Interest on the 2013 Bonds will be payable semiannually on May 1 and November 1 commencing November 1, 2013. 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 2013 Bonds, all as more fully described herein.

The 2013 Bonds will be subject to optional and extraordinary redemption as described herein.

The 2013 Bonds will be payable and secured solely from revenues, consisting primarily of Lease Payments (defined herein) 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 "Leased Premises") under a Lease Agreement, dated as of _____ 1, 2013, by and between the Corporation and the County (the "Lease Agreement"). The County has covenanted in the Lease Agreement to take such action as may be necessary to include Lease Payments and Additional Rental (defined herein) payments due under the Lease Agreement in its annual budget, and to make necessary annual appropriations therefor.

THE 2013 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 2013 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 2013 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Corporation and the County by the Riverside County Counsel. Kutak Rock LLP, Los Angeles, California, serves as Disclosure Counsel to the Corporation and the County in connection with the issuance of the 2013 Bonds. It is expected that the 2013 Bonds will be available for delivery through the DTC book-entry system on or about _____, 2013.

De La Rosa & Co.

Dated: _____, 2013

*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®

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
----------------------	-------------------------	----------------------	--------------	--------------	--------------

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COUNTY OF RIVERSIDE

County Executive Office
4th Floor
4080 Lemon Street
Riverside, California 92501

Board of Supervisors

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

Best Best & Krieger LLP
Riverside, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the County or the Underwriter 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 2013 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 2013 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 Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has 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 Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 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 2013 Bonds.

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OFFICIAL STATEMENT

\$ _____ *

**County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, Series 2013A
(Public Defender and Information Technology Building 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, Series 2013A (Public Defender and Information Technology Building Projects), in the aggregate principal amount of \$ _____ * (the "2013 Bonds"), in the aggregate principal amount of \$ _____.* The 2013 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of _____ 1, 2013 (the "Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, N.A., as trustee (the "Trustee").

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

The 2013 Bonds are being issued for the purpose of (a) providing moneys for the construction, renovation, equipping and furnishing of an existing building located at 4075 Main Street in the City of Riverside for use by the County Public Defender; (b) providing moneys for the acquisition, construction, improvements, furnishing and equipping of an existing building located at 3450 14th Street in the City of Riverside to house the County's Information and Technology Department; (c) funding a reserve fund for the 2013 Bonds and (d) paying the costs of issuance of the 2013 Bonds.

Upon the issuance of the 2013 Bonds, the 2013 Bonds will be payable from Revenues consisting primarily of Lease Payments to be made by the County to the Corporation pursuant to the terms of the Lease Agreement. Under the Lease Agreement, the County is required to deposit with the Trustee that portion of Lease Payments due under the Lease Agreement semiannually on each May 1 and November 1 during the term of the Lease Agreement (or if such day is not a Business Day, on the immediately preceding Business Day) commencing November 1, 2013. The County is also required under the Lease Agreement to pay as Additional Rental certain other costs and expenses relating to the Leased Premises and the Trustee. The County covenants in the Lease Agreement to take such actions as may be necessary to include all Lease Payments and Additional Rental due under the Lease Agreement in each of its budgets during the term of the Lease Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2013 BONDS—Lease Payment Schedule" herein.

Brief descriptions of the 2013 Bonds, the Leased Premises, the Continuing Disclosure Certificate, the Lease Agreement, the Ground Lease, dated as of _____, 2013 between the County and the Corporation, pursuant to which the County leases the Leased Premises to the Corporation, 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.

* Preliminary, subject to change.

THE LEASED PREMISES AND THE PROJECT

The Project

Proceeds of the 2013 Bonds will be used by the County for the construction and renovation of a building located at 4075 Main Street in the City of Riverside for use by the County's Law Officers of the Public Defender (the "Public Defender Building") and for the acquisition, construction and renovation of a building located at 3450 14th Street in the City of Riverside to house the County's Information and Technology Department (the "Information Technology Building").

Public Defender Building. The Public Defender Building is an approximately 54,552 square foot office eight-story building and an approximately 45,000 square foot three-story parking structure located on an approximately 20,540 square foot parcel. The Public Defender Building was built in 1965 and has been owned by the County since 1994. The building housed the County's district attorneys' office until 2010, when the district attorneys' offices were relocated. It is currently valued by the County at approximately \$25 million. Approximately \$[] of the proceeds of the 2013 Bonds will be applied to retrofit and improve the Public Defender Building. The County has selected [] as the contractor for the improvements, and expects that the renovation will be completed by [November 2014].

Information Technology Building. The Information Technology Building is located on a 5.25 acre parcel and includes an approximately 139,900 square foot office five-story office building known as 3450 Fourteenth Street, Riverside, California, an approximately 7,839 square foot building known as 3478 Fourteenth Street, Riverside, California and an adjacent parking lot with spaces for [] vehicles. The building is currently used as the offices of the *Riverside Press-Enterprise* newspaper. The County is in escrow to purchase the Information Technology Building concurrently with the issuance of the 2013 Bonds for the purchase price of approximately [\$30] million. The County plans to apply approximately \$[] million of the proceeds of the 2013 Bonds to construct and improve certain tenant improvements at the Information Technology Building, and anticipates that such improvements will be completed within [] days of the purchase of the building. In addition, the County plans to use approximately \$[] million of the proceeds of the 2013 Bonds to build a [] square foot data center within the Information Technology Building, in which the County will locate [describe equipment to be located at data center]. The County intends to use the Information Technology Building to consolidate the operations of the County's information technology department.

The Leased Facilities

The Leased Facilities under the Lease Agreement will consist initially of the Northwest Animal Shelter, the 4200 Orange Building and the First American Title Building (each as described below, and together referred to as the "Interim Leased Facilities") and the Information Technology Building.

Northwest Animal Shelter. The Northwest Animal Shelter, located at 6851 Van Buren Boulevard, Riverside, California, is owned and operated by the County. The Northwest Animal Shelter was constructed in 2008 and includes twelve buildings consisting of approximately 62,000 square foot in aggregate on a 12.56 acre campus. It is valued by the County at approximately \$27 million.

4200 Orange Building. The 4200 Orange Building is an approximately 36,300 square foot, three-story office building situated on an approximately 34,300 square foot lot located at 4200 Orange Street, Riverside, California. It is owned by the County and currently serves as the location of the Offices of the Public Defender. The 4200 Orange Building is valued by the County at approximately \$7 million.

First American Title Building. The First American Title Building is an approximately 22,500 square foot, two-story office building situated on an approximately 36,700 square foot lot located at 3625 Fourteenth Street, Riverside, California. It is owned by the County and [will be] occupied by the County's mental health department. The First American Title Building is valued by the County at approximately \$5.8 million.

Substitution of Leased Facilities

Pursuant to the Lease Agreement, the County may, at its option, release the Interim Leased Facilities from the lien of the Lease Agreement and substitute therefor the Public Defender Building to serve, together with the Information Technology Building, as the Leased Facilities. In order to effect such substitution, the County is required to provide to the Corporation and Trustee (a) a CLTA policy of title insurance insuring the County's leasehold estate under the Lease Agreement in the Public Defender Building, subject only to Permitted Encumbrances [in an amount at least equal to the aggregate principal amount of the 2013 Bonds then outstanding], and (b) an opinion of bond counsel stating that such substitution is permitted pursuant to the Lease Agreement and does not cause interest on the 2013 Bonds to become includable in the gross income of the Bond Owners for federal income tax purposes.

ESTIMATED SOURCES AND USES OF 2013 BOND PROCEEDS

Following is a table of the estimated sources and uses of funds with respect to the 2013 Bonds:

Sources of Funds	
Par Amount of 2013 Bonds	\$ _____
Net Premium	_____
Total Sources	<u>\$ _____</u>
Uses of Funds	
Project Fund	_____
Reserve Account of the Bond Fund	_____
Costs of Issuance Fund ⁽¹⁾	_____
Total Uses	<u>_____</u>

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

THE 2013 BONDS

General Provisions

The 2013 Bonds will be dated their date of delivery. Interest on the 2013 Bonds will be payable from such date at the rates set forth on the inside cover page of this Official Statement.

The 2013 Bonds will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2013 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 2013 Bonds, as described in APPENDIX F: "BOOK-ENTRY SYSTEM."

The 2013 Bonds will be issued in denominations of \$5,000 and any multiple integral thereof. Interest will be payable semi-annually on May 1 and November 1 commencing November 1, 2013.

Book-Entry System for 2013 Bonds

The DTC will act as securities depository for the 2013 Bonds. The 2013 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 2013 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 2013 Bonds

Optional Redemption of the 2013 Bonds.

The 2013 Bonds maturing prior to November 1, 20__ shall not be subject to optional redemption. The 2013 Bonds maturing on or after November 1, 20__ are subject to redemption on or after November 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 2013 Bonds to be redeemed, together with accrued but unpaid interest to the redemption date, without premium.

Mandatory Redemption of the 2013 Bonds.

The 2013 Bonds are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on November 1, _____, with respect to 2013 Bonds maturing November 1, _____, and on November 1 in each year thereafter to and including the respective date of maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however,* that if some but not all of the 2013 Bonds have been redeemed pursuant to an optional or mandatory redemption, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2013 Bonds so redeemed pursuant to such optional or mandatory redemption by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Corporation with the Trustee.

2013 Bonds Maturing November 1, _____

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
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Extraordinary Redemption of the 2013 Bonds.

The 2013 Bonds shall be subject to redemption as a whole or in part on any date, from the proceeds of insurance or eminent domain required to be used for such purpose as provided in the

Indenture, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Procedure for and Notice of Redemption of 2013 Bonds.

The Trustee shall give notice of each redemption to Owner of any 2013 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 2013 Bonds or the cessation of accrual of interest from and after the redemption date.

With respect to the optional redemption of the 2013 Bonds, the Corporation may instruct the Trustee to include a statement in the notice of redemption that such redemption is conditioned upon the receipt by the Trustee on or before the date fixed for such redemption of sufficient funds for such purpose. In the event that sufficient funds shall not have been deposited with the Trustee on or before the date fixed for redemption, the Trustee shall promptly so notify the Owners of the Bonds by telephone, facsimile transmission or other form of telecommunication, promptly confirmed in writing; and thereupon such redemption and the notice thereof shall be deemed to be canceled and rescinded.

Selection of 2013 Bonds for Redemption.

Except for mandatory redemption as described above, whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a series, the Trustee shall select the Bonds to be redeemed from all Bonds of a series or such given portion thereof not previously called for redemption from such series, maturities, or portion of such maturities, as shall be set forth in a Written Request of the Corporation filed with the Trustee, or in the absence of such designation of maturities by the Corporation, then on a pro rata basis among maturities of a series, and in any case, by lot within a maturity in any manner which the Trustee in its sole discretion shall deem to maintain substantially level debt service; *provided, however*, that the remaining portion of any 2013 Bond of a series to be redeemed shall be in the principal amount of an Authorized Denomination.

DEBT SERVICE REQUIREMENTS

Under the Lease Agreement, Lease Payments payable by the County to the Corporation are due and payable by the County each April 15 and October 15 commencing October 15, 2013. Pursuant to the Indenture, on May 1 and November 1 commencing November 1, 2013, the Trustee will apply such amounts as are necessary to make principal and interest payments with respect to the 2013 Bonds as the same shall become due and payable, as shown in the following table:

DEBT SERVICE SCHEDULE

Bond Year Ending November 1	2013 Bonds Principal	2013 Bonds Interest	2013 Bonds Total Principal and Interest⁽¹⁾
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⁽¹⁾ Represents total debt service of the 2013 Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, which like the 2013 Bonds, are payable from lease payments by the County made from its General Fund.

SECURITY AND SOURCE OF PAYMENT FOR THE 2013 BONDS

General

The 2013 Bonds constitute special, limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured solely by all of the Revenues and any other amounts (excluding the following: (a) proceeds of the sale of the Bonds; (b) any amounts in the Costs of Issuance Fund; (c) any Additional Rent paid by the County to the Corporation pursuant to the Lease Agreement; and (d) excess earnings amounts to be rebated from Corporation to United States of America and any such amounts paid to Corporation by County for rebate to United States of America pursuant to the Indenture and the Lease Agreement) held in any fund or account established pursuant to the Indenture. **The 2013 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 amounts received by the Corporation or the Trustee pursuant to or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable Additional Rents; (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except for amounts required to be on deposit in the Rebate Fund); and (c) all proceeds of rental interruption insurance policies carried with respect to the Leased Premises pursuant to the Lease Agreement or in accordance with the Indenture.

Lease Payments

The obligation of the County to make Lease 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. Lease Payments will be made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Reserve Account of the Bond Fund established under the Indenture.

The Trustee, pursuant to the Indenture and the Lease Agreement, will receive Lease Payments for the benefit of the Owners of the 2013 Bonds. The County is required under the Lease Agreement to make semiannual Lease Payments from legally available funds, and Lease Payments are scheduled to be sufficient to pay, when due, the principal of and interest on the 2013 Bonds. The Trustee's obligation to make such payments to Owners is limited to amounts designated as principal of and interest on the 2013 Bonds. Additional Payments due from the County under the Lease Agreement include amounts sufficient to pay the fees and expenses of the Corporation and the Trustee, certain taxes and assessments, insurance premiums, and other fees and expenses set forth in the Lease Agreement. Lease Payments will be abated in the event of damage to, destruction or condemnation of the Leased Premises or any portion thereof. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Lease Agreement" herein. The County is also responsible for repair and maintenance of the Leased Premises during the term of the Lease Agreement.

The County has covenanted in the Lease Agreement to take such action as may be necessary to include the annual portion of all rental payments due under the Lease Agreement for the Leased Premises in its annual budget and to make the necessary annual appropriations therefor. The Lease Agreement states that such covenants on the part of the County shall be deemed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as

are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

So long as the County has the use and occupancy of the Leased Premises, the obligation of the County to make Lease Payments and Additional Payments and payment of all other amounts provided for in the Lease Agreement, 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 and the Lease Agreement related to abatement.

Should the County default under the Lease Agreement, the Corporation may exercise any and all remedies available at law or in equity or granted pursuant to the Lease Agreement and may elect, without terminating the County's rights under the Lease Agreement, to continue the Lease Agreement in effect and enforce all of its rights and remedies thereunder, including the right to recover Lease Payments as they become due. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS –The Lease Agreement" herein. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee the Revenues, and confers upon the Trustee the power to collect the Revenues and appoints the Trustee as its attorney-in-fact to demand, receive and enforce payment of the Revenues. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Indenture" herein.

Reserve Account of the Bond Fund

A Reserve Account in an amount equal to 50% of the lesser of (a) the maximum amount of annual Debt Service coming due and payable in the current or any future Bond Year; (b) 125% of average annual Debt Service on the 2013 Bonds; or (c) ten percent (10%) of initial outstanding principal amount of the 2013 Bonds (the "Reserve Requirement") is pledged to pay principal of and interest on the Outstanding Bonds. Amounts in the Reserve Account are to be used for such purpose only in the event amounts in the Bond Fund are insufficient to make such payments. If on any Interest Payment Date the amounts in the Principal Account or Interest Account of the Bond 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 Reserve Account, 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 Reserve Account 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 Reserve Requirement provided certain conditions are satisfied.

Upon the issuance of the 2013 Bonds, \$[] of the proceeds of the 2013 Bonds will be deposited in the Reserve Account and the Reserve Account will be funded at the Reserve Requirement.

Insurance

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

The Lease Agreement also requires the County to maintain insurance on the Leased Premises against loss or damage to the Leased Premises or any portion thereof including loss or damage caused by fire and lightning, with extended coverage, and vandalism and malicious mischief insurance. Said extended coverage insurance, will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the County's risk manager. Such insurance may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Lease Agreement" and "RISK FACTORS—Risk of Uninsured Loss; Earthquakes" herein.

The County plans to obtain, contemporaneously with the issuance of the 2013 Bonds, a CLTA title insurance policy from First American Title Company with respect to the Leased Premises in the amount of the aggregate principal amount of all of the 2013 Bonds.

Additional Obligations

The Corporation may issue additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part by amending the Indenture and the Lease Agreement, provided that (A) no Event of Default under the Indenture or the Lease Agreement has occurred and is continuing, (B) such additional amounts of rental do not cause the total rental payments made by the County under the Lease Agreement to exceed the fair rental value of the Leased Premises and Facilities, as set forth in a certificate of a County Representative filed with the Trustee and the Corporation, (C) the County shall have obtained and filed with the Trustee and the Corporation a Written Certificate of an Authorized Representative of the County showing that the fair rental value of the Leased Premises and Facilities is not less than the sum of the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other capital improvements which are authorized pursuant to the laws of the State.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the 2013 Bonds. The following discussion of risks is not intended to be an exhaustive list of the risks associated with the purchase of the 2013 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 2013 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 Lease Payments to provide for debt service payments on the 2013 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 Lease Payments or Additional Payments under the Lease Agreement 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 2013 Bonds nor the obligation of the County to make Lease Payments or Additional Payments under the Lease Agreement 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 Agreement does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease Agreement to pay the Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease Agreement that, for as long as the Leased Premises is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments.

Additional Obligations of the County

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Premises, taxes and other governmental charges levied against the Leased Premises) 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 Lease 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 Lease 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 2013 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 2013 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 2013 Bonds and/or delays in the enforcement of such rights.

Default

In the event of default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The remedies provided for in the Lease Agreement include, in addition to all other remedies provided at law, terminating the Lease Agreement and reletting the Leased Premises and retaining the Lease Agreement and holding the County liable for each installment of Lease 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 Lease 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 Reserve Account for the 2013 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 2013 Bonds, Lease Payments due under the Lease Agreement with respect to the Leased Premises 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 Leased Premises or any portion thereof, there is substantial interference with the use or right of possession by the County of the Leased Premises or a portion thereof. Lease Payments will be abated under the Lease Agreement. The amount of abatement will be such that the resulting Lease Payments and Additional Payments represents fair rental value for the use and possession of the remaining portions of the Leased Premises 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. 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 Leased Premises, 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 Leased Premises and the abatement of the Lease Payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Lease Agreement to cause to be maintained certain insurance policies on the Leased Premises; 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 Leased Premises. In the event the Leased Premises are damaged or destroyed due to a casualty for which the Leased Premises is uninsured, an abatement of the Lease 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 Leased Premises will be sufficient to prepay the 2013 Bonds.

The County in the past has purchased an "all-risk" insurance policy with respect to certain properties located within the County. Accordingly, the Leased Premises are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Leased Premises, sustain one or more losses or damages in a fiscal year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Leased Premises.

For additional information regarding the County's risk management programs, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information – Insurance" and APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement" 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 2,227,577 as of January 1, 2012, reflecting a 1% increase over the prior year.]

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

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

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

The County's appropriations limit for the Fiscal Year 2011-12 was 2,139,732,138 and the amount shown in its budget for that year as the appropriations subject to limitation was \$900,975,704. The County's appropriations limit for Fiscal Year 2012-13 is \$_____ and the amount subject to the limitation is \$_____.

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 XIIIIC and XIIID 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. Proposition 218 (Article XIIIIC) 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.

Proposition 218 (Article XIIID) 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 XIIID, 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 XIIIIC) 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, and (f) 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. 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 provides that the local government bears the burden of proving by a preponderance of evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the government activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay debt service on the 2013 Bonds when due.

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 2012-13, the secured property tax roll decreased by approximately 0.15% from the prior year. The County expects assessed valuation to increase by

approximately 3.5% in Fiscal Year 2013-14, primarily as a result of increasing property values and sale volume. 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 generally represent the bulk of adjustments to the tax roll during a time of a market decline. For Fiscal Year 2012-13 over [] 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. No further Proposition 8 reductions are expected for Fiscal Year 2013-14.

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 guarantee 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 2013 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 2012-13, approximately 42.0% of the County's General Fund budget revenues consist of payments from the State and approximately 20.8% consists of payments from the Federal government. For Fiscal Year 2013-14, the County projects that approximately 42.6% of its General Fund budget revenues will consist of payments from the State and 21.2% will consist of payments from the Federal government.

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 2012-13. In June 2012, the State budget for Fiscal Year 2012-13 (the "2012 Budget Act") was enacted. The 2012 Budget Act recognized a budget gap of \$15.7 billion, comprised of a 2011-12 estimated deficit of \$6.9 billion and a 2012-13 projected deficit, absent corrective actions, of \$8.8 billion. The 2012 Budget Act included a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the 2012 Budget Act included \$8.1 billion in expenditure reductions, \$6.0 billion in additional revenues and \$2.5 billion in other budget solutions. The 2012 Budget Act proposed that voters approve, at the November 2012 election, an increase in personal income tax on the State's wealthiest individuals for seven years and an increase in sales tax of one-quarter percent for four years. The 2012 Budget Act included a "backup plan" if the ballot measure was not approved by the voters, which would have required \$5.9 billion in further cuts including further impacts on education and public safety.

Features of the 2012 Budget Act 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 \$469.1 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.

The 2012 Budget Act included The Schools and Local Public Safety Protection Act (the "Governor's Tax Initiative"), which was approved by a majority of the voters at the November 2012 election. The passage of the Governor's Tax Initiative temporarily increases the personal income tax on the state's wealthiest taxpayers for seven years, increases the sales tax by one-quarter percent for four years, and guarantees most of these new revenues to schools. The Legislative Analyst Office estimates that, as a result of the Governor's Tax Initiative, additional state tax revenues of about \$6 billion annually from Fiscal Year 2012-13 through Fiscal Year 2016-17 will be received by the State, with lesser amounts of additional revenue available in Fiscal Years 2011-12, 2017-18 and 2018-19. These additional revenues will be available to fund programs in the 2012 Budget Act and prevent spending reductions of

approximately \$6 billion in Fiscal Year 2012-13, mainly to education programs. The Governor's Tax Initiative also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

Proposed State Budget for Fiscal Year 2013-14. On January 10, 2013, Governor Brown released his 2013-14 Proposed Budget (the "Proposed 2013-14 Budget"), including an estimated \$98.5 billion in revenues and transfers and planned spending of \$97.7 billion. The Proposed 2013-14 Budget includes an expected spending increase of 5% from the 2012 Budget Act and includes an additional \$2.7 billion in Proposition 98 funding, accounting for approximately 57% of General Fund spending. The Proposed 2013-14 Budget also contains a surplus of approximately \$850 million.

Significant features of the Proposed 2013-14 Budget pertaining to counties include the following:

- ***Impact of Health Care Reform***—The Proposed 2013-14 Budget outlines two alternatives to the optional expansion of health care – a state-based approach or a county-based approach, either of which will have a significant effect on both the State and California counties. Increased coverage will generate substantial savings for the counties which pay for care for adults who are not currently eligible for Medi-Cal through their local indigent health care services programs. Counties currently meet this responsibility by operating facilities including hospitals and clinics and/or by contracting with private providers. A county-based expansion of Medicaid would build upon the existing Low Income Health Program. Counties would maintain their current responsibilities for indigent health care services. Under this option, counties would meet Statewide eligibility requirements, and a Statewide minimum in health benefits consistent with benefits offered through a program known as Covered California. Counties could offer additional benefits, except for long-term care. Under a county-operated Medicaid expansion, the counties would act as the fiscal and operational entity responsible for the expansion. Counties would build upon their existing Low Income Health Program and/or county indigent health care services programs as the basis for operating the Medicaid expansion.
- ***Redevelopment Agency Funds***—In those areas that contained redevelopment agencies, the 2013-14 Proposed Budget estimates that over Fiscal Year 2012-13 and Fiscal Year 2013-14, approximately \$1.6 billion in redevelopment agency funds will be distributed back to counties.
- ***CalWORKs Employment Services***—The 2013-14 Proposed Budget includes an increase of \$142.8 million in fiscal year 2013-14 to support the Cal WORKs refocusing measures enacted by SB 1041. Counties will need to enhance and expand their array of employment services and job development activities for program participants, and intensify case management efforts for individuals not currently participating in activities that will eventually lead to self-sufficiency.
- ***In-Home Supportive Services ("IHSS")***—The 2013-14 Proposed Budget includes \$1.8 billion General Fund for the IHSS program in Fiscal Year 2013-14, a 4.9% increase over the revised Fiscal Year 2012-13 budget and 6.5% increase from the 2012 Budget Act. An increase of \$47.1 million is related to the recently enacted county maintenance-of-effort requirement ("MOE"). Effective July 1, 2012, counties' share of the non-federal portion of IHSS costs is based on actual expenditures by counties in fiscal year 2011-12. The counties MOE requirement will increase by 3.5 percent annually, beginning in fiscal year 2014-15.

- *Property Tax Revenues.* Statewide property tax revenues are estimated to increase 1% in Fiscal Year 2012-13 and 2.5% in Fiscal Year 2013-14. The base 1 percent rate is expected to generate roughly \$48.2 billion in revenue in Fiscal Year 2013-14, of which roughly half (\$24.7 billion) will go to K-14 schools. Of this amount, approximately \$1.5 billion is shifted from schools to cities and counties to replace sales and use tax revenues redirected from those entities to repay the State's Economic Recovery Bonds, and approximately \$6.1 billion is shifted from schools to cities and counties to replace sales and use tax revenues redirected from those entities to repay the State's Economic Recovery Bonds, and approximately \$6.1 billion is shifted from schools to cities and counties to replace Vehicle License Fee ("VLF") revenue losses stemming from the reduced VLF rate. Local governments now receive property tax revenue to compensate them for the loss of VLF revenue. In Fiscal Year 2013-14 the estimated value of the VLF backfill to cities and counties is \$6 billion. The value of the reduction from 2% to 0.65% is \$4.1 billion.

Legislative Analyst's Office Response to 2013-14 Proposed Budget. The Legislative Analyst's Office (the "LAO") released its Overview of the 2013-14 Proposed Budget (the "LAO Overview") on January 14, 2013 noting that the 2013-14 Proposed Budget reflects a significant improvement in the State's finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. According to the LAO, the State has now reached a point where its underlying expenditures and revenues are roughly in balance so that State-supported program and service levels established in Fiscal Year 2012-13 will generally continue "as is" in Fiscal Years 2013-14 and 2014-15. The LAO believes that because there are still considerable risks to revenue estimates, given uncertainty surrounding federal fiscal policy and the volatility inherent in the State's revenue system, the Governor's focus on fiscal restraint and paying off debts is appropriate. The LAO also notes that the State is currently expected to end Fiscal Year 2012-13 with a surplus of \$167 million and to end Fiscal Year 2013-14 with a \$1 billion surplus, and that the 2013-14 Proposed Budget projects a multi-year forecast that revenues will continue to exceed expenditures annually, accumulating to a projected \$2.5 billion general fund surplus by Fiscal Year 2016-17.

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

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, provided however, that for the purpose of calculating federal corporate alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2013 Bonds. The corporation and the County have covenanted to comply with certain restrictions designed to insure that interest on the 2013 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2013 Bonds being included in federal gross income, possibly from the date of original issuance of the 2013 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2013 Bonds may adversely affect the value of, or the tax status of interest on, the 2013 Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2013 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the 2013 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2013 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2013 Bonds. Prospective purchasers of the 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2013 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on any 2013 Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2013 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the 2013 Bonds (or by an audit of other similar bonds).

Although Bond Counsel is of the opinion that interest on the 2013 A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences.

Copies of the proposed forms of opinion of Bond Counsel are attached hereto as Appendix C.

LEGAL MATTERS

The validity of the 2013 Bonds and certain other legal matters are subject to the approving opinion of Best Best & Krieger 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 Counsel. Kutak Rock LLP serves as Disclosure Counsel to the Corporation and the County in connection with the issuance of the 2013 Bonds. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, Los Angeles, California. None of Bond Counsel, counsel to the Underwriter, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County will agree to provide, during the time the 2013 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 2013 Bonds in the secondary market, but shall not constitute a default under the Indenture or the Lease Agreement.

For each of the last five years the County has timely filed each of its annual reports and all notices of material events as required by its previous undertakings with respect to the Rule. However, the County has recently determined that such previous filings did not include certain budget information required by its previous undertakings. Such information was however available on the County's website and/or available in other continuing disclosure filings made by the County. The County has subsequently filed such budget information and is currently in compliance with all of its undertakings with respect to the Rule.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the 2013 Bonds, the Lease Agreement or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the 2013 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 Lease 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, 2012, are included in this Official Statement as part of APPENDIX B: "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012." 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

Standard & Poor's and Fitch Ratings have assigned the 2013 Bonds the ratings of "[AA-]" and "[AA-]," respectively. In addition, both such rating agencies have issued stable outlooks for these ratings. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2013 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 Underwriter 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 2013 Bonds.

UNDERWRITING

The 2013 Bonds are being purchased through negotiation by E.J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2013 Bonds at a purchase price of \$ _____ (representing the par amount of the 2013 Bonds, less an Underwriter's discount of \$ _____). The Underwriter is obligated to purchase all of the 2013 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2013 Bonds.

The Underwriter may also offer and sell the 2013 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 Underwriter.

FINANCIAL ADVISOR

The Corporation and the County have retained Fieldman, Rolapp and Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the 2013 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

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

EXECUTION AND DELIVERY

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

COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION

By: _____
Authorized Officer

COUNTY OF RIVERSIDE, CALIFORNIA

By: _____
Authorized Officer

APPENDIX B

**THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL
YEAR ENDED JUNE 30, 2012**

APPENDIX C

FORM OF BOND COUNSEL OPINION

County of Riverside Asset Leasing Corporation
Riverside, California

Re: _____ County of Riverside Asset Leasing Corporation Lease
Revenue Bonds, Series 2013A (Public Defender and Information
Technology Building Projects)

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the County of Riverside Asset Leasing Corporation (the "Corporation") in connection with the issuance by the Corporation of its \$ _____ Lease Revenue Bonds, Series 2013A (Public Defender and Information Technology Building Projects) (the "2013 Bonds"). The 2013 Bonds are being issued under that certain Indenture of Trust dated as of _____, 2013 (the "Indenture"), by and between Wells Fargo Bank, National Association, as trustee, and the Corporation, and are secured by certain lease payments to be made by the County of Riverside (the "County") in accordance with the terms of the Lease Agreement dated as of _____, 2013 (the "Lease Agreement"), by and between the Corporation and the County.

In rendering our opinion, we have relied upon certain representations of fact and certifications made by the Corporation, the County, the original purchasers of the 2013 Bonds and others, and such other information and documents as we consider necessary to render this opinion. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2013 Bonds have been issued pursuant to an authorizing resolution adopted by the Corporation on _____, 2013 (the "Resolution") approving the Indenture. The 2013 Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the 2013 Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The 2013 Bonds are registered 2013 Bonds in the form set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

All terms not defined herein have the meaning ascribed to those terms in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The 2013 Bonds have been duly and validly authorized by the Corporation and are legal, valid and binding limited obligations of the Corporation. The 2013 Bonds are secured and payable solely from Revenues (as defined in Indenture), as and to the extent provided for in the Indenture. The Bond are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, 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.

2. The Indenture and the Lease Agreement have been duly authorized by the Corporation, are valid and binding obligations of the Corporation and are enforceable on the Corporation in accordance with their respective terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, 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; provided, however, that we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that the enforceability of the Indenture may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, 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.

4. The Lease Agreement has been duly authorized by the County, is a valid and binding obligation of the County and enforceable on the County in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, 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; provided, however, that we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein.

5. Under existing statutes, regulations, rulings and judicial decisions, interest on the 2013 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will not be included as an adjustment in the calculation of alternative minimum taxable income.

6. Interest on the 2013 Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraph (5) above as to the exclusion from gross income for federal income tax purposes of interest on the 2013 Bonds are subject to the condition that the Corporation and the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2013 Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2013 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2013 Bonds. The Corporation and the County each have covenanted to comply with all such requirements. Except as set forth in paragraph (5) above, we express no opinion as to any federal tax consequences related to the 2013 Bonds.

Certain requirements and procedures contained or referred to in the Indenture and the Lease Agreement and the Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth therein, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to effect on the exclusion of interest on the 2013 Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Best Best & Krieger LLP.

We are admitted to the practice of law only in the State of California and our opinions are limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel with respect to the 2013 Bonds terminates upon the issuance of the 2013 Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover matters not directly addressed by such authorities.

Respectfully submitted,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX E

FORM OF 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 \$ _____ County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender and Information Technology Building Projects) (the "Bonds"). The 2013 Bonds are being delivered pursuant to an Indenture of Trust, dated as of _____ 1, 2013, by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, N.A., as trustee (the "Trustee"). The County of Riverside (the "County") is executing this Disclosure Certificate as the "Obligated Person" in connection with the 2013 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 Underwriter 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 Bonds, dated _____, 2013.

“Participating Underwriter” shall mean any of the original underwriter of the 2013 Bonds required to comply with the Rule in connection with the offerings of the 2013 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 audited financial statements for the 2012-13 Fiscal Year to be filed in the 2013-2014 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 2013 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 Leased Premises and other occurrence which may provide the County with the opportunity to abate in whole or in part any Lease Payments; 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 2013 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 Certain 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 2013 Bonds:

(i) principal or interest payment delinquencies;

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

(iii) modifications to the rights of the Holders of the 2013 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 2013 Bonds or other material events affecting the tax status of the 2013 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 2013 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 Corporation 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 (xii) 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 2013 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 2013 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 2013 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not acting in any fiduciary capacity for the Holders, Beneficial Owners or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2013 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Bonds, and any bond insurer maintaining a financial guaranty insurance policy on the Bonds that is not in default, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

Date: _____, 2013

COUNTY OF RIVERSIDE, CALIFORNIA

By: [Form only] _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: COUNTY OF RIVERSIDE, CALIFORNIA

Name of Bond Issue: County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender and Information Technology Building Projects) (the "Bonds")

Date of Delivery: _____, 2013

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 Underwriter believes to be reliable, but neither the Corporation nor the Underwriter 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 2013 Bonds. The 2013 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 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 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 2013 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 2013 Bonds, except in the event that use of the book-entry system for the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 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 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 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 2013 Bonds. Beneficial Owners of the 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 Underwriter is 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 2013 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 [] as of January 1, 2013, representing an approximately []% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2003 to January 1, 2013, the County's population grew by []%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of [] as of January 1, 2013. After giving effect to such incorporations, the population in the unincorporated areas of the County increased by []% during such ten-year period. Currently, the growth in the County has tempered due to the economy. Between January 1, 2012 and January 1, 2013, the County population increased by approximately []%, 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Banning	28,551	29,507	29,723	29,965	
Beaumont	32,448	36,496	38,034	38,851	
Blythe	21,346	20,873	20,063	20,400	
Calimesa	7,504	7,853	7,910	7,998	
Canyon Lake	11,143	10,528	10,606	10,689	
Cathedral City	52,508	51,037	51,400	51,952	
Coachella	41,043	40,464	41,339	41,904	
Corona	148,770	151,854	153,047	154,520	
Desert Hot Springs	26,584	25,852	27,277	27,638	
Eastvale	-	-	54,090	55,602	
Hemet	74,931	78,335	79,309	80,089	
Indian Wells	5,099	4,941	4,990	5,035	
Indio	82,325	75,122	76,817	78,065	
Jurupa Valley	-	-	-	96,456	
Lake Elsinore	50,324	51,445	52,294	53,024	
La Quinta	43,830	37,307	37,688	38,075	
Menifee	67,819	77,267	79,139	80,589	
Moreno Valley	186,515	192,654	194,451	196,495	
Murrieta	100,835	103,085	104,051	104,985	
Norco	27,189	27,066	26,968	27,053	
Palm Desert	51,570	48,132	48,920	49,971	
Palm Springs	47,653	44,385	44,829	45,279	
Perris	54,387	67,879	69,506	70,180	
Rancho Mirage	16,938	17,168	17,399	17,504	
Riverside	300,769	302,814	306,069	308,511	
San Jacinto	36,521	44,043	44,421	44,803	
Temecula	102,713	99,611	101,255	103,092	
Wildomar	<u>31,374</u>	<u>32,006</u>	<u>32,414</u>	<u>32,719</u>	
TOTALS					
Incorporated	1,650,689	1,677,724	1,754,009	1,861,944	
Unincorporated	<u>459,193</u>	<u>501,968</u>	<u>451,722</u>	<u>365,633</u>	
County-Wide	<u>2,109,882</u>	<u>2,179,692</u>	<u>2,205,731</u>	<u>2,227,577</u>	
California	38,255,508	37,223,900	37,510,766	37,678,563	

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 2008 through 2012.

RIVERSIDE COUNTY AND CALIFORNIA TOTAL EFFECTIVE BUYING INCOME, MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000⁽¹⁾

	<u>Total Effective Buying Income⁽²⁾</u>	<u>Median Household Effective Buying Income</u>	<u>Percent of Households with Income over \$50,000</u>
2008			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%
2009			
Riverside County	\$ 40,935,686	\$46,852	46.2%
California	\$832,528,809	\$48,915	48.7%
2010			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
2011			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%
2012			
Riverside County	\$ 39,981,683	\$44,116	42.91%
California	\$814,578,458	\$47,062	46.65%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2008, and Nielson Solution Center for 2009 through 2012.

Industry And Employment

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY⁽¹⁾ (IN THOUSANDS)

<u>INDUSTRY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Agriculture	15.9	14.9	15.0	14.9	15.1
Construction	90.7	67.9	59.7	59.0	41.2
Finance Activities	46.1	42.5	41.0	39.9	40.8
Government	231.0	235.2	234.3	227.5	224.5
Manufacturing:	106.9	88.8	85.1	85.1	86.5
Nondurables	34.3	30.6	29.8	29.3	29.8
Durables	72.5	58.1	55.3	55.8	56.8
Natural Resources and Mining	1.2	1.1	1.0	1.0	1.2
Retail Trade	168.6	156.2	155.5	158.5	161.7
Professional, Educational and other Services	441.8	419.8	418.2	428.1	442.2
Transportation, Warehousing and Utilities	70.2	66.8	66.6	68.7	70.8
Wholesale Trade	54.1	48.9	48.6	49.0	51.3
Information, Publishing and Telecommunications	14.8	14.1	14.0	12.1	11.6
Total, All Industries	1,241.2	1,156.4	1,139.0	1,143.7	1,166.7

⁽¹⁾ The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.

Source: State Employment Development Department, Labor Market Information Division, as of March 29, 2013t.

The following table sets forth the major employers located in the County as of 2012:

**COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2012)**

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees⁽²⁾</u>
County of Riverside	Government	19,150
March Air Reserve Base	Military Reserve Base	9,000
Stater Brothers Market	Supermarket	6,900
University of California, Riverside	University	5,790
Walmart	Retail Store	5,360
Corona-Norco Unified School District	School District	4,686
Kaiser Permanente Riverside Medical Center	Hospital	4,000
Pechanga Resort and Casino	Casino & Resort	4,000
Riverside Unified School District	School District	3,796
Moreno Valley Unified School District	School District	3,500

⁽¹⁾ Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.

⁽²⁾ Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Source: County Economic Development Agency

Unemployment statistics for the County, the State and the United States are set forth in the following table.

**COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>March 2013</u>
County ⁽¹⁾	8.5%	13.6%	14.7%	13.6%	11.1%	
California ⁽¹⁾	7.2	11.4	12.4	11.7	9.7	
United States ⁽²⁾	5.8	9.3	9.6	8.9	8.1	7.6

⁽¹⁾ Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

⁽²⁾ 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 2007 through 2011, the most recent year for which data is currently available:

**COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Apparel Stores	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271	\$1,391,174	\$1,505,821
General					
Merchandise Stores	3,272,665	3,081,989	2,855,733	2,947,905	3,051,709
Health and					
Personal Care					
Stores	320,469	307,947	288,768	292,463	454,268
Food Stores	1,352,609	1,254,366	1,144,235	1,152,507	1,179,649
Packaged Liquor					
Stores	84,397	98,338	106,981	115,251	125,082
Food Services and					
Drinking Places	2,388,039	2,340,554	2,266,853	2,317,486	2,473,339
Home Furnishing,					
Electronics and					
Appliances	843,945	816,379	858,098	883,109	914,888
Building Materials					
& Garden					
Equipment	1,961,911	1,435,337	1,128,595	1,232,145	1,303,073
Auto Dealers &					
Supplies	4,301,385	3,115,036	2,449,747	2,620,568	3,010,487
Gasoline Stations	2,835,690	3,011,476	2,300,247	2,685,840	3,300,785
Other Retail Stores	<u>2,710,393</u>	<u>2,106,283</u>	<u>1,364,956</u>	<u>1,281,052</u>	<u>1,257,185</u>
Retail Stores Total	\$21,242,516	\$18,689,249	\$16,057,488	\$16,919,500	\$18,576,285
All Other Outlets	<u>7,781,093</u>	<u>7,314,346</u>	<u>6,170,390</u>	<u>6,233,280</u>	<u>7,065,212</u>
Total All Outlets	<u>\$29,023,609</u>	<u>\$26,003,595</u>	<u>\$22,227,878</u>	<u>\$23,152,780</u>	<u>\$25,641,497</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 2008.

**COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS
(IN THOUSANDS)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
RESIDENTIAL					
New Single-Family	\$1,214,752	\$ 891,825	\$ 914,058	\$651,747	\$ 854,814
New Multi-Family	243,741	76,717	71,152	115,064	99,578
Alterations and Adjustments	<u>118,490</u>	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>	<u>84,517</u>
Total Residential	\$1,576,983	\$1,053,690	\$1,079,639	\$886,495	\$1,038,963
NON-RESIDENTIAL					
New Commercial	\$ 539,944	\$ 94,653	\$ 191,324	\$152,160	\$346,865
New Industry	70,411	12,278	6,686	10,000	3,767
New Other ⁽¹⁾	138,766	107,334	98,105	99,898	78,602
Alterations & Adjustments	<u>292,694</u>	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>	<u>154,325</u>
Total Nonresidential	\$1,041,815	\$376,822	\$ 539,380	\$559,415	\$583,559
TOTAL ALL BUILDING	<u>\$2,618,798</u>	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>	<u>\$1,602,522</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and other non-residential buildings and structures.

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012

**COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Single Family	3,815	3,424	4,031	2,676	
Multi-Family	<u>2,104</u>	<u>784</u>	<u>526</u>	<u>1,073</u>	
TOTAL	<u>5,919</u>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>	

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012

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> ⁽¹⁾
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
2012	330,000	210,000	163,000	300,000

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
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
2012	15,259	10,655	9,257	47,323

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2007 through 2011 is presented in the following table.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Citrus Fruits	\$ 121,387,100	\$ 135,759,800	\$ 101,652,000	\$140,501,000	\$119,942,513
Trees and Vines	189,286,500	173,678,000	191,682,600	164,994,000	232,649,262
Vegetables, Melons, Miscellaneous Field and Seed	234,854,700	266,414,900	221,286,700	292,002,200	278,628,295
Crops	94,492,000	123,545,400	69,699,800	81,328,300	149,198,052
Nursery	272,326,200	230,416,200	206,499,900	169,341,300	200,154,964
Apiculture	3,948,900	5,637,000	5,017,600	4,631,700	4,844,400
Aquaculture					
Products	<u>9,829,200</u>	<u>12,077,700</u>	<u>5,243,900</u>	<u>4,921,700</u>	<u>4,808,250</u>
Total Crop Valuation	\$ 926,124,600	\$ 947,529,000	\$ 801,082,500	\$857,720,200	\$990,225,736
Livestock and Poultry Valuation	<u>338,938,600</u>	<u>321,060,900</u>	<u>214,672,800</u>	<u>235,926,300</u>	<u>292,030,380</u>
Grand Total	<u>\$1,265,063,200</u>	<u>\$1,268,589,900</u>	<u>\$1,015,755,300</u>	<u>\$1,093,646,500</u>	<u>\$1,282,256,116</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, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. 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 Los Angeles World Airports, a proprietary department of the City of Los Angeles. 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.

FINANCIAL INFORMATION

Budgetary Process and Budget

The 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 quarterly reviews, with major adjustments generally addressed at the end of the first, second and third quarters.

[Fiscal Year 2012-13 Budget] [TO BE UPDATED]

In June 2012, the Board of Supervisors approved the Fiscal Year 2012-13 Recommended Budget. The Recommended Budget includes total general fund appropriations of approximately \$2.4 billion. For Fiscal Year 2012-13, the County projects that approximately 42.1% of its General Fund budget revenues will consist of payments from the State and 20.7% will consist of payments from the Federal government. Discretionary revenue is budgeted to decline to approximately \$572 million for fiscal year 2012-13, a reduction of approximately 2% from the fiscal year 2011-12 adjusted budget estimates. The adopted budget includes a reduction in discretionary spending of approximately \$39 million from the prior fiscal year.

Property tax revenue is budgeted at approximately \$266 million for Fiscal Year 2012-13, and represents approximately 46% of the County's discretionary revenue. Preliminary indications from the County Assessor assume a potential decrease in assessed valuation in Fiscal Year 2012-13 of approximately 2% to 2.5% from Fiscal Year 2011-12. Such potential decrease is primarily a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years. Because projections of assessed valuations are volatile, for budgetary purposes assessed valuation is assumed to remain consistent with Fiscal Year 2011-12. In July 2012, the County Assessor will finalize the Fiscal Year 2012-13 assessment roll. If such assessment roll reflects a decrease in assessed valuation, the resulting reduction in discretionary revenue will require additional budget cuts to be included in the final budget in an estimated total of up to approximately \$10 million.

During the Fiscal Year 2012-13 mid-year budget meeting, the County made a presentation outlining the needs and the resources for Fiscal Years 2012-13 and 2013-14. To fund the needs of the various departments, at the mid-year meeting, the County elected to create a budget stabilization fund. The fund contains additional resources received in Fiscal Year 2012-13 from one-time revenues and additional fund balance from prior years. At the end of Fiscal Year 2012-13, the County expects to have an additional \$25.6 million available as one time resources for Fiscal Year 2013-14.

Fiscal Year 2013-14 Proposed Budget

The County has started its budget process for Fiscal Year 2013-14 and held its budget impact hearings. At the budget impact hearings, all general fund departments were asked to present balanced budgets. The sheriff and fire departments presented budgets that needed additional resources and all other departments presented balanced budgets. These balanced budgets absorbed all additional costs that include salaries and benefit increases. Property tax revenue is expected to grow by 3.5% in Fiscal Year 2013-14, and growth is also expected in sales tax receipts. Using these additional revenues and the set aside in the budget stabilization fund created in Fiscal Year 2012-13, the County expects to present a balanced general fund budget for Fiscal Year 2013-14 without using its reserves.

As part of its efforts to commitment to Public Safety, on March 26, 2013 the Board adopted "Doctrine 1.2 – a Roadmap for Public Safety." This doctrine outlines a direction to the sheriff department to increase the deputy to population ratio from 0.75/1000 to 1.2/1000 in the unincorporated area of the County. The sheriff department has already initiated this process and expects to reach this goal within the next five years. This initiative is expected to add additional costs to the

Sheriff's budget, and as part of the budget impact hearings, the sheriff department requested additional resources. The County expects to provide sufficient resources as the sheriff department adds additional deputies in accordance with the doctrine. In addition to this initiative, the County is in the process of building the East County Detention Center in Indio to give it further capacity to jail inmates. This jail is expected to be built with a grant from the State and issuance of bonds by the County. To prepare for the operations and maintenance of this facility, expected to be completed in 2017, the County has adopted a policy of setting aside the expected increases in Prop 172 revenue. The County expects Prop 172 revenue increases to total \$30-\$40 million over the next three years. In addition, the fire department has requested additional resources to purchase equipment and offset costs related to coverage of newly incorporated cities which are still served by the County's fire department. The County intends to provide funding to meet these needs.

Property tax revenue is budgeted at approximately \$268 million for Fiscal Year 2013-14, and represents approximately 46% of the County's discretionary revenue. Preliminary indications from the County Assessor assume an increase in assessed valuation in Fiscal Year 2013-14 of approximately 3% to 3.5% from Fiscal Year 2012-13. Such potential increase is primarily a result of increasing property values resulting in increased assessed valuation. For budgetary purposes assessed valuation is assumed to increase from the 2% decrease in Fiscal Year 2012-13. In July 2013, the County Assessor will finalize the Fiscal Year 2013-14 assessment roll.

Impacts of State Budget

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's 2012-13 and 2013-14 budgets. 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 adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

Realignment of Certain Services to Local Governments

As part of the State's 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). Beginning in Fiscal Year 2011-12, the realignment provides funds to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate; 2) the redirection 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.

Realignment is comprised of 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. In Fiscal Year 2012-13, the County has received a \$43 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. In Fiscal Year 2013-14, the County anticipates an appropriation of \$58 million from the State for realignment, which is anticipated to be sufficient to pay for the County's realignment-related operations. In addition, the County is expecting to receive a grant of \$25 million in Fiscal Year 2013-14 from the State for an expansion of the Van Horn Youth Center in the City of Riverside, and a grant of \$100 million in Fiscal Year 2014-15 for the construction of a new jail facility in the City of Indio.

Final Budget Comparison

The following table compares the general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

**COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2008-09, 2009-10, 2010-11, 2011-12 AND 2012-13
(IN MILLIONS)**

	2008-09 <u>Budget</u>	2009-10 <u>Budget</u>	2010-11 <u>Budget</u>	2011-12 <u>Budget</u>	2012-13 <u>Budget</u>
REQUIREMENTS					
General Government	\$ 238.6	\$ 239.2	\$ 175.3	\$ 174.4	\$ 180.4
Public Protection	1,132.0	1,055.2	1,062.4	1,060.0	1,072.1
Public Ways and Facilities	2.1	2.2	0.0	0.0	0.0
Health and Sanitation	392.3	395.2	396.0	411.9	430.1
Public Assistance	791.1	815.5	780.0	802.9	762.3
Education	0.6	0.4	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.3	0.4	0.0
Debt Retirement-Capital Leases	22.3	6.8	6.8	5.0	5.0
Contingencies	34.8	30.0	20.0	20.0	7.0
Increase to Reserves	<u>5.0</u>	<u>(12.8)</u>	<u>17.5</u>	<u>2.4</u>	<u>2.3</u>
Total Requirements ⁽³⁾	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>	<u>\$2,459.8</u>
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	\$ 107.1	\$ 112.8	\$ 107.8	\$ 90.1	\$ 74.0
Estimated Revenues:					
Property Taxes	287.2	244.9	222.4	214.9	211.5
Other Taxes	49.1	46.1	46.0	35.5	35.0
Licenses, Permits and Franchises	24.9	20.7	19.8	18.1	17.7
Fines, Forfeitures and Penalties	60.6	55.7	58.0	56.2	51.7
Use of Money and Properties	29.7	13.5	11.2	10.0	7.4
Aid from Other Governmental Agencies:					
State	991.8	962.0	921.7	936.3	1,005.5
Federal	465.4	511.1	501.2	506.7	493.9
Charges for Current Services ⁽²⁾	385.1	452.7	461.0	462.8	442.6
Other Revenues ⁽²⁾	<u>217.9</u>	<u>112.5</u>	<u>111.9</u>	<u>147.7</u>	<u>120.5</u>
Total Available Funds ⁽³⁾	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>	<u>\$2,459.8</u>

⁽¹⁾ Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

⁽²⁾ Due to reporting changes, certain accounts were reclassified from Other Revenues to Charges for Current Services after fiscal year 2008-09.

⁽³⁾ Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Treasurer’s Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the “PIF”) for all local jurisdictions having funds on deposit in the County Treasury. As of April 30, 2013, the portfolio assets comprising the PIF had a market value of \$[_____].

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, 2011, 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 [_____] % of the funds on deposit in the County Treasury, while approximately [_____] % 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 April 30, 2013, was as follows:

	<u>% of Pool</u>
Federal Agency Securities	
Cash Equivalents & Money Market Funds	
Commercial Paper	
Medium Term Notes	
Municipal Notes	
Certificates of Deposit	
Repurchase Agreements	
U.S. Treasury Bonds	
Local Agency Obligations ⁽¹⁾	
Total	100.00%
Book Yield:	%
Weighted Average Maturity:	years

⁽¹⁾ Includes County obligations issued by the Riverside District Court Financing Corporation and the CalTrust Short Term Fund.
Source: County Treasurer-Tax Collector

As of April 30, 2013, the market value of the PIF was [_____] % 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 2001-02 through fiscal year 2012-13.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

SECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 ⁽²⁾	Total Collections ⁽³⁾	Percentage of Total Collections to Current Levy
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	70,921,563	2.65	2,809,408,918	104.96
2012-13	2,677,034,057	N/A	N/A	N/A	N/A

- (1) The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
- (2) Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.
- (3) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Unsecured Property Tax Levy	Total Collections ⁽²⁾	Percentage of Total Collections to Original Levy ⁽²⁾
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	83,904,478	84,157,603	100.30
2012-13	83,848,832	72,606,443 ⁽³⁾	86.59 ⁽³⁾

- (1) The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
- (2) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
- (3) Reflects partial year collections, through October 2012.

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 2002-03 through fiscal year 2012-13.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2002-03 THROUGH 2012-13**

Fiscal Year	Tax Levy for Increased Assessments ^{(1),(2),(3)}	Refunds for Decreased Assessments ^{(1),(3)}	Net Supplemental Tax Levy	Collections ^{(1),(2)}
2002-03	\$ 81,055,987	\$ 2,060,886	\$ 78,995,102	\$ 72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 ⁽⁴⁾	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) ⁽⁵⁾	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,095
2012-13 ⁽⁶⁾	25,542,577	13,890,850	11,651,727	9,393,319

⁽¹⁾ These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.

⁽²⁾ Includes current and prior years' taxes, redemption penalties and interest collected.

⁽³⁾ Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.

⁽⁴⁾ Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.

⁽⁵⁾ The negative tax levy is a result of refunds exceeding the billed amounts.

⁽⁶⁾ From July 2012 through March 2013.

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 2008-09 through fiscal year 2012-13.

**COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2008-09 THROUGH 2012-13
(IN MILLIONS)**

Category	2008-09	2009-10	2010-11	2011-12	2012-13
SECURED PROPERTY:					
Land.....	\$ 82,768	\$ 69,917	\$ 65,877	\$ 64,308	\$ 63,549
Structures.....	149,837	137,292	132,431	131,516	132,077
Personal Property.....	860	906	819	836	887
Utilities.....	3,154	2,907	3,018	3,614	3,475
Total Secured.....	<u>\$236,529</u>	<u>\$211,022</u>	<u>\$202,145</u>	<u>\$200,274</u>	<u>\$199,988</u>
UNSECURED PROPERTY:					
Land.....	\$ 16	\$ 2	\$ 14	\$ 29	\$ 17
Improvements.....	3,866	3,761	3,748	3,778	3,951
Personal Property.....	4,426	4,154	4,049	3,975	3,895
Total Unsecured ⁽²⁾	<u>\$ 8,308</u>	<u>\$ 7,917</u>	<u>\$ 7,811</u>	<u>\$ 7,782</u>	<u>\$ 7,863</u>
Grand Total.....	<u><u>\$244,837</u></u>	<u><u>\$218,939</u></u>	<u><u>\$209,956</u></u>	<u><u>\$208,059</u></u>	<u><u>\$207,851</u></u>

⁽¹⁾ Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

⁽²⁾ Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and 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. In fiscal year 2012-13, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. Cumulatively, assessed valuation in the County has declined 16.36% since fiscal year 2007-08 due to the County Assessor's proactive reviews. No further Proposition 8 reductions are expected for Fiscal Year 2013-14.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2012-13 totaling approximately \$20.9 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 \$2.7 billion of assessed value was reduced from the County tax roll in fiscal year 2011-12 and fiscal year 2012-13, representing \$2.7 million in general purpose taxes over the two-fiscal year period. 57% of the fiscal year 2011-12 assessment appeals have been completed. The majority of the remaining fiscal year 2011-12 assessment appeals are expected to be completed by November 30, 2013.

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 2013-14 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2011-12 assessment appeals still to be completed; and (ii) a portion of the fiscal year 2012-13 and fiscal year 2013-14 assessment appeals being completed during fiscal year 2013-14.

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 2011-12, approximately 76% 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, and this amount has consistently been sufficient to provide for any tax losses. 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 2012, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series D (the "D Notes") in the amount of approximately \$142.8 million. The proceeds of the D Notes refunded the outstanding County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B originally issued in the amount of \$171.3 million. The D Notes funded approximately \$52.9 million representing fiscal year 2011-12 delinquent property taxes and approximately \$92.3 million representing prior years' delinquent property taxes. The D Notes mature on October 16, 2013. The County's General Fund is pledged to the repayment of the D Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the D Notes.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2012-13.

**COUNTY OF RIVERSIDE
 TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2012-13
 COMBINED TAX ROLLS†**

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
Southern California Edison Company	\$23,532,327.64	0.83%
Verizon California Inc.	9,205,279.60	0.33
Southern California Gas Company	6,789,190.40	0.24
Inland Empire Energy Center, LLC	5,993,563.64	0.21
Federal National Mortgage Association	3,416,198.58	0.12
Tyler Mall Ltd. Partnership	2,898,956.08	0.10
Abbott Vascular Inc.	2,898,956.08	0.10
Blythe Energy, LLC	2,739,241.06	0.10
Bank of New York Mellon	2,726,205.98	0.10
Chelsea GCA Realty Partnership	2,524,875.10	0.09
Roripaugh Valley Restoration	2,507,852.12	0.09
Standard Pacific Corp.	2,458,978.88	0.09
Wal Mart Real Estate Business Trust	2,443,706.96	0.09
Lowes HIW Inc.	2,402,339.86	0.09
Costco Wholesale Corp.	2,389,170.50	0.08
Target Corp.	2,375,335.00	0.08
Wells Fargo Bank	2,042,528.46	0.07
Health Care REIT	2,034,665.18	0.07
Palm Desert Funding Co.	2,033,212.92	0.07
Richmond American Homes of Maryland Inc.	2,027,563.68	0.07
KB Home Coastal Inc.	1,961,845.42	0.07
Pacific Bell Telephone Co. DBA AT&T California	1,933,850.04	0.07
Bank of America	1,887,533.60	0.07
KSL Desert Resort	1,881,481.98	0.07
Walgreen Co.	1,712,418.54	0.06
<u>Total</u>	\$94,815,766.07	3.36%
<u>Total Tax Charge for 2012-13</u>	\$2,821,808,183.51	

† Includes secured, unsecured and State-assessed property.
 Source: County Treasurer and Tax Collector

The 10 largest property owners in the County by assessed value for all properties, for the fiscal year 2012-13 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2012-13
BY ASSESSED VALUE**

<u>ASSESSEE</u>	<u>ASSESSED VALUE</u>
Eisenhower Memorial Hospital	\$ 355,079,500
Kaiser Foundation Hospital	304,819,262
Walgreen Co.	281,697,471
Abbott Vascular Inc.	281,061,795
Target Corp.	224,027,467
Federal National Mortgage Assn.	214,934,309
Costco Wholesale Corp.	211,153,053
Kaiser Foundation Health Plan Inc.	210,980,121
Lowes HIW Inc.	203,474,228
Wal Mart Real Estate Business Trust	<u>191,691,822</u>
Subtotal	\$ 2,478,919,028
All Others	<u>202,409,592,440</u>
Total	\$204,888,511,468 [†]

[†] Excludes State assessed property. Does not reflect any applicable exemptions.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. The bulk of the funds collected are disbursed to other agencies. For fiscal year 2011-12, the County retained approximately 12.39% of the total amount collected (and is budgeted to retain 12.24% in fiscal year 2012-13). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See “-Redevelopment Agencies” below). 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 effective as of 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. 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.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾⁽³⁾
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	56,687,373,841	598,655,064
2012-13 ⁽⁴⁾	16,352,697,201	56,178,718,338	594,476,134

- (1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
- (2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- (3) Includes general purpose and debt; excluded negative increment.
- (4) Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2012-13.

Source: County Auditor-Controller

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. The County had previously 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 \$3,971,824,734, and a 2011-12 assessed value of 8,266,787,927. In fiscal year 2011-12, the pass-through payment to the County's general fund from the County's redevelopment agency totaled \$1,600,442.73, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. 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. In fiscal year 2012-13, as the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. As of April 2013, the County has received that amount is approximately \$19.1 million.

In fiscal year 2012-13, the County estimates that it will receive approximately \$78 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive \$79.6 million in pass-through payments in fiscal year 2013-14. Pursuant to ABx1 26 and its following clarifying legislation, 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.

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, 2012."

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, 2012, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2007-08 THROUGH 2011-12

(In Thousands)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
BEGINNING FUND BALANCE	\$ 570,964	\$ 481,776 ⁽¹⁾	\$ 372,121	\$ 386,486	\$ 343,562
REVENUES					
Taxes	309,295	274,480	229,631	221,807	216,746
Licenses, permits and franchises	24,525	19,840	16,724	18,187	17,648
Fines, forfeitures and penalties	90,788	107,147	112,813	93,528	88,979
Use of money and property – Interest	61,623	33,414	12,197	8,196	4,740
Use of money and property –					
Rents and concessions	2,578	3,157	3,936	3,669	3,798
Government Aid – State	905,998	908,334	820,432	856,327	931,652
Government Aid – Federal	473,731	472,210	504,605	490,088	475,221
Governmental Aid-Other	95,808	95,812	89,312	82,147	80,332
Charges for current services	358,767	364,649	367,249	369,780	354,451
Other revenues	29,308	36,149	30,670	37,654	40,852
TOTAL REVENUES	\$2,352,421	\$2,315,192	\$2,187,569	\$2,181,383	\$2,214,419
EXPENDITURES					
General government	\$ 145,290	\$ 146,816	\$ 130,516	\$ 109,146	\$ 127,195
Public protection	1,032,582	1,062,437	1,005,679	1,025,584	1,010,999
Public ways and facilities	4,717	4,378	-	-	-
Health and sanitation	368,753	382,588	333,068	345,649	369,165
Public assistance	704,404	719,328	712,353	731,017	719,670
Education	464	675	551	548	579
Recreation and cultural	206	230	312	364	324
Capital Outlay	8,670	22,746	31,018	8,321	2,671
Debt service	26,132	22,501	21,876	24,829	21,426
TOTAL EXPENDITURES	\$2,291,218	\$2,361,699	\$2,234,373	\$2,245,458	\$2,252,029
Excess (deficit) of revenues over (under) expenditures	61,203	(46,507)	(47,804)	(64,075)	(37,610)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 104,892	\$ 99,825	\$ 168,833	\$ 106,047	\$ 123,587
Transfer to other funds	(269,961)	(185,719)	(132,682)	(93,217)	(98,045)
Capital Leases	8,670	22,746	31,018	8,321	2,671
Total other Financing Sources (Uses)	\$ (153,399)	\$ (63,148)	\$ 62,169	\$ 21,151	\$ 28,213
NET CHANGE IN FUND BALANCES	\$ (92,196)	\$ (109,655)	\$ 14,365	\$ (42,924)	\$ (9,397)
FUND BALANCE, END OF YEAR⁽²⁾	\$ 478,768	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598

⁽¹⁾ Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

⁽²⁾ 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, 2008 THROUGH JUNE 30, 2012
(In Thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
ASSETS:					
Cash & Marketable Securities	\$216,816	\$150,728	\$122,902	\$160,887	\$151,845
Taxes Receivable	58,256	46,813	27,714	17,790	14,046
Accounts Receivable	48,196	31,150	8,468	12,771	9,196
Interest Receivable	9,384	3,315	2,091	1,119	643
Advances to Other Funds	0	0	0	3,692	3,342
Due from Other Funds	24,716	19,110	25,353	18,787	14,227
Due from Other Governments	239,844	250,144	263,240	276,656	328,817
Inventories	2,105	2,132	1,941	1,564	1,187
Prepaid items	0	3,720	888	277	298
Restricted Assets	<u>263,566</u>	<u>252,084</u>	<u>296,543</u>	<u>283,095</u>	<u>299,673</u>
Total Assets	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>	<u>\$823,274</u>
LIABILITIES:					
Accounts Payable	\$ 94,061	\$ 68,560	\$ 57,236	\$ 84,116	75,996
Salaries & Benefits Payable	83,753	88,184	46,376	50,374	57,391
Due To Other Funds	283	0	2,155	2,639	1,466
Due to Other Governments	40,991	47,579	35,161	34,550	40,804
Deferred Revenue	168,282	180,777	218,676	260,343	311,003
Deposits Payable	<u>121</u>	<u>1,975</u>	<u>3,050</u>	<u>2,054</u>	<u>16</u>
Total Liabilities	<u>\$387,491</u>	<u>\$387,075</u>	<u>\$362,654</u>	<u>\$434,076</u>	<u>\$486,676</u>
FUND BALANCE: ⁽¹⁾					
Nonspendable				\$ 2,214	\$ 1,834
Restricted				98,552	101,651
Committed				50,097	52,439
Assigned				3,463	8,674
Unassigned				189,236	171,910
Reserved	\$ 84,466	\$ 91,196	\$ 90,374		
Unreserved	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>		
Fund Balance	<u>\$478,768</u>	<u>\$372,121</u>	<u>\$386,486</u>	<u>\$343,562</u>	<u>\$336,598</u>
Total Liabilities and Fund Balance	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>	<u>\$823,274</u>

⁽¹⁾ 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 BALANCES
AT JUNE 30, 2005 THROUGH JUNE 30, 2012
(In Thousands)**

	<u>Reserved</u>	<u>Unreserved</u>				<u>Total</u>
2005	\$121,249	\$231,205				\$352,454
2006	100,436	346,482				446,918
2007	88,233	482,731				570,964
2008	84,466	394,302				478,768
2009	91,196	280,925				372,121
2010	90,374	296,112				386,486
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
2011 ⁽¹⁾	\$2,214	\$98,552	\$50,097	\$3,463	\$189,236	\$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598

⁽¹⁾ 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 2012, the County issued its 2012-13 Tax and Revenue Anticipation Note (the "2012-13 TRAN") in the principal amount of \$250,000,000 to provide funds to meet the County's fiscal year 2012-13 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. \$125,000,000 of the 2012-13 TRAN remains outstanding and is due on June 30, 2013. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2012-13 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 2013 to provide funds to meet the County's fiscal year 2013-14 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 [____], 2013, the County had \$[____] in direct general fund obligations and \$[____] in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of [____], 2013.

**COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF [_____] , 2013)**

2012-13 Assessed Valuation: \$205,136,768,340 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/13</u>
Metropolitan Water District	6.160%	\$ 10,169,236
Community College Districts	1.176-99.999	551,599,044
Unified School Districts	1.284-100.	2,116,789,204
Perris Union High School District	100.	51,087,260
Union School Districts	100.	56,358,493
City of Riverside	100.	15,135,000
Eastern Municipal Water District Improvement Districts	100.	40,435,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,055,000
San Geronio Memorial Hospital District	100.	108,170,000
Community Facilities Districts	94.268-100.	2,796,648,860
Riverside County 1915 Act Bonds	100.	3,435,000
City and Special District 1915 Act Bonds (Estimated)	100.	<u>232,420,398</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,984,302,495
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	100. %	\$ 650,309,993 (1)
Riverside County Pension Obligations	100.	346,790,000
Riverside County Board of Education Obligations	100.	3,900,000
School Districts General Fund and Lease Tax Obligations	1.284-100.	484,303,062
City of Corona General Fund Obligations	100.	58,940,000
City of Moreno Valley General Fund Obligations	100.	72,729,000
City of Indio General Fund Obligations	100.	40,165,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	162,418,438
City of Riverside Certificates of Participation	100.	204,082,442
City of Riverside Pension Obligations	100.	127,480,000
Other City General Fund Obligations	100.	84,322,800
Other Water District Certificates of Participation	100.	1,006,854
Other Special District Certificates of Participation	100.	<u>2,880,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,239,327,589
Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)		11,657,720
City of Corona Certificates of Participation supported by waste water revenues		<u>1,965,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,225,704,869
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		 \$2,849,114,411
 GROSS COMBINED TOTAL DEBT		 \$11,072,744,495 (2)
NET COMBINED TOTAL DEBT		\$11,059,121,775

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.92%
Combined Gross Direct Debt (\$1,038,668,180)	0.49%
Combined Net Direct Debt (\$1,026,272,273)	0.48%
Gross Combined Total Debt.....	5.40%
Net Combined Total Debt	5.39%

Ratios to Redevelopment Incremental Valuation (\$56,178,718,338):

Total Overlapping Tax Increment Debt	5.07%
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KD:(\$600)

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 May 1, 2013, the County's current outstanding lease obligations total \$647,832,793. The County's annual lease obligation is approximately \$81,734,575 and the maximum annual lease payment is \$87,175,427.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of May 1, 2013.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of May 1, 2013)

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental⁽¹⁾</i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 39,800,000	\$ 13,417,318 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	14,525,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B ⁽³⁾	2019	90,530,000	90,530,000	19,880,794 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	4,800,000	814,000 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2008 Series A	2022	72,445,000	61,480,000	8,263,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,220,000	868,495
2005 Series B ⁽⁵⁾	2027	22,610,000	18,720,000	1,575,575
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	8,300,000	1,448,247
County of Riverside Certificates of Participation ⁽⁶⁾ (2009 Larson Justice Center Refunding)	2021	36,100,000	20,475,000	2,562,425
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	11,147,720	
Series 2002	2020	925,000	510,000	1,821,748 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	2,240,000	2,300,480
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽⁹⁾	2018	8,685,000	2,155,000	404,703
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) ⁽¹⁰⁾	2036	51,655,000	44,575,000	3,392,425
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	31,495,000	2,163,069
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	49,280,000	11,108,125
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,340,000	1,153,555
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) ⁽¹¹⁾	2040	45,685,000	45,440,000	1,910,700
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	4,675,000	681,866
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) ⁽¹²⁾	2031	33,360,000	31,800,000	2,513,438
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) ⁽¹³⁾	2033	17,640,000	16,995,000	1,387,475
TOTAL		\$ 1,049,735,073	\$ 647,832,793	\$ 81,734,575

⁽¹⁾ Annual base rental for fiscal year 2013-2014 unless otherwise noted.

⁽²⁾ Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending April, 22, 2013 was approximately 0.14%.

⁽³⁾ Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.

⁽⁴⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending April 20, 2013 was approximately 0.21%.

⁽⁵⁾ The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

⁽⁶⁾ The 2009 Larson Justice Center Refunding Project refunded the 1998 Larson Center Refunding Project.

⁽⁷⁾ Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

⁽⁸⁾ The 2008 Series A refunded the 2000 Series B SWJC Project.

⁽⁹⁾ The 2003 Series B refunded the 1993 Master Refunding Project.

⁽¹⁰⁾ 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).

⁽¹¹⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

⁽¹²⁾ The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

⁽¹³⁾ The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.

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 reviewed 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 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 February 2013. 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. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of December 30, 2012, the swap agreement had a negative fair market value of approximately \$35.2 million (based on the quoted market price from the Counterparty at such date).

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. 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. As of February, 2013, Assured Guaranty Corp. had a rating of "AA-" by S&P and "A3" 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 2003 THROUGH 2012

<u>Year</u>	<u>Regular Employees⁽¹⁾</u>
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
2012	19,150

⁽¹⁾ As of December 31st of each year. Excludes temporary and per diem employees.
Source: County Human Resources Department

County employees comprise 12 bargaining units, plus another 7 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").

The County is currently subject to long-term agreements with all of its bargaining labor units. Most of the agreements cover a four to five year period, with the longest agreement ending in June 2017.

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 members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent changes to the plans, the County's retirement plans currently includes three tiers of benefits. For Miscellaneous members who qualify based on their date of hire for Tier I benefits, the benefit factor ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety members who qualify based on their date of hire for Tier I benefits, 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. For further information on the County's pension obligations, see Note 18 of the Notes to Basic Financial Statements, June 30, 2012, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

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 a second tier ("Tier II") level of benefits for new Miscellaneous and Safety employees. The County implemented Tier II on August 23, 2012 for employees first employed by the County after that date. The retirement benefit calculation is based on years of service, age, and the average monthly qualifying wages during the highest three consecutive years of employment. The Tier II benefits for Miscellaneous Plan members ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety Plan members, the Tier II benefits range from 2% at age 50 to 2.7% at 55 and beyond.

On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Act of 1937 (the "1937 Act"). Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier ("Tier III") has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees/member, hires on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 57 for Miscellaneous members and at 2.7% at 57 for Safety members. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of current year of service. The County believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

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 2012 covered PERS' fiscal year 2010-11). 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, 2011, which was prepared in October 2012, is effective for the County's fiscal year 2013-14). 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 March 2012, 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% to 2.75%. 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 7.75% to 7.50%; and (ii) reducing payroll growth from 3.25% to 3%. 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 the amortization of gains and losses from fiscal years 2008-09 through 2010-11 over a fixed and declining 30-year period (rather than a rolling 30-year amortization).

As a result of these changes, according to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution rate of 1.0% of payroll for fiscal year 2014-15 and an increase of 0.3% of payroll for fiscal year 2015-16. The Safety Plan is estimated to incur an increase in the employer contribution rate of 1.23% of payroll for fiscal year 2014-15 and an increase of 0.50% of payroll for fiscal year 2015-16. 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 Tier I members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. Tier II and Tier III contribution rates vary based on the terms of the collective bargaining agreements in effect. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County has historically been 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 all of its bargaining units. Most of the agreements cover a four or five year period, with the longest agreement ending in June 2017. As part of these agreements, the parties agreed on a phase out of the County's obligation to pay the employee's required 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 County Offsets of Employee Contributions, 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, 2011, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 15.001% be implemented as the required rate for fiscal year 2013-14, which the County anticipates will result in a contribution to PERS of approximately \$133.2 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$[] million in County Offsets of Employee Contributions for fiscal year 2013-14, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2013-14 of approximately \$[] million. In the actuarial valuation for the Safety Plan as of June 30, 2011, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 23.368% be implemented as the required rate for fiscal year 2013-14, which the County anticipates will result in a contribution to PERS of approximately \$69.7 million for that fiscal year. In addition, the County will pay to PERS for the Safety Plan approximately \$[] million in County Offsets of Employee Contributions for fiscal year 2013-14, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2013-14 of approximately \$[] million.

Absent reforms, some of which have already been initiated by the County, 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 through 2011-12 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 gain to the County of \$5.0 million as of February 15, 2013. 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 Pension Advisory Review Committee (“PARC”) reports, the Board of Supervisors authorized the transfer of funds to PERS to reduce the County’s PERS liability. In 2009, pursuant to 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. From that amount, the County purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and retired them, achieving 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. In 2012, a payment of \$1 million was made to PERS from this fund. 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, 2007 through June 30, 2011 and the total employer contributions made by the County for fiscal year 2009-10 through fiscal year 2013-14. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Safety Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
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] ⁽²⁾	[13,824,570] ⁽²⁾⁽³⁾
2010	184,737,814	89.8	2012-13	[60,423,159] ⁽²⁾	[2,122,700] ⁽²⁾⁽³⁾
2011	286,064,497	85.9	2013-14		

- (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, 2007 through June 30, 2011 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
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] ⁽²⁾	[38,187,252] ⁽²⁾⁽³⁾
2010	444,330,905	89.2	2012-13	[103,088,391] ⁽²⁾	[4,004,154] ⁽²⁾⁽³⁾
2011	538,055,042	87.9	2013-14		

- (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, 2007 through June 30, 2011 (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)
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
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

**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)
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
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2009-10 through fiscal year 2013-14 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
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
2011	2013-14	23.368	15.001

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

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, projected that the County's contribution rates under the Safety Plan and the Miscellaneous Plan will increase quickly 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 7.50% 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, 2011, the funded status of the Miscellaneous Plan based on its market value of \$3,525,640,733 was 79.0% and the funded status of the Safety Plan based on its market value of \$1,565,799,198 was 77.1%.

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, 2012, the County's current required contribution level is 1.79%. The County elected to contribute 2.60% to achieve a 90% funded ratio by June 30, 2013, so the County's contribution to the Plan was \$588,977 for fiscal year 2011-12 and is estimated to be approximately \$622,000 for fiscal year 2012-13. The Plan's unfunded liabilities as of June 30, 2012 are approximately \$272,000.

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.

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, 2012 (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 \$52.1 million, the accrued actuarial liability was estimated to be \$42.9 million and the annual normal cost was \$1.3 million. If the accrued actuarial liability of \$42.9 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.6 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 \$20.3 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, 2012, RCRMC reflected unrestricted net assets of approximately \$48.2 million. RCRMC had a cash balance of approximately \$22 million as of June 30, 2012. In fiscal year 2011-12, RCRMC had an increase in net unrestricted assets of approximately \$44.5 million. RCRMC continued to experience a decline in patient collections in fiscal year 2011-12 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2011-12 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 2011-12 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 2012-13, 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.

In its fiscal year 2013-14 recommended budget, RCRMC projected an operating deficit of approximately \$52 million, primarily attributable to uncompensated services provided to uninsured mental health patients and jail inmates. RCRMC is pursuing various avenues to reduce the operating deficit, including maximizing reimbursement from available sources, implementing cost-saving measures and exploring new revenue opportunities. It is the County’s intent that RCRMC’s costs of providing services be recovered primarily through fees charged for services with minimal or no general fund support, and the County does not intend to provide general fund support to fund RCRMC’s projected fiscal year 2013-14 operating deficit.

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, 2012 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, 2012 was approximately \$[] 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 Note 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.

**[\$Principal Amount]
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, Series 2013A
(Public Defender and Information Technology Building Projects)**

PURCHASE CONTRACT

[Pricing Date]

County of Riverside Asset Leasing Corporation
c/o County of Riverside
County Administrative Center, 4th Floor
4080 Lemon Street
Riverside, CA 92501

County of Riverside
Board of Supervisors
County Administrative Center, 4th Floor
4080 Lemon Street
Riverside, CA 92501

Ladies and Gentlemen:

E. J. De La Rosa & Co., Inc. (the "Underwriter") hereby offers to enter into this Purchase Contract with you, the County of Riverside (the "County") and the County of Riverside Asset Leasing Corporation (the "Corporation"), for the purchase by the Underwriter and the delivery by you of the [\$Principal Amount] aggregate principal amount of County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender and Information Technology Building Projects) (the "Bonds"). The Bonds are being issued by the Corporation to provide funds to (i) acquire, construct and improve the buildings that will house the Office of the Public Defender of the County and the County's Information and Technology Department, (ii) fund a reserve fund for the Bonds and (iii) pay the cost of issuance of the Bonds. This offer is made subject to acceptance by you prior to 11:59 p.m., Los Angeles time, on the date hereof. Upon such acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture (defined below).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter agrees to purchase from the Corporation, and the Corporation agrees to sell to the Underwriter, all (but not less than all) of the [\$Principal Amount] aggregate principal amount of the Bonds at the purchase price of \$[Purchase Price] (being the principal amount of the Bonds of \$[Aggregate Principal Amount], less an Underwriter's discount in the amount of \$[UW Discount], and [plus/minus] net original issue [premium/discount] of \$[OIP/OID]).

The Bonds shall be dated their date of delivery and shall mature on the dates and bear interest at the rates and have the prices or yields, all as set forth on Exhibit A attached hereto.

The Bonds will be subject to redemption as set forth in the herein described Official Statement. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2013. The Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only.

The County and the Corporation acknowledge and agree that (i) the primary role of the Underwriter, as underwriter, is to purchase the Bonds, for re-sale to investors pursuant to this Purchase Contract, which is an arm’s-length commercial transaction among the County, the Corporation and the Underwriter, and the Underwriter has financial and other interests that differ from those of the County and Corporation, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as the agent, financial advisor, municipal advisor or fiduciary of the County or the Corporation, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the County or the Corporation with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the County or the Corporation on other matters) and the Underwriter has no obligation to the County or the Corporation with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the County and the Corporation have consulted their own legal, financial, municipal and other advisors to the extent they have deemed appropriate.

2. Authorizing Instruments and Law. The Bonds shall be issued pursuant to the provisions of a resolution (the “Corporation Resolution”) adopted by the Corporation authorizing the issuance of the Bonds, the provisions of a resolution (the “County Resolution”) adopted by the County authorizing the issuance of the Bonds and certain matters relating thereto and an Indenture of Trust, dated as of [June 1, 2013] (the “Indenture”), between the Corporation and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Bonds shall be as described in the Indenture and the Official Statement.

In connection with the issuance of the Bonds, the County will lease the certain real property to the Corporation pursuant to a Ground Lease Agreement, dated as of [June 1, 2013] (the “Ground Lease”), by and between the County, as lessor, and the Corporation, as lessee. The County will lease such real property, together with equipment and improvements to be constructed thereon and in connection therewith (collectively, the “Leased Premises”), under a Lease Agreement, dated as of [June 1, 2013] (the “Lease”), by and between the Corporation, as lessor, and the County, as lessee. The Bonds will be payable and secured solely from Revenues (as defined in the Indenture), consisting primarily of lease payments to be made by the County pursuant to the Lease (the “Lease Payments”).

[Payment of principal and interest with respect to the Bonds when due will be insured by a municipal bond insurance policy (the “Municipal Bond Insurance Policy”) to be issued by [Bond Insurer] (the “Bond Insurer”) concurrently with the issuance of the Bonds.]

3. Offering the Bonds. The Underwriter agrees to offer all the Bonds to the public initially not in excess of the prices (or less than the yields) set forth on the inside cover page of the Official Statement pertaining to the Bonds, dated [Pricing Date] (the Official Statement, together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Underwriter, are herein called the "Official Statement"). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. "Public Offering" shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

4. Delivery of Official Statement on the Date Hereof. The County, on behalf of itself and as agent for the Corporation, shall deliver to the Underwriter two (2) copies of the Official Statement manually executed on behalf of the Corporation and the County by authorized representatives. The County shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The Corporation shall deliver these copies to the Underwriter within seven (7) business days after the execution of this Purchase Contract and in sufficient time to accompany or precede any sales confirmation that requests payment from any customer of the Underwriter. The Underwriter shall inform the County in writing of the End Date, and covenants to file the Official Statement with the Municipal Securities Rulemaking Board (the "MSRB") on a timely basis.

"End Date" as used herein is that date which is the earlier of:

(a) ninety (90) days after the end of the underwriting period, as defined in SEC Rule 15c2-12 adopted by the Securities and Exchange Commission on June 28, 1989 (as amended, "Rule 15c2-12"); or

(b) the time when the Official Statement becomes available from the MSRB, but in no event less than twenty-five (25) days after the underwriting period (as defined in Rule 15c2-12) ends.

The Corporation and the County have authorized the use by the Underwriter of the Official Statement, the herein described County Documents and the herein described Corporation Documents in connection with the public offering of the Bonds. The Corporation and the County also have consented to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated [POS Date], relating to the Bonds in connection with the public offering of the Bonds (which, together with all appendices thereto, is herein called the "Preliminary Official Statement"). Authorized officers of the County and the Corporation have certified to the Underwriter that such Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12, with the exception of certain final pricing and related information referred to in Rule 15c2-12. The Underwriter has distributed a copy of each Preliminary Official Statement to potential customers on request.

5. The Closing. At 9:00 A.M., California time, on [Closing Date], or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Corporation, the County and the Underwriter, the Corporation will deliver (i) the Bonds in book-entry form through the facilities of DTC in New York, New York, and (ii) the closing documents hereinafter mentioned at the offices of Best Best & Krieger LLP, Riverside, California (“Bond Counsel”), or another place to be mutually agreed upon by the Corporation, the County and the Underwriter. Subject to the terms and conditions hereof, the Underwriter will accept such delivery of the Bonds and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer of immediately available funds. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.”

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

(a) The County is a political subdivision of the State of California (the “State”), duly organized and validly existing pursuant to the Constitution and laws of the State, and has all necessary power and authority to adopt the County Resolution and enter into and perform its duties under the Ground Lease, the Lease, the Continuing Disclosure Certificate, dated as of the date of Closing (the “Continuing Disclosure Certificate”) from the County, the Agency Agreement, dated as of [June 1, 2013] (the “Agency Agreement”), by and between the County and the Corporation, the Official Statement and this Purchase Contract (collectively, the “County Documents”).

(b) None of the adoption of the County Resolution, the execution and delivery of the County Documents, the approval and execution of the Official Statement or this Purchase Contract, compliance with the provisions on the County’s part contained therein, the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, materially conflicts with or constitutes a material breach of or default under nor materially contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the County under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the County Documents.

(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, constitute legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against counties in the State of California.

(d) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification

by, any regulatory agency having jurisdiction over the County required for the execution and delivery of the Bonds and the County Documents or the consummation by the County of the other transactions contemplated by the Official Statement, the County Resolution and the other County Documents.

(e) To the best of the knowledge of the County, there is, and on the Closing (as hereinafter defined) there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the County to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Lease, or in any way contesting or affecting the validity of the County Documents or the Bonds or the authority of the County to approve or enter into the County Documents or contesting the powers of the County to enter into or perform its obligations under any of the foregoing or in any way contesting the powers of the County in connection with any action contemplated by this Purchase Contract or the other County Documents or to restrain or enjoin the execution, sale and delivery of the Bonds or, except as described in the Preliminary Official Statement and the Official Statement, the payment of Lease Payments, nor is there any basis for any such action, suit, proceeding or investigation.

(f) The Preliminary Official Statement provided to the Underwriter has been deemed final by the County, as required by Rule 15c2-12. As of the date thereof and the date hereof, the Preliminary Official Statement did not and 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 the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule 15c2-12. As of the date thereof and at all times subsequent thereto up to and including the End Date, the information contained in the Official Statement was and will be materially complete for its intended purposes. The information contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading 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.

(g) The County agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the County will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified.

(h) By official action of the County prior to or concurrently with the execution hereof, the County has duly approved the distribution of the Official Statement, has duly adopted the County Resolution and has duly 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 Official Statement, the County Resolution, this Purchase Contract and the other County Documents.

(i) To the best knowledge of the County, it is not in breach of or default under any material applicable law or administrative regulation of the State of California or the United

States or any material applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject and in connection with which the County is obligated to make payments from its own funds, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument the consequence of which could be the material and adverse effect on the performance of the County under the County Documents.

(j) If between the date of this Purchase Contract and the End Date an event occurs, of which the County has knowledge, which might or would cause the information in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect, the County will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the County.

(k) If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the End Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will 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 such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) The County covenants that it will comply with all tax covenants relating to it in the County Documents, the Tax Certificate of the County (the "Tax Certificate") and this Purchase Contract.

(m) The County will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in Lease and the Tax Certificate.

(n) The County will deliver or cause to be delivered all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Contract.

(o) Any certificate of the County delivered to the Underwriter shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein.

(p) As of the time of acceptance hereof and as of the Closing the County does not and will not have outstanding any indebtedness which is secured by a lien on the County's general fund except as disclosed in the Official Statement.

(q) The financial statements of, and other financial information regarding the County in the Official Statement fairly present the financial position and results of the operations of the County as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied.

(r) Between the date of this Purchase Contract and the date of Closing, the County will not, except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, secured by a lien on the County's general fund.

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

(a) The Corporation is a nonprofit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California, with full right, power and authority to adopt the Corporation Resolution and enter into, execute and deliver the Corporation Documents (defined below) and to perform its obligations hereunder.

(b) By all necessary official action, the Corporation has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in this Purchase Contract, the Bonds, the Indenture, the Ground Lease, the Lease, the Official Statement and the Agency Agreement (collectively, the "Corporation Documents") and has approved the use by the Underwriter of the Preliminary Official Statement and the Official Statement and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties hereto, the Corporation Documents will constitute the legally valid and binding obligations of the Corporation enforceable upon the Corporation in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors rights generally. The Corporation has complied, and will at the Closing be in compliance in all respects, with the terms of the Corporation Documents.

(c) The Bonds, when issued in accordance with the Indenture, will be legally valid and binding special obligations of the Corporation, entitled to the benefits of the Indenture and enforceable in accordance with their 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.

(d) As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Corporation is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust

agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Corporation is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have an adverse effect on the Corporation's ability to perform its obligations under the Corporation Documents; and, as of such times, except as disclosed in the Official Statement, the adoption of the Corporation Resolution, the authorization and the execution and delivery of the Corporation Documents and compliance by the Corporation with the provisions thereof do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Corporation (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument except as provided in the Corporation Documents.

(e) 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, government agency, public board or body, pending, or to the best knowledge of the Corporation threatened against 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 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 Corporation Documents or the consummation of the transactions on the part of the Corporation contemplated thereby, or contesting the exclusion of the interest on the Bonds from federal or state taxation, as applicable, or contesting the powers of the Corporation or its authority to adopt the Corporation Resolution or enter into the Corporation Documents and to pledge the Revenues for repayment of the Bonds;

(iii) which may result in any material adverse change relating to the 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 light of all the circumstances under which they were made, not misleading.

(f) All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having

jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would adversely affect the due performance by the Corporation of its obligations in connection with, the Corporation Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(g) Any certificate signed by any authorized officer of the Corporation and delivered to the Underwriter shall be deemed to be a representation and warranty by the Corporation to the Underwriter as to the statements made therein.

(h) As of the time of acceptance hereof and as of the date of Closing, the Corporation has complied with the filing requirements relating to non-profit public benefit corporations.

(i) The Corporation will undertake, or cause the County to undertake, pursuant to the Indenture and the Continuing Disclosure Certificate, to provide or cause to be provided annual financial reports and notices of certain events; a description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth as an appendix to the Official Statement.

(j) The Corporation will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement from the delivery of the Official Statement to the End Date, and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Corporation will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(k) For a period beginning on the date hereof and continuing until the End Date, (a) the Corporation will not adopt any amendment of, or supplement to, the Official Statement to which the Underwriter shall object in writing or which shall be disapproved by the Underwriter's counsel and (b) if any event relating to or affecting the Corporation shall occur as a result of which it is necessary, in the opinion of Underwriter's Counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Bonds, the Corporation will forthwith cause the preparation and furnishing to the Underwriter a reasonable number of copies of an amendment of, or supplement to, the Official Statement (in form and substance satisfactory to Underwriter's Counsel) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser of the Bonds, not misleading.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Corporation and the County of their respective obligations hereunder, both as of the date hereof

and as of the date of the Closing. The Underwriter's obligations hereunder are and shall be subject to the following additional conditions:

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

(b) Executed Agreements and Performance Thereunder. At the time of the Closing:

(i) the County Documents and the Corporation Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter;

(ii) there shall be in full force and effect the County Resolution, the Corporation Resolution, and any other such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions on the part of the Corporation and the County contemplated by this Purchase Contract, the Official Statement, the County Documents and the Corporation Documents;

(iii) the Corporation shall perform or have performed its obligations required or specified in the Corporation Documents to be performed at or prior to Closing;

(iv) the County shall perform or have performed its obligations required as specified in the County Documents to be performed at or prior to Closing; and

(v) the Official Statement shall not have been supplemented or amended, except pursuant to Section 6(j), 7(j) or 7(k), or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing under the Corporation Documents or the County Documents and neither the Corporation nor the County shall be in default in the payment of principal or interest on any of its bonded indebtedness which default shall adversely impact the ability of the Corporation to make payments on the Bonds or the County to make payments pursuant to the Lease.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the Corporation and the County if at any time at or prior to the Closing:

(i) any event shall occur which causes the Official Statement to 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 the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States

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

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

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

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

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

(vii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis on the financial markets of the United States, being such as, in

the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(viii) the commencement of any action, suit or proceeding described in Sections 6(e) or 7(e) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(ix) there shall be in force a general suspension of trading on the New York Stock Exchange; or

(x) an event described in Section 6(j) or Section 7(k) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xi) any rating or credit outlook of the Bonds or other obligations of the County by a national rating agency shall have been withdrawn or downgraded; or

(xii) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(e) **Closing Documents.** At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) **Bond Opinion.** The approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as APPENDIX E to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion was addressed to them.

(2) **Supplemental Opinion.** A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in substantially the form and to the following effect:

(a) The statements and information contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "DESCRIPTION OF THE 2013 BONDS" (except for the information under the captions "The Book Entry System"), "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS" and "TAX MATTERS," and in APPENDICES C and D, are true and accurate in all material respects; and

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), and the Indenture is exempt

from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(3) County Counsel Opinion. An opinion of the County Counsel, dated as of the Closing and addressed to Bond Counsel and the Underwriter, in form and substance acceptable to Bond Counsel and counsel for the Underwriter, to the following effect:

(i) The County is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California.

(ii) The County Resolution approving and authorizing the execution and delivery of the County Documents and approving the Official Statement was duly adopted at a meeting of the Board of Supervisors which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

(iii) Except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the County, which would materially and adversely impact the County's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under the Lease or in any way contesting or affecting the validity of the County Documents, the County Resolution or the Bonds or the transactions relating to the Leased Premises as described and defined in the Official Statement.

(iv) The execution and delivery of the County Documents, the adoption of the County Resolution and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, 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.

(v) 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 constitute legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California.

(vi) No authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the Board of Supervisors, is required for the valid authorization, execution and delivery of the County Documents and the approval of the Official Statement.

(vii) Based upon examinations which he has made and his discussions in conferences with certain officials of the County and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to his attention which would lead him to believe that the Official Statement (other than financial and statistical data therein and incorporated therein by reference and DTC and its book-entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact 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.

(4) Corporation Counsel Opinion. An opinion of Counsel to the Corporation, dated the date of the Closing and addressed to Bond Counsel and the Underwriter, in form and substance acceptable to counsel for the Underwriter substantially to the following effect:

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

(ii) The Corporation has full legal power and lawful authority to enter into the Corporation Documents and to lease its properties and to carry on its business as now conducted and as contemplated by the Corporation Documents and the Official Statement;

(iii) The Corporation Resolution has been duly adopted at a meeting of the governing board of the Corporation, which was called and held pursuant to the law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(iv) The execution and delivery of the Corporation Documents, the adoption of the Corporation Resolution and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, 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.

(v) The Corporation Documents have been duly authorized, executed and delivered by the Corporation and constitute the valid, legal and binding obligation of the Corporation enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors rights and by the application of equitable principles if equitable remedies are sought;

(vi) The Official Statement has been duly authorized by the governing body of the Corporation and executed on its behalf by an authorized officer of the Corporation;

(vii) The description of the Corporation in the Official Statement is correct and does not omit any statement which should be included or referred to therein in order to make such description not misleading in any material respect;

(viii) Except as otherwise disclosed in the Official Statement, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened 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 any of the transactions referred to herein or contemplated hereby or contesting the authority of the Corporation to enter into or perform its obligations under the Corporation Documents, or which, in any manner, questions the right of the Corporation to issue and sell the Bonds.

(5) Trustee Counsel Opinion. The opinion of counsel to the Trustee, dated the date of the Closing, addressed to Bond Counsel and the Underwriter, in form and substance acceptable to counsel for the Underwriter substantially to the following effect:

(i) The Trustee is a national banking association duly organized and validly existing under the laws of the United States.

(ii) The Trustee has duly authorized the execution and delivery of the Indenture and authenticated the Bonds.

(iii) The Indenture has been duly entered into and delivered by the Trustee and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Trustee enforceable against the Trustee in accordance with its respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity.

(iv) acceptance by the Trustee of the duties and obligations under the Indenture and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Trustee is subject.

(v) All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by the Trustee of its duties and obligations under the Indenture have been obtained and are in full force and effect.

(6) Disclosure Counsel Opinion. An opinion, dated the date of the Closing addressed to the Corporation, the County and the Underwriter, of Kutak Rock LLP, disclosure counsel, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the Corporation and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Official Statement, as of its date and as of the date of Closing (except for the financial statements and the other financial and statistical data included therein and the information included therein relating to DTC and the book-entry

system (as such terms are defined in the Official Statement), and in the Appendices thereto as to all of which no opinion or belief need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(7) County Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the County satisfactory in form and substance to the Underwriter, (a) certifying that as of such date the representations and warranties of the County contained in this Purchase Contract are true and correct as of such date; (b) certifying that the County has complied with all agreements, covenants and conditions to be complied with by the County at or prior to the Closing under the County Documents; (c) certifying that no event affecting the County has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and (d) certifying that the County has authorized and consented to the inclusion in the Official Statement of the County's financial report and accountant's opinion for the year ended June 30, 2012, and no further consent of any party is required for such inclusion.

(8) Corporation Certificate. A certificate of the Corporation, dated the date of the Closing, signed on behalf of the Corporation by the President or other duly authorized officer of the Corporation to the effect that:

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

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

(9) Trustee's Certificate. A Certificate of the Trustee, dated the date of Closing, addressed to the Corporation, the County and the Underwriter, in form and substance acceptable to counsel for the Underwriter to the following effect:

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

(ii) Subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture; and

(iii) The Trustee has duly authorized and executed the Indenture and authenticated the Bonds.

(10) Title Policy. A copy of an CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the County's leasehold interest in the Leased Premises, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter.

(11) Opinion of Underwriter's Counsel. The opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, counsel for the Underwriter, dated the date of Closing and addressed to the Underwriter, satisfactory in form and substance to the Underwriter.

(12) Transcripts. Two transcripts of all proceedings relating to the authorization and issuance of the Bonds.

(13) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the County and the Corporation by a duly authorized officer of each.

(14) Documents. An original executed copy of each of the Corporation Documents and the County Documents.

(15) County Resolution. Two copies certified by the Clerk or Assistant Clerk of the County, of each resolution of the County relating to the County Documents, the actions contemplated thereby, provided that such resolutions may be contained in the transcripts provided pursuant to Section 8(e)(12) above.

(16) Corporation Resolution. Two copies certified by the Secretary or Assistant Secretary of the Corporation, of each resolution of the Corporation relating to the Corporation Documents, the Bonds and the transactions contemplated thereby, provided that such resolutions may be contained in the transcripts provided pursuant to Section 8(e)(12) above.

(17) Articles and Bylaws of the Corporation. Certified copies of each of the Articles of Incorporation and Bylaws of the Corporation.

(18) Good Standing Certificate of the Corporation. Good standing certificates of the Corporation issued by the Secretary of State of the State of California and the Franchise Tax Board of the State of California.

(19) IRS Form 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(20) Nonarbitrage Certificate. A tax and nonarbitrage certificate in form satisfactory to Bond Counsel.

(21) Ratings. Evidence as of the Closing satisfactory to the Underwriter that the Bonds have received, at a minimum, a rating of “___” and “___,” respectively, from Standard & Poor’s Rating Group and Fitch Ratings, and that such ratings have not been revoked or downgraded.

(22) CDIAC Statement. A copy of the 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.

(23) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the Corporation or the County shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be terminated by the Underwriter, and none of the Underwriter, the Corporation or the County shall be under further obligation hereunder.

9. Expenses. The Corporation shall pay or cause to be paid from the proceeds of the Bonds or other funds available to it the expenses incident to the performance of its obligations hereunder, including but not limited to: (a) the cost of printing and distribution of the Official Statement in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby, including distribution costs and all mailing, including overnight and express delivery, costs; (b) the fees and disbursements of the Trustee in connection with the execution and delivery of the Bonds; (c) the fees and disbursements of Bond Counsel, Disclosure Counsel, financial advisor and any other experts or consultants retained by the Corporation or the County in connection with the transactions contemplated hereby; (d) the costs related to obtaining ratings; (e) the cost of mailing or delivering the definitive Bonds; (f) the Underwriter’s disbursements for telephone conference calls and out-of-state travel and lodging undertaken at the request of the Corporation; and (g) any expenses incurred on behalf of the Corporation’s employees which are incidental to implementing this Purchase Contract, including, but not limited to meals, transportation, lodging and entertainment of those employees.

The Underwriter shall pay: (a) all advertising expenses in connection with the public offering of the Bonds; (b) the fees and expenses of counsel to the Underwriter, including their fees in connection with the qualification of the Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions; (c) California Debt and Investment Advisory Commission fees; and (d) all other expenses incurred by it in connection with its public offering and distribution of the Bonds. Certain payments may be in the form of inclusion of such expenses in the expense component of the Underwriter’s discount.

10. Notice. Any notice or other communication to be given to the Underwriter may be given by delivering the same to E. J. De La Rosa & Co., Inc. at 456 Montgomery Street, 19th Floor, San Francisco, CA 94104. Any notice or other communication to be given to the Corporation or the County pursuant to this Purchase Contract may be given by delivering the same in writing to such entity, at the addresses set forth on the cover page hereof.

11. Entire Agreement. This Purchase Contract, when accepted by the Corporation and the County, shall constitute the entire agreement among the Corporation, the County and the Underwriter and is made solely for the benefit of the Corporation, the County and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Corporation's and the County's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Purchase Contract.

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

13. 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.

14. State of California Law Governs. The validity, interpretation and performance of the Corporation Documents shall be governed by the laws of the State.

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

[REMAINDER PF PAGE INTENTIONALLY LEFT BLANK]

16. Definitions. Terms not otherwise defined herein shall have the same meaning as when used in the Indenture.

E. J. DE LA ROSA & CO., INC.,
as the Underwriter

By: _____
Title: _____

Accepted as of the date first stated above:

**COUNTY OF RIVERSIDE ASSET LEASING
CORPORATION**

By: _____
Title: _____

COUNTY OF RIVERSIDE

By: _____
Title: _____
Time of Execution: _____

EXHIBIT A

Maturity Date <u>(November 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>
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**Riverside County Board of Supervisors
Request to Speak**

Submit request to Clerk of Board (right of podium),
Speakers are entitled to three (3) minutes, subject
to Board Rules listed on the reverse side of this form.

SPEAKER'S NAME: Paul Jacobs

Address: _____
(only if follow-up mail response requested)

City: Temecula **Zip:** _____

Phone #: _____

Date: 5/14/13 **Agenda #** 3.7

PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:
 Support **Oppose** **Neutral**

Note: If you are here for an agenda item that is filed
for "Appeal", please state separately your position on
the appeal below:

Support **Oppose** **Neutral**

I give my 3 minutes to: _____

BOARD RULES

Requests to Address Board on "Agenda" Items:

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

Requests to Address Board on items that are "NOT" on the Agenda:

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

Power Point Presentations/Printed Material:

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

Individual Speaker Limits:

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. **Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.**

Group/Organized Presentations:

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

Addressing the Board & Acknowledgement by Chairman:

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.