

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

422



FROM: Executive Office

SUBMITTAL DATE:
August 28, 2014

SUBJECT: Issuance of FY 2014-15 Teeter Series D & E Notes, All Districts, [\$256,000] (Vote on Separately)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve Board Resolution No. 2014-182 authorizing the issuance of the FY2014-15 Teeter Notes, supplementing its Master Teeter Resolution and providing for the terms and conditions of the Series D and Taxable Series E Teeter Plan Obligations and all necessary documents to consummate the issuance of the Notes.

BACKGROUND:

Summary

Riverside County adopted the Teeter Plan in 1993. The Teeter Plan provides participating taxing entities with advance funding of uncollected property taxes. This occurs after the close of the fiscal year in exchange for the County's assumption of collection risk. Participation in the Teeter Plan is voluntary, except for school districts. Approximately 350 entities participate.

Continued on page 2

Lani Sioson

Lani Sioson
Principal Management Analyst

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 256,000	\$ 0	\$ 256,000	\$ 0	Consent <input type="checkbox"/> Policy X
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS: Teeter Note Proceeds

Budget Adjustment: No
For Fiscal Year: 2014-15

C.E.O. RECOMMENDATION:

APPROVE

BY: *Ivan M. Chand*
Ivan M. Chand

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: September 9, 2014
xc: E.O.

Kecia Harper-Ihem
Clerk of the Board

By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.: 3-9 9/10/13

District: All

Agenda Number:

3-10

FORM APPROVED COUNTY COUNSEL 8/27/14
BY: GREGORY P. PRAMOS DATE

Departmental Concurrence

- A-30
- Positions Added
- 4/5 Vote
- Change Order

BACKGROUND:

Summary (continued)

The current Note program was put in place in 1997. The Teeter financing program is open-ended and continuously rolls over any unpaid amounts, since it takes several years, on average, for collection of delinquent accounts. The annual amount of Notes issued is based upon the following: i.) Taxes collected in the prior year pay down the previous year's maturing notes, ii.) The remaining notes are rolled into the current year's financing and iii.) The amount needed to fund the current advance of unpaid taxes is added to the financing.

The amount of the FY 2014-15 Teeter Obligations is estimated at \$102 million. The Notes will be issued in fixed rate form in two series as was the case last year, under the 1997 Master Resolution, both with a one year maturity. Series D Notes will be issued in the approximate amount of \$101 million and Series E Notes will be issued in the approximate amount of \$1 million. The Series D Notes are tax-exempt; the Series E Notes are taxable and represent the residual of last year's addition of the cities of Eastvale and Riverside to the program. The combined 2013-14 Notes were issued in the amount of \$119.7 million.

The size of the program expands and contracts as tax delinquencies go up and down and with changes to the size of the overall tax roll. The amount of notes outstanding is actually exceeded by the principal amount of taxes owed to the County, by approximately \$8 million. Given the County's senior lien position and the relationship between the amount of taxes and property values, over time the County collects 99%+ of the taxes owed, in addition to penalties and interest. Unlike most other County financings, which bear a net cost, the Teeter financing program results in net revenues to the County General Fund.

The Program generates ongoing revenue for the General Fund by capturing the penalties and interest on the unpaid taxes upon collection. Those are paid at an annual rate in excess of 20% per annum (10% late penalty plus 1 ½% per month of default); the County's cost to finance the program is currently below 0.50%. After replenishing the statutorily required balance in the Tax Losses Reserve Fund and paying the interest cost for the year, the net amount is transferred in as unrestricted revenue.

This item was approved by the Debt Advisory Committee on August 14, 2014.

Impact on Citizens and Businesses

This item will be beneficial for the citizens of Riverside County due to the revenue that flows to the General Fund to support county programs. Continued operation of the Teeter program provides substantial annual revenue to the County. Financing the program externally keeps the costs low and preserves the County's cash for other purposes.

SUPPLEMENTAL:

Additional Fiscal Information

None

TABLE OF CONTENTS

	Page
ARTICLE I	AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS..... 3
1.01	Authority For This Resolution 3
1.02	Definitions..... 3
ARTICLE II	AUTHORIZATION OF DEMAND OBLIGATIONS 4
2.01	Authorization of Demand Obligation 4
ARTICLE III	EXTENSION OF SERIES B TEETER OBLIGATION PLEDGE 4
3.01	Pledge of Series B Taxes 4
ARTICLE IV	AUTHORIZATION AND ISSUANCE OF 2014 NOTES 5
4.01	Authorization of 2014 Notes..... 5
4.02	Denominations, Medium, Method and Place of Payment and Dating of 2014 Notes 5
4.03	Sale of Notes 5
4.04	Payment of 2014 Notes..... 6
4.05	Forms of 2014 Notes..... 6
4.06	Execution and Authentication of Notes 6
4.07	Registration, Exchange and Transfer 6
4.08	Defeasance of 2014 Notes 9
4.09	Fiscal Agent 9
4.10	Official Statement for 2014 Notes 9
4.11	Continuing Disclosure 10
ARTICLE V	MISCELLANEOUS 10
5.01	Accounting..... 10
5.02	Additional Actions..... 10
5.03	Effectiveness; Master Teeter Resolution to Remain in Effect..... 10
5.04	Partial Invalidity..... 11
5.05	Law Governing 11
EXHIBIT A	FORM OF 2014 SERIES D NOTE A-1
EXHIBIT B	FORM OF 2014 SERIES E NOTE..... B-1

RESOLUTION NO. 2014-182
OF
THE COUNTY OF RIVERSIDE

SUPPLEMENTING ITS
MASTER TEETER RESOLUTION, AND
PROVIDING FOR THE TERMS AND CONDITIONS OF
2014 SERIES D TEETER PLAN OBLIGATION NOTES (TAX-EXEMPT)
and
2014 SERIES E TEETER PLAN OBLIGATION NOTES (TAXABLE)

ADOPTED ON SEPTEMBER 9, 2014

RESOLUTION NO. 2014-182

**RESOLUTION OF THE COUNTY OF RIVERSIDE
SUPPLEMENTING ITS MASTER TEETER RESOLUTION,
AND PROVIDING FOR THE TERMS AND CONDITIONS OF
2014 SERIES D TEETER PLAN OBLIGATION NOTES (TAX-EXEMPT)
AND 2014 SERIES E TEETER PLAN OBLIGATION NOTES (TAXABLE)**

WHEREAS, the Board of Supervisors (the "Board") of the County of Riverside (the "County") has adopted a resolution pursuant to Section 4702 of the California Revenue and Taxation Code, and has thereby elected to follow the procedure for distributing Property Tax levies set forth in Chapter 3 of Part 8 of Division 1 of the California Revenue and Taxation Code, consisting of Sections 4701 through 4717 (the "Law"); and

WHEREAS, the Board elected, pursuant to Section 4702.5 of the Law, to include certain assessments in the procedures authorized under the Law; and

WHEREAS, pursuant to Section 4705 of the Law, for each year in which allocations of taxes and assessments are to be made in accordance with the Law, the amount of taxes and assessments for each fund for which the tax levy has been included is to be apportioned to the credit of each such fund, and the Board shall provide moneys in the County Treasury which shall be available to be drawn on to the extent of the amount of uncollected taxes and assessments credited to each such fund for which a tax levy or an assessment has been included; and

WHEREAS, on July 29, 1997, pursuant to Resolution No. 97-203, as ratified, confirmed and modified by Resolution No. 97-298 adopted on November 4, 1997 (together, the "Master Teeter Resolution") the Board authorized an issuance of Series A Obligations and Series B Obligations in the form of Series A Notes and Series B Notes, respectively; and

WHEREAS, the Master Teeter Resolution contemplated that Series A Obligations and Series B Obligations could be increased to include an amount sufficient to refund any Demand Obligation relating to any fiscal year ending after June 30, 1997, as specified in a Supplemental Resolution; and

WHEREAS, pursuant to Resolution No. 98-283, adopted on August 18, 1998, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1998; and

WHEREAS, pursuant to Resolution No. 99-385, adopted on September 7, 1999, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1999; and

WHEREAS, pursuant to Resolution No. 2000-277, adopted September 26, 2000, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2000; and

FORM APPROVED COUNTY COUNSEL
BY *Dale A. Gardner* 8/27/14
DALE A. GARDNER DATE

WHEREAS, pursuant to Resolution No. 2001-290, adopted September 11, 2001, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2001; and

WHEREAS, pursuant to Resolution No. 2002-363, adopted October 8, 2002, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2002; and

WHEREAS, pursuant to Resolution No. 2003-495, adopted October 21, 2003, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2003; and

WHEREAS, pursuant to Resolution No. 2004-496, adopted October 26, 2004, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2004; and

WHEREAS, pursuant to Resolution No. 2005-493, adopted November 29, 2005, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2005 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2006-405 adopted October 17, 2006, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2006 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2007-479, adopted October 30, 2007, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2007 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2008-486, adopted November 18, 2008, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2008 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2009-310, adopted November 24, 2009, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2009 and to refund Outstanding Series B Notes and Series C Notes; and

WHEREAS, pursuant to Resolution No. 2010-281, adopted September 14, 2010, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2010 and to refund Outstanding Series B Notes and Series C Notes; and

WHEREAS, pursuant to Resolution No. 2011-252, adopted September 27, 2011, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2011 and to refund Outstanding Series B Notes and Series C Notes; and

WHEREAS, pursuant to Resolution No. 2012-195, adopted September 11, 2012, the Board authorized Series D Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2012 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2013-222, adopted September 10, 2013, the Board authorized Series D Obligations and Series E Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2013 and to refund Outstanding Series D Notes; and

WHEREAS, the County wishes to include within the definition of Series B Taxes all uncollected property taxes and assessments attributable to the fiscal year ended June 30, 2014; and

WHEREAS, the County wishes to issue a Demand Obligation or Demand Obligations relating to delinquencies in property taxes and assessments attributable to the fiscal year ended June 30, 2014 and to issue Teeter Plan Obligation Notes, 2014 Series D (Tax-Exempt) (the "2014 Series D Notes"), the proceeds of which are to be used to refund all or a portion of a Demand Obligation, to refund Outstanding Series D Notes and to pay costs of issuance; and

WHEREAS, the County wishes to issue Teeter Plan Obligation Notes, 2014 Series E (Taxable) (the "2014 Series E Notes" and, collectively with the 2014 Series D Notes, the "2014 Notes"), the proceeds of which are to be used to refund Outstanding Series E Notes and to pay costs of issuance; and

WHEREAS, the County wishes to confirm that the security interest and pledge granted pursuant to Section 302 of the Master Teeter Resolution extends to such Series B Taxes and also secures the 2014 Notes.

NOW, THEREFORE, IT IS RESOLVED and ordered by the Board as follows:

ARTICLE I

AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS

1.01 Authority For This Resolution. This resolution supplements and amends the Master Teeter Resolution and is entered into pursuant to Article VII of the Master Teeter Resolution.

1.02 Definitions.

(a) Except as otherwise provided herein all terms defined in the Master Teeter Resolution shall have the same meanings when used in this Supplemental Resolution as are given in Section 101 of the Master Teeter Resolution, except for the following terms which are used in the Master Teeter Resolution, which shall be amended to read as follows:

“**Series B Taxes**” means (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014 and such other fiscal years, if any, as may be specified in a Supplemental Resolution, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled, including as a consequence of electing to being governed by the Law, and in each case following the allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County which have not agreed that the Law shall apply to them; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an Independent District for all fiscal years prior to the fiscal year in which the respective Independent District agreed (pursuant to Section 4715 of the Law) that the Law shall apply to it, (ii) Default Penalties, (iii) interest or Redemption Penalties, (iv) costs and fees paid pursuant to Section 4102(d) and 4112 of the Taxation Code and (v) installment payments made pursuant to Section 4217 et. seq. of the Taxation Code with respect to properties otherwise subject to Series A/B Taxes. Series B Taxes shall not include Series A Taxes or Other Taxes.

“**2014 Notes**” means the 2014 Series D Notes (Tax-Exempt) and the 2014 Series E Notes (Taxable).

ARTICLE II

AUTHORIZATION OF DEMAND OBLIGATIONS

2.01 Authorization of Demand Obligation. The County shall evidence its obligation to make distributions to Revenue Districts pursuant to the Law in respect of property taxes and assessments attributable to the fiscal year ended June 30, 2014, through the issuance of a Demand Obligation or Demand Obligations in the principal amounts of such distributions.

ARTICLE III

EXTENSION OF SERIES B TEETER OBLIGATION PLEDGE

3.01 Pledge of Series B Taxes. All Series B Taxes as defined in this Supplemental Resolution shall be governed by the provisions of Section 302(2) of the Master Teeter Resolution, the security interest and pledge created pursuant to said Section 302(2) shall hereby extend to Series B Taxes as defined in this Supplemental Resolution, and such security interest and pledge shall hereby extend in favor of Holders of (a) the Demand Obligations referred to in Section 2.01 hereof and issued hereunder and (b) the 2014 Series D Notes and 2014 Series E Notes authorized and issued hereunder. The lien on Series B Taxes shall continue so long as any 2014 Notes remain Outstanding, and shall secure on a parity lien, the 2014 Series D Notes and the 2014 Series E Notes.

ARTICLE IV

AUTHORIZATION AND ISSUANCE OF 2014 NOTES

4.01 Authorization of 2014 Notes. The Board hereby determines that the County shall issue (i) as 2014 Series D Obligations, the "Teeter Plan Obligation Notes, 2014 Series D (Tax-Exempt)," and the proceeds shall be applied to the refunding, in whole or in part, of a Demand Obligation, Outstanding Series D Notes, and to pay costs of issuance, and (ii) as 2014 Series E Obligations, the "Teeter Plan Obligation Notes, 2014 Series E (Taxable)," and the proceeds shall be applied to the refunding, in whole or in part, of Outstanding Series E Notes and to pay costs of issuance. The aggregate principal amount of 2014 Notes issued hereunder shall not exceed \$102,000,000. The 2014 Series D Notes shall be Tax-Exempt Notes (and the tax covenants contained in Section 815 of the Resolution shall apply to the 2014 Series D Notes) and the 2014 Series E Notes shall be Taxable Notes. Any different or additional terms and provisions of the 2014 Notes shall be set forth in a written certificate of the Treasurer or County Executive Officer delivered prior to the issuance of the 2014 Notes.

4.02 Denominations, Medium, Method and Place of Payment and Dating of 2014 Notes. (a) The 2014 Notes shall be initially issued and registered as provided in Section 4.07 of this Supplemental Resolution and otherwise shall be in the denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of issuance thereof, shall mature no later than December 31, 2015, and shall bear interest, payable at maturity and computed on the basis of a 360-day year composed of twelve 30-day months for the 2014 Series D Notes and actual days/360-day year for the 2014 Series E Notes, at the rates per annum determined in accordance with this Supplemental Resolution.

(b) Both the principal of the 2014 Notes and interest due on the 2014 Notes at maturity shall be payable in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the principal office of the Fiscal Agent upon the maturity thereof. No interest shall be payable on any 2014 Note for any period after maturity during which the registered owner thereof fails to properly present such 2014 Note for payment.

4.03 Sale of Notes. The Purchase Contract between Wells Fargo Bank, National Association and Stifel Nicolaus & Company, Incorporated (the "Underwriters") and the County (the "Purchase Contract"), in substantially the form presented to this meeting, is hereby approved. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to execute and deliver such Purchase Contract, with such changes, additions, completions and corrections therein as such officers shall require or approve, including specifying the principal amount of the 2014 Series D Notes and the 2014 Series E Notes (not to exceed the amount authorized under Section 4.01 hereof), the term of the 2014 Series D Notes and the 2014 Series E Notes (not to exceed the maturity date set forth in Section 4.02(a) hereof), the interest rate on the 2014 Series D Notes and the 2014 Series E Notes and the purchase price of the 2014 Notes, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the true interest cost of the 2014 Notes shall not exceed 0.75% per annum, and that the underwriters' discount (exclusive of original issue discount) on the 2014 Notes shall not exceed 0.05% of the principal amount of the 2014 Notes.

4.04 Payment of 2014 Notes. There is hereby established with the Fiscal Agent, as agent and pledge holder for the Holders of the 2014 Notes, the "2014 Payment Fund." On or before the maturity date of the 2014 Notes, the County shall transfer to the Fiscal Agent from the General Fund, including the Series B Taxes, an amount sufficient to pay the principal of and interest on the 2014 Notes when due.

4.05 Forms of 2014 Notes. The 2014 Notes and the assignment to appear thereon each shall be in substantially the form set forth in Exhibits A and B attached hereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

4.06 Execution and Authentication of Notes. The County Executive Officer is hereby authorized to sign the 2014 Notes by use of his manual or facsimile signature, and the Clerk of the Board of Supervisors is hereby authorized to countersign the 2014 Notes by use of his/her manual signature and to affix the seal of the Board of Supervisors thereto by facsimile thereon. Said officers are hereby authorized to cause the blank spaces in the Notes to be filled in as may be appropriate and to deliver the 2014 Notes to the Underwriters in accordance with the terms and provisions of the Purchase Contract. In the case of 2014 Notes executed by facsimile signature of both the County Executive Officer and the Clerk of the Board of Supervisors, the 2014 Notes shall not be valid unless and until the Fiscal Agent or his or her designee shall have manually authenticated such Notes.

In case any officer whose signature appears on the 2014 Notes shall cease to be such officer before the delivery of the 2014 Notes to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Notes.

4.07 Registration, Exchange and Transfer. (a) The Depository Trust Company, New York, New York, is hereby appointed depository for the 2014 Notes. The 2014 Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York and shall be evidenced by a single 2014 Series D Note and a single 2014 Series E Note. Registered ownership of each 2014 Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 4.07(b).

(b) The 2014 Notes shall be initially issued and registered as provided in Section 4.07(a) hereof. Registered ownership of the 2014 Notes, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (B) ("Substitute Depository"); provided that any successor of Cede & Co., as nominee of The Depository Trust Company or Substitute Depository, shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository not objected to by the County Executive Officer, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a

determination by the County Executive Officer to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Executive Officer to discontinue using a depository.

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section, upon receipt of all outstanding 2014 Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County, with a written request of the County Executive Officer to such successor fiscal agent designating the Substitute Depository), a single new 2014 Series D Note and 2014 Series E Note, which the County shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of any such successor to Cede & Co. or such Substitute Depository, or their respective nominees, as the case may be, all as specified by the County Executive Officer. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section upon receipt of all outstanding 2014 Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County, with a written request of the County Executive Officer to such successor fiscal agent), new 2014 Notes, which the County shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as specified by the County Executive Officer, subject to the limitations of this Section, provided that the Fiscal Agent shall deliver such new 2014 Notes as soon as practicable.

(d) The County and the Fiscal Agent shall be entitled to treat the person in whose name any 2014 Note is registered as the owner thereof for all purposes of the Resolution and for purposes of payment of principal of and interest on such 2014 Note, notwithstanding any notice to the contrary received by the Fiscal Agent or the County; and the County and the Fiscal Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2014 Notes. Neither the County nor the Fiscal Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successor (or Substitute Depository or its successor), except to the owner of any 2014 Notes, and the Fiscal Agent may rely conclusively on its records as to the identity of the owners of the 2014 Notes.

(e) Notwithstanding any other provision of this Resolution and so long as all outstanding 2014 Notes are registered in the name of Cede & Co. or its registered assigns, the County and the Fiscal Agent shall cooperate with Cede & Co. or its registered assigns, as sole registered owner, in effecting payment of the principal of and interest on the 2014 Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Letter of Representations, the provisions of which the Fiscal Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(f) In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section, any 2014 Note may, in accordance with its terms, be transferred or exchanged for a 2014 Note of like aggregate principal amount in authorized denominations, upon the books required to be kept by the Fiscal Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2014 Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed and in form approved by the Fiscal Agent.

Whenever any 2014 Note shall be surrendered for transfer or exchange, the County shall execute and the Fiscal Agent shall authenticate, if required, and deliver a new 2014 Note of authorized denominations, for a like aggregate principal amount. The Fiscal Agent shall require the owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(g) The Fiscal Agent will keep or cause to be kept sufficient books for the registration and transfer of the 2014 Notes, which shall at all times be open to inspection by the County. Upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2014 Notes as hereinbefore provided.

(h) If any 2014 Note shall become mutilated, the County, at the expense of the owner of such 2014 Note, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new 2014 Note of like tenor and number in exchange and substitution for the 2014 Note so mutilated, but only upon surrender to the Fiscal Agent of the 2014 Note so mutilated. Every mutilated 2014 Note so surrendered to the Fiscal Agent shall be cancelled by it and delivered to, or upon the order of, the County. If any 2014 Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Fiscal Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the County, at the expense of the owner, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new 2014 Note of like tenor and number in lieu of and in substitution for the 2014 Note so lost, destroyed or stolen (or if any such 2014 Note shall have matured or shall be about to mature, instead of issuing a substitute 2014 Note, the Fiscal Agent may pay the same without surrender thereof). The Fiscal Agent may require payment by the registered owner of a 2014 Note of a sum not exceeding the actual cost of preparing each new 2014 Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Fiscal Agent. Any 2014 Note issued under these provisions in lieu of any 2014 Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County whether or not the 2014 Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Supplemental Resolution with all other 2014 Notes issued under this Supplemental Resolution.

All 2014 Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Fiscal Agent, shall be delivered to the Fiscal Agent and shall be promptly cancelled by it. The County may at any time deliver to the Fiscal Agent for cancellation any 2014 Notes previously authenticated and delivered hereunder which the County may have acquired in any manner whatsoever, and all 2014 Notes so delivered shall promptly be

cancelled by the Fiscal Agent. No 2014 Note shall be authenticated in lieu of or in exchange for any 2014 Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled 2014 Notes held by the Fiscal Agent shall be disposed of as directed by the County.

4.08 Defeasance of 2014 Notes. (a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding 2014 Notes the interest and principal thereof at the times and in the manner stipulated herein and therein, then all agreements and covenants of the County to such Holders hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding 2014 Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said 2014 Notes on the maturity date thereof. Neither the securities nor moneys deposited with the Fiscal Agent pursuant to this Section 4.08(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said 2014 Notes. The Fiscal Agent shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Section.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding 2014 Notes as provided in this Section and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the interest and principal represented by such 2014 Notes. Owners of 2014 Notes shall thereafter be entitled to payments due under the 2014 Notes only from amounts deposited pursuant to this Section and from no other source.

4.09 Fiscal Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Fiscal Agent for the 2014 Notes. The County hereby directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the 2014 Notes when such become due and payable.

The Fiscal Agent is also appointed as registrar and upon the request of any registered owner, is authorized to record the transfer or exchange of 2014 Notes or the 2014 Series E Notes in accordance with the provisions hereof.

4.10 Official Statement for 2014 Notes. The proposed form of official statement relating to the 2014 Notes, in substantially the form presented to this meeting, is hereby approved with such additions, changes and corrections as the Treasurer and the County Executive Officer and their designees, jointly and severally, may from time to time approve. The Underwriters are hereby authorized to distribute such official statement in preliminary form (the

“Preliminary Official Statement”) to the potential purchasers of the 2014 Notes and are hereby authorized and directed to deliver such official statement in final form to all purchasers of the 2014 Notes. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to certify on behalf of the County that the preliminary form of the official statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the County, to sign a copy of such Official Statement in final form.

4.11 Continuing Disclosure. The County hereby agrees and covenants that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) executed by the County and dated the date of issuance and delivery of the 2014 Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided, that any registered owner of the 2014 Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Section.

ARTICLE V

MISCELLANEOUS

5.01 Accounting. The Board hereby determines that earnings on amounts held in the Teeter Debt Service Fund and the Teeter Tax Loss Reserve Fund, respectively, shall be deposited in such fund or funds as shall be directed by the County Executive Officer.

5.02 Additional Actions. All actions heretofore taken by the officers and agents of the County or the Board of Supervisors with respect to the issuance and sale of the 2014 Series D Notes and the 2014 Series E Notes are hereby approved, confirmed and ratified, and the officers, employees and agents of the County and the Board of Supervisors are hereby authorized and directed, for and in the name and on behalf thereof, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale from time to time of the 2014 Series D Notes and 2014 Series E Notes in accordance with the Master Teeter Resolution and this Supplemental Resolution, including, but not limited to, entering into amendments, if any, to the Fiscal Agent Agreement (including provisions relating to a costs of issuance fund) and DTC Representation Letter.

5.03 Effectiveness; Master Teeter Resolution to Remain in Effect.

(a) This Supplemental Resolution shall become effective immediately upon its adoption. Except as expressly provided in this Supplemental Resolution, every term and condition contained in the Master Teeter Resolution shall apply to this Supplemental Resolution.

and to the additional Demand Obligations and 2014 Series D Notes and 2014 Series E Notes authorized hereby, with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Resolution.

(b) This Supplemental Resolution and all of the terms and provisions herein contained shall form part of the Master Teeter Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the Master Teeter Resolution. The Master Teeter Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented and as amended and supplemented hereby.

5.04 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of any of the Demand Obligations or any of the 2014 Series D Notes or 2014 Series E Notes authorized hereby, and the Holders shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law.

5.05 Law Governing. This Supplemental Resolution shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

PASSED and ADOPTED by the Board of Supervisors on September 9, 2014.

ROLL CALL:

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None

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

KECIA HARPER-IHEM, Clerk of said Board

By

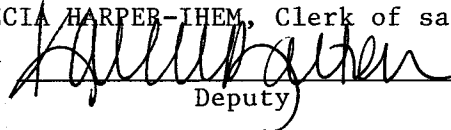

Deputy

EXHIBIT A

FORM OF 2014 SERIES D NOTE

No. _____

\$ _____

**COUNTY OF RIVERSIDE TEETER PLAN OBLIGATION NOTE,
2014 SERIES D (TAX-EXEMPT)**

NOTE DATE	MATURITY DATE	INTEREST RATE	CUSIP
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

The County of Riverside (the "County") acknowledges itself indebted to, and for value received, hereby promises to pay from amounts on deposit in the General Fund, as defined in the Resolution No. 97-203 of the County, as amended and supplemented (the "Resolution"), to the registered owner specified above (the "Holder"), at the office of The Bank of New York Mellon Trust Company, NA, the principal amount specified above on the Maturity Date specified above, together with interest thereon at the Interest Rate per annum set forth above (computed on the basis of a 360-day year composed of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. The principal of and interest payable at maturity on this Note shall be payable only to the registered owner hereof upon surrender of this Note at the office of the Fiscal Agent as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

This Note is one of a duly authorized issue of Teeter Plan Obligation Notes, 2014 Series D (Tax-Exempt) of the County issued under and pursuant to the Resolution. The 2014 Series D Notes are payable from General Fund and are secured by Series B Taxes as defined in the Resolution. By acceptance of this Note, the Holder consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the County.

The County may deem and treat the Holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal and interest due hereon and for all other purposes and the County shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been

performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the County of Riverside has caused this Note to be executed in its name by the manual or facsimile signature of its County Executive Officer and countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors, and caused its official seal or a facsimile thereof to be affixed hereto.

COUNTY OF RIVERSIDE

By _____
County Executive Officer

(SEAL)

COUNTERSIGNED:

Clerk of the Board of Supervisors

EXHIBIT B

FORM OF 2014 SERIES E NOTE

No. _____

\$ _____

**COUNTY OF RIVERSIDE TEETER PLAN OBLIGATION NOTE,
2014 SERIES E (TAXABLE)**

**DATE OF
ORIGINAL ISSUE**

**MATURITY
DATE**

**INTEREST
RATE**

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The County of Riverside (the "County") acknowledges itself indebted to, and for value received, hereby promises to pay from amounts on deposit in the General Fund, as defined in the Resolution No. 97-203 of the County, as amended and supplemented (the "Resolution"), to the registered owner specified above (the "Holder"), at the office of The Bank of New York Mellon Trust Company, N.A., the principal amount specified above on the Maturity Date specified above, together with interest thereon at the Interest Rate per annum set forth above (computed on the basis of actual days/360-day year) in like lawful money from the Note Date specified above until payment in full of said principal sum. The principal of and interest payable at maturity on this Note shall be payable only to the registered owner hereof upon surrender of this Note at the office of the Fiscal Agent as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

This Note is one of a duly authorized issue of Teeter Plan Obligation Notes, 2014 Series E (Taxable) of the County issued under and pursuant to the Resolution. The 2014 Series E Notes are payable from General Fund and are secured by Series B Taxes as defined in the Resolution. By acceptance of this Note, the Holder consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the County.

The County may deem and treat the Holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal and interest due hereon and for all other purposes and the County shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the County of Riverside has caused this Note to be executed in its name by the manual or facsimile signature of its County Executive Officer and countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors, and caused its official seal or a facsimile thereof to be affixed hereto.

COUNTY OF RIVERSIDE

By _____
County Executive Officer

(SEAL)

COUNTERSIGNED:

Clerk of the Board of Supervisors

**[\$Series D Par]
COUNTY OF RIVERSIDE
2014 SERIES D TEETER OBLIGATION NOTES (TAX-EXEMPT)
and
[\$Series E Par]
COUNTY OF RIVERSIDE
2014 SERIES E TEETER OBLIGATION NOTES (TAXABLE)**

NOTE PURCHASE AGREEMENT

[Pricing Date]

Riverside County Board of Supervisors
County of Riverside
4080 Lemon Street, 4th Floor
Riverside, California 92501

Ladies and Gentlemen:

The undersigned, Stifel Nicolaus & Company, Incorporated (the “Representative”), as representative of itself and Wells Fargo Bank, N.A. (collectively, the “Underwriters”), offers to enter into this Note Purchase Agreement (the “Note Purchase Agreement”) with the County of Riverside (the “County”). This offer is made subject to written acceptance by the County prior to 11:59 p.m., Pacific Daylight Time, on the date hereof, and, upon such acceptance, this Note Purchase Agreement will be binding upon the County and the Underwriters.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the County for reoffering to the public, and the County hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of the County’s 2014 Series D Teeter Obligation Notes (Tax-Exempt) (the “2014 Series D Notes”) in the aggregate principal amount of \$[Series D Par] and the 2014 Series E Teeter Obligation Notes (Taxable) (the “2014 Series E Notes” and, together with the 2014 Series E Notes, the “Notes”) in the aggregate principal amount of \$[Series E Par]. The aggregate purchase price to be paid by the Underwriters for the 2014 Series D Notes shall be \$[Series D Purchase Price], being the principal amount of the 2014 Series D Notes, [plus/minus] [net] original issue [premium/discount] of \$[Series D OIP/OID], and less an Underwriters’ discount of \$[Series D UW Discount]. The aggregate purchase price to be paid by the Underwriters for the 2014 Series E Notes shall be \$[Series E Par].00, being the principal amount of the 2014 Series E Notes.

2. The Notes. The Notes shall be dated their date of issuance and shall mature on [Maturity Date]. The Notes are being issued under Resolution No. 97-203, as ratified, confirmed and modified by Resolution No. 97-298 adopted by the Board of Supervisors of the County (the “Board of Supervisors”) on November 4, 1997 (together, as heretofore amended and supplemented, the “Master Teeter Resolution”), including as supplemented by a resolution

adopted by the Board of Supervisors on [September 9, 2014] (the "2014 Resolution" and, together with the Master Teeter Resolution, the "Resolutions"), and a Fiscal Agent Agreement, dated as of November 1, 1997 (as amended, the "Fiscal Agent Agreement"), by and between the County and The Bank of New York Mellon Trust Company, N.A., as successor fiscal agent thereunder (the "Fiscal Agent"), and in full conformity with the Constitution and laws of the State of California, as amended and supplemented. The 2014 Series D Notes and the 2014 Series E Notes will bear interest at the rates set forth in Exhibit A hereto. The Notes will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, N.Y., the securities depository for the Notes.

3. Use of Documents. The County has delivered to the Underwriters copies of its Preliminary Official Statement dated [POS Date] (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the County for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The County agrees to deliver to the Underwriters a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The number of Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board ("MSRB"). In addition, the County shall prepare or cause to be prepared the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Issue Date (defined below) to enable the Underwriters to comply with MSRB Rule G-32.

The County has approved the distribution by the Underwriters of the Official Statement and the County hereby authorizes the Underwriters to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolutions and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the County to the Underwriters or entered into in connection with the transactions contemplated by this Note Purchase Agreement.

The County will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to provide ongoing periodic disclosure and notices of the occurrence of certain events, if material. A description of such undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

4. Public Offering of the Notes. The Underwriters agree to make a bona fide public offering of the Notes at the prices or yields set forth on the cover of the Official Statement. The Underwriters may offer and sell the Notes to certain dealers and banks at prices lower than the public offering price stated on the cover of the Official Statement and said public offering prices may be changed from time to time by the Underwriters.

The County acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction between the County and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, each of the Underwriters is and

has been acting solely as principal and are not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the County with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether an Underwriters have provided other services or are currently providing other services to the County on other matters) and the Underwriters have no obligation to the County with respect to the offering contemplated hereby except the obligations expressly set forth in this Note Purchase Agreement and (iv) the County has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

5. Closing. At 8:00 a.m., Pacific Daylight Time, on [Closing Date], or at such other time and on such other date as shall have been mutually agreed upon by the County and the Underwriters (the "Issue Date"), the County will deliver to the Underwriters, through the facilities of DTC, the Notes in registered form duly executed and other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County (the "Closing").

6. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Underwriters that:

(A) The County is a political subdivision, organized and existing pursuant to the Constitution and laws of the State of California (the "State"), and has all requisite right, power and authority to conduct its business, to adopt the Resolutions, to issue the Notes and to execute this Note Purchase Agreement, the Fiscal Agent Agreement and the Continuing Disclosure Certificate (collectively, the "Documents"), and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by the Documents.

(B) (i) At or prior to the Closing, the County will have taken all actions required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the execution and delivery of the Notes and the Documents, the adoption by the County of the Resolutions, and the performance by the County of the obligations contained in the Documents, have been duly authorized and such authorization will be in full force and effect at the time of the Closing; (iii) this Note Purchase Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of the County enforceable against the County in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; (iv) the Board of Supervisors has duly authorized the consummation by the County of all transactions contemplated by the Documents and the Resolution; and (v) the County has authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriters.

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as

may be necessary to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriters may designate (except that the County shall not be responsible for the failure to comply with any such laws or regulations with regard to Blue Sky).

(D) Except as otherwise disclosed in the Official Statement, to the best knowledge of the County, based upon reasonable inquiry, as of the time of acceptance hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any State court or public body, pending or threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the County or the entitlement of the officials of the County to their respective offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or taxes of the County pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting the validity of the Notes or the Documents, or contesting the powers or authority of the County with respect to the Notes or the Documents; or (iii) in which a final adverse decision would (a) materially adversely affect the consummation of the transactions contemplated by the Documents, or (b) declare the Documents to be invalid or unenforceable in whole or in material part.

(E) 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.

(F) As of the date hereof, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriters thereof, and (ii) if in the reasonable opinion of the Underwriters and the County, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its expense supplement or amend the Official Statement in a form and in a manner jointly approved by the Underwriters and the County, which approval shall not be unreasonably withheld.

(G) The County undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriters and ending on the earlier of (i) the 25th day following the end of the underwriting period, as defined in the Rule under the Securities Exchange Act of 1934, or (ii) 90 days following Closing, it will (a) apprise the Underwriters of all material developments, if any, occurring with respect to the County

and (b) if determined by the County or requested by the Underwriters, prepare a supplement to the Official Statement in respect of any such material event. The period described in the preceding sentence shall be reduced to twenty-five (25) days if the Official Statement has been deposited with the MSRB and is available from such depository upon request. The Underwriters hereby agree to use its best efforts to deposit the Official Statement with the MSRB so that such period will be reduced to twenty-five (25) days. Unless otherwise notified in writing by the Underwriters, the County may assume that the end of this underwriting period occurs on the date when the County delivers the Notes to the Underwriters.

(H) Between the date hereof and the Closing, without the prior written consent of the Underwriters, the County will not have issued any bonds, notes or other obligations for borrowed money except as may be described in or contemplated by the Official Statement.

(I) Any certificates signed by any official of the County and delivered to the Underwriters shall be deemed a representation and warranty by the County to the Underwriters as to the statements made therein but not of the person signing the same.

(J) The County will punctually pay or cause to be paid the principal of and interest to become due on the Notes in strict conformity with the terms of the Resolution, the Fiscal Agent Agreement and the Notes and it will faithfully observe and perform all of the conditions, covenants and requirements of the Notes and the Documents.

(K) The County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters if and as the Underwriters may reasonably request in order (i) to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and will, if requested by the Underwriters, use its best efforts to continue such qualifications in effect so long as required for distribution of the Notes; provided that the County shall not be required to pay any fees in connection with the foregoing or to subject itself to service of process in any jurisdiction in which it is not presently so subject.

(L) Between the date hereof and the Closing, the County will not modify or amend the Resolution without the prior written consent of the Underwriters.

(M) The County will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Except as disclosed in the Official Statement, the County has not failed to comply in all material respects with a continuing undertaking under the Rule during the previous five years.

(N) The Notes will be issued only under and within the limits of the Resolution and the Fiscal Agent Agreement, and, as such, are general obligations of the County, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the County as described in the Official Statement.

(O) The County's Comprehensive Annual Financial Report (CAFR) as of June 30, 2013, for the fiscal year ended on such date, as described or set forth, as appropriate, in the Official Statement, is true, complete and correct and fairly presents the financial condition of the County as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the County since June 30, 2013, except as described in the CAFR or the Official Statement.

7. Conditions to Obligations of Underwriters at Closing. The Underwriters have entered into this Note Purchase Agreement in reliance upon the representations and warranties of the County contained herein and the performance by the County of its obligations hereunder, as of the date hereof and as of the Closing. The obligation of the Underwriters to purchase the Notes at the Closing is subject to the following further conditions, any or all of which can be waived by the Underwriters in writing:

(A) The representations, warranties and covenants of the County contained herein shall be true and correct at the date hereof and at and as of the Closing, as if made on the date of the Closing, and the statements made in all certificates and other documents delivered to the Underwriters at the Closing and otherwise pursuant hereto shall be true and correct at and as of the Closing;

(B) At and as of the Closing (i) the Official Statement, this Note Purchase Agreement, the Continuing Disclosure Certificate and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been jointly agreed to in writing by the County and the Underwriters; (ii) all actions under which, in the opinion of Orrick, Herrington & Sutcliffe LLP, Note Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County shall perform or have performed all of its obligations required under or specified in the Resolution, the Fiscal Agent Agreement or this Note Purchase Agreement to be performed at or prior to the Closing;

(C) To the best knowledge of the County, based on reasonable inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, is pending or threatened against the County which has any of the effects described in Paragraph 6(D) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, has been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation has been enacted, or a bill favorably reported for adoption, or a decision by any court rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter has been made or issued, to the effect that the Notes or any other securities of the County or of any similar body of the type contemplated herein are not exempt from the registration,

qualification or other requirements of the Securities Act and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; and

(E) At or prior to the Closing, the Underwriters shall have received a copy of the following documents in each case dated at and as of the Closing and satisfactory in form and substance to the Underwriters:

(1) An approving opinion of Note Counsel as to the Notes in the form attached to the Official Statement as APPENDIX C, addressed to the County and upon which the Underwriters may rely;

(2) A supplemental opinion of Note Counsel, addressed to the Underwriters, to the effect that:

(i) the Note Purchase Agreement has been duly executed and delivered by the County and is a valid and binding agreement of the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against counties in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

(ii) the statements contained in the Official Statement in the sections thereof entitled "THE NOTES," "TAX MATTERS," and the Appendix containing the form of approving opinion, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Resolution and the Notes and the form and content of the approving opinion, are accurate in all material respects;

(iii) the Notes are not subject to the registration requirements of Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iv) the Underwriters may rely on the approving opinion of Note Counsel.

(3) The negative assurance letter, dated the date of the Closing and addressed to the County and the Underwriters, of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the County, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the County 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, projections and the other financial and statistical data included therein and the information included therein relating to The Depository Trust Company and the book-entry system (as such terms are defined in the Official Statement), and in Appendices B and C 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;

(4) The certificate of the County, dated the date of Closing to the effect that:

(i) the County is a political subdivision duly organized and existing under the Constitution of the laws of the State;

(ii) the Resolutions were duly adopted at meetings of the Board of Supervisors which were called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions are in full force and effect and have not been amended, modified or rescinded;

(iii) the adoption of the Resolutions and the execution and delivery of the Notes and the Documents and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not conflict with or constitute on the part of the County a material breach of or material default under any agreement or other instrument applicable or binding upon the County or any of its properties or any existing law, regulation, court order or consent decree to which the County or any of its properties is subject;

(iv) the County has full right and lawful authority to deliver the Official Statement, to execute and deliver the Notes, and to execute and deliver the Documents, to adopt the Resolutions and the County has duly authorized, executed and delivered the Official Statement and the Documents;

(v) Except as otherwise disclosed in the Official Statement, to the best knowledge of the County, based on reasonable inquiry, there is no action, suit or proceeding, inquiry or investigation before or by any State court, public board or body, other than as disclosed in the Official Statement pending or, to the knowledge of the County, threatened against or affecting the County, (a) contesting in any way the completeness or accuracy of the Official Statement, or wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition of the County, the transactions contemplated by the Documents, the Resolution or by the Official Statement, or (b) which will adversely

affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under the Notes, the Documents, the Resolution, or any other agreement or instrument to which the County is a party and which is used or contemplated for use in consummation of the transactions contemplated by the Documents, the Resolution or the Official Statement; and

(vi) The representations and warranties of the County herein are true and correct in all material respects as of the date made and as of the date of the Closing, and the County has performed all its obligations required under or specified in the Resolution and the Documents to be performed at or prior to the Closing; and

(vii) Such official has reviewed the Official Statement and on such basis certifies that, to the best of his knowledge after reasonable inquiry, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) A certificate of the Clerk of the Board of Supervisors of the County, together with a fully executed copy of the Resolution, to the effect that:

(i) such copies are true and correct copies of the Resolutions; and

(ii) the Resolutions were duly adopted and have not been modified, amended, rescinded or revoked and are in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriters;

(6) An opinion, dated the date of the Closing addressed to the Underwriters, of County Counsel, in such form as may be acceptable to the Underwriters, to the effect that

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

(ii) Resolutions of the County authorizing the issuance of the Notes and the execution and delivery of the Documents were duly adopted at meetings of the Board of Supervisors which were called and held pursuant to law, with all public notice required by law, and at which a quorum was present and acting throughout and the Resolutions are in full force and effect and have not been amended, modified or rescinded.

(iii) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the

best of our knowledge, threatened against or affecting the County in which an unfavorable decision, ruling or finding would materially adversely affect the participation of the County in, or consummation of, the transactions contemplated by the Official Statement, the Notes, the Fiscal Agent Agreement, the Note Purchase Agreement or the Resolutions, or in any way contesting the existence of the County or its powers with respect thereto, nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding or investigation.

(iv) The County has full right and lawful authority to adopt the Resolutions and to execute and deliver the Notes, the Fiscal Agent Agreement, the Note Purchase Agreement and the Official Statement, such documents have been duly authorized, executed and delivered on behalf of the County, and the Fiscal Agent Agreement, the Note Purchase Agreement and the Resolutions constitute the legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or limiting creditors' rights generally, by the principles of equity if equitable remedies are sought, by the exercise of judicial discretion and by the limitations on remedies against counties in the State of California.

(v) To the best of our knowledge, the adoption of the Resolutions and the execution and delivery of the Notes, the Fiscal Agent Agreement, the Purchase Agreement and the Official statement and compliance by the County with the provisions thereof, 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 applicable to or binding upon the County or any existing law, regulation, court order of consent decree to which the County is subject.

(vi) To the best of our knowledge, the information concerning the County contained in the Official Statement (excluding information regarding DTC and all financial or statistical information as to which no opinion is expressed) is correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit 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.

(7) An non-arbitrage certification related to the 2014 Series D Notes from the County in form and substance satisfactory to Note Counsel, signed by an official of the County;

(8) An incumbency certificate of the Fiscal Agent and a certificate of an authorized officer of the Fiscal Agent, dated the date of Closing in form and substance satisfactory to the Underwriters, to the effect that:

(i) the Fiscal Agent is a duly organized and validly existing national banking association under the laws of the United States of America, having full right, power and authority to enter into the Fiscal Agent Agreement;

(ii) the Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and (assuming the due authorization, execution and delivery thereof by the County) constitutes the valid and binding obligation of the Fiscal Agent, enforceable in accordance with its terms, except to the extent that enforceability may be limited by principles of equity or by bankruptcy, moratorium, reorganization or other laws applicable to creditors' rights generally; and

(iii) the execution and delivery by the Fiscal Agent of the Fiscal Agent Agreement, and the performance by the Fiscal Agent of the terms thereof, do not violate any provision of the Fiscal Agent's Articles of Association or Bylaws or, to the best of such officer's knowledge after due inquiry, any existing law, regulation or ruling; nor, to the best of such officer's knowledge after like inquiry, are the Indentures in violation of, nor do they cause a default under, any agreement or instrument to which the Trustee is a party.

(9) Evidence from Moody's Investors Service Inc. and Fitch Ratings that the Notes have been rated "___" and "___," respectively, and that such ratings continue in effect as of the Closing;

(10) Certified copies of the Resolutions and one executed original of each of the documents and such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters or Note Counsel may reasonably request in order to evidence compliance by the County with legal requirements, the truth and accuracy, at and as of the Closing, of the representations, warranties and agreements of the County herein contained and the statements contained in the Official Statement, and the due performance and satisfaction by the County at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the County;

(11) An opinion, dated the date of the Closing addressed to the Underwriters, of Hawkins Delafield & Wood LLP, counsel to the Underwriters, in such form as may be acceptable to the Underwriters; and

(12) Such additional certificates, instruments and other documents as the Underwriters may reasonably deem necessary.

8. Termination of Obligations of Underwriters. If the County shall be unable to satisfy the conditions set forth in Section 7 to the obligations of the Underwriters contained in this Note Purchase Agreement, the obligations of the Underwriters under this Note Purchase Agreement may be terminated by the Underwriters by notice to the County at, or at any time prior to, the Closing. Notwithstanding any provision herein to the contrary, the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters in writing in its sole discretion.

The Underwriters shall also have the right to terminate, in its sole discretion, its obligations under this Note Purchase Agreement, by notice to the County at, or at any time prior to the Closing, if between the date hereof and the Closing:

(i) an event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein not misleading in any material respect and requires an amendment of or supplement to the Official Statement and the effect of which, in the judgment of the Underwriters, would materially adversely affect the market for the Notes or the sale, at the contemplated offering prices (or yields), by the Underwriters of the Notes; or

(ii) legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by State of California, either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff or such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Code (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the taxation of interest received on obligations of the general character of the Notes which, in the opinion of the Underwriters, materially adversely affects the market for the Notes or the sale, at the contemplated offering prices (or yields), by the Underwriters of the Notes; or

(iii) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Notes or similar obligations;

or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers such as to make it, in the judgment of the Underwriters, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(iv) the commencement of any action, suit or proceeding described in Paragraph 6(d) hereof which, in the judgment of the Underwriters, materially adversely affects the market price of the Notes; or

(v) a stop order, ruling, regulation, proposed regulation or 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, sale or distribution of obligations of the general character of the Notes is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended; or

(vi) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Notes, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended (the "Securities Act"), or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Notes, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(vii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national or international emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Underwriters, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(viii) a general banking moratorium shall have been declared by federal or New York or California state authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred such as to make it, in the judgment of the Underwriters, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(ix) any rating of the Notes or other obligations of the County by a national rating agency shall have been withdrawn or downgraded, or there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) by a national rating agency of any obligations issued by the County, including the Notes.

9. Conditions to Obligations of the County. The performance by the County of its obligations under this Note Purchase Agreement with respect to issuance, sale and delivery of the Notes to the Underwriters is conditioned upon (i) the performance by the Underwriters of its obligations hereunder; and (ii) receipt by the County and the Underwriters of opinions and certificates being delivered at or prior to the Closing by persons and entities other than the County.

10. Expenses. (A) The Underwriters shall be under no obligation to pay, and the County shall pay from its available funds or from the proceeds of the Notes, the following expenses: (i) all expenses in connection with the preparation, distribution and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto, and this Note Purchase Agreement; (ii) all expenses in connection with the printing, issuance and delivery of the Notes; (iii) the fees and disbursements of Note Counsel and Disclosure Counsel; (iv) the fees and disbursements of counsel and consultants, including the County's financial advisor, in connection with the Notes; (v) the disbursements of the County in connection with the Notes; (vi) the fees and disbursements of the Fiscal Agent; (vii) any and all fees incurred in connection with obtaining a rating on the Notes or in obtaining any form of credit enhancement; and (viii) all expenses in connection with the preparation, execution and delivery of the 2014 Resolution and the Notes. The County will also pay for expenses incurred on behalf of the County's employees (including, but not limited to, meals, transportation, lodging and entertainment) which are incidental to implementing this Note Purchase Agreement.

(B) The Underwriters shall bear all of their own expenses and fees incident to the purchase and resale of the Notes (including their counsel) and costs of qualifying the Notes for sale under the Blue Sky laws of any state.

11. Notices. Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone, confirmed in writing, or by delivering the same in writing, if to the County, to the address first written above, attention: County Executive Officer, or if to the Underwriters, to Stifel Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Holly Vocal.

12. Parties in Interest: Survival of Representations and Warranties. This Note Purchase Agreement when accepted by the County in writing as specified herein shall constitute the entire agreement between the County and the Underwriters and is made solely for the benefit of the County and the Underwriters (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the County arising out of its representations and warranties in this Note Purchase Agreement shall not be affected by any investigation made by or on behalf of the Underwriters.

13. Execution in Counterparts. This Note Purchase Agreement may be executed in counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

14. Applicable Law. This Note Purchase Agreement shall be interpreted under, governed by and enforced in accordance with the laws of the State of California.

Very truly yours,

STIFEL NICOLAUS & COMPANY,
INCORPORATED, as Representative of the
Underwriters

By _____
Authorized Representative

The foregoing is hereby agreed to
and accepted as of the date first above written:

COUNTY OF RIVERSIDE

By _____
Deputy County Executive Officer

Time of Execution: _____

EXHIBIT A
TERMS AND PRICING SCHEDULE
2014 Series D Notes

<u>Par Value</u>	<u>Original Issue Premium</u>	<u>Underwriter's Discount</u>	<u>Purchase Price</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Yield</u>	<u>Ratings</u>	
								<u>Fitch</u>	<u>Moody's</u>

2014 Series E Notes

<u>Par Value</u>	<u>Original Issue Premium</u>	<u>Underwriter's Discount</u>	<u>Purchase Price</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Yield</u>	<u>Ratings</u>	
								<u>Fitch</u>	<u>Moody's</u>

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2014

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: "____"
Fitch: "____"

See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014 Series D Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the 2014 Series D Notes and the 2014 Series E Notes is exempt from State of California personal income taxes. The amount treated as interest on the 2014 Series D Notes and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the 2014 Series D Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel further observes that interest on the 2014 Series E Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

\$101,000,000*

COUNTY OF RIVERSIDE

2014 SERIES D TEETER OBLIGATION
NOTES (TAX-EXEMPT)

\$1,000,000*

COUNTY OF RIVERSIDE

2014 SERIES E TEETER OBLIGATION NOTES
(TAXABLE)

Dated: Date of Delivery

Due: October __, 2014

The County of Riverside 2014 Series D Teeter Obligation Notes (Tax Exempt) (the "2014 Series D Notes") and the County of Riverside 2014 Series E Teeter Obligation Notes (Taxable) (the "2014 Series E Notes," and, together with the 2014 Series D Notes, the "Notes") are being issued to (i) refund the outstanding County of Riverside 2013 Teeter Obligation Notes, Series D (the "2013 Series D Notes") and the outstanding County of Riverside 2013 Teeter Obligation Notes, Series E (the "2013 Series E Notes," and together with the 2013 Series D Notes, the "2013 Notes"), (ii) fund an advance of unpaid property taxes for agencies participating in the County of Riverside's Teeter Plan (the "Teeter Plan"), and (iii) to pay the costs of issuance related to the Notes. See "THE COUNTY — The Teeter Plan." The Notes will be issued bearing interest at a fixed rate as set forth below.

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of their delivery and will bear interest at the interest rate shown below. The principal of and interest on the Notes will be due on the maturity date thereof. Principal of and interest on the Notes will be payable in lawful money of the United States of America by The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent.

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive Notes representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in "THE NOTES — Book-Entry Only System."

The principal of and interest on the Notes will be payable solely from Series B Taxes (as defined herein) and from lawfully available moneys in the County's General Fund. For a description of the Series B Taxes, see "THE NOTES — Security for the Notes." For a description of the County and its finances, see APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Notes.

MATURITY SCHEDULES

2014 SERIES D TEETER OBLIGATION NOTES (TAX-EXEMPT)

<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
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2014 SERIES E TEETER OBLIGATION NOTES (TAXABLE)

<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
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This cover page contains information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement in considering the investment quality of the Notes.

The Notes are offered when, as and if issued and received by the Underwriters, subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the County, and to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the County with respect to the Notes. Certain legal matters will be passed upon for the County by County Counsel, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is anticipated that the Notes will be available for delivery to The Depository Trust Company or its agent on or about October __, 2014.

Stifel

Wells Fargo Securities

Dated: _____, 2014

* Preliminary, subject to change.

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

COUNTY OF RIVERSIDE

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

Board of Supervisors

Jeff Stone, Third District, Chairman,
Marion Ashley, Fifth District, Vice Chairman
John Benoit, Fourth 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
Gregory P. Priamos, County Counsel
Ed Corser, Finance Director

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Financial Advisor

C.M. de Crinis & Co., Inc.
Glendale, California

Fiscal Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations in connection with the offer or sale of the Notes 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 the County or the Underwriters. 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 Notes 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 or owners of the Notes. 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 set forth herein has been obtained from the County and other sources which the County believes to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the 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 County or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

In connection with the offering of the Notes, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of such notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Notes to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Notes have not been registered or qualified under the securities laws of any state.

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 under the caption "THE COUNTY" and in APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE" in 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.

TABLE OF CONTENTS

	<i>Page</i>
INTRODUCTION.....	1
THE NOTES	2
Authority for Issuance	2
Purpose of Issue.....	2
Description of the Notes	3
Redemption.....	3
Security for the Notes	3
Fiscal Agent.....	4
Defeasance of the Notes	4
Book-Entry Only System.....	6
ESTIMATED SOURCES AND USES OF FUNDS	9
THE COUNTY	9
The Teeter Plan.....	10
Tax Collections.....	12
The General Fund	14
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS	19
Article XIII A of the State Constitution	19
Article XIII B of the State Constitution.....	19
Right to Vote on Taxes Initiative Proposition 218	20
Proposition 62.....	23
Proposition 1A.....	24
Assessment Appeals and Assessor Reductions	25
Future Initiatives.....	26
STATE OF CALIFORNIA BUDGET INFORMATION.....	26
SPECIAL RISK FACTORS	30
Limitations on Remedies; Bankruptcy	30
Federal Income Tax Consequences	31
Loss of Tax Exemption.....	31
Economy of the County and the State	31
VALIDATION.....	31
LITIGATION.....	32
TAX MATTERS.....	32
RATINGS	34
FINANCIAL ADVISOR	34
UNDERWRITING.....	34

TABLE OF CONTENTS
(continued)

	<i>Page</i>
FINANCIAL STATEMENTS	35
CONTINUING DISCLOSURE	36
CERTAIN LEGAL MATTERS	37
MISCELLANEOUS	37
APPENDIX A INFORMATION REGARDING THE COUNTY OF RIVERSIDE.....	A-1
APPENDIX B COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013	B-1
APPENDIX C FORM OF BOND COUNSEL OPINION	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE CERTIFICATE	D-1

\$101,000,000*
COUNTY OF RIVERSIDE
2014 SERIES D TEETER OBLIGATION
NOTES (TAX-EXEMPT)

\$1,000,000*
COUNTY OF RIVERSIDE
2014 SERIES E TEETER OBLIGATION
NOTES (TAXABLE)

INTRODUCTION

This Official Statement, including the cover page, the table of contents and appendices, has been prepared in connection with the issuance by the County of Riverside, California (the "County") of its 2014 Series D Teeter Obligation Notes (Tax Exempt) (the "2014 Series D Notes") and its 2014 Series E Teeter Obligation Notes (Taxable) (the "2014 Series E Notes," and, together with the 2014 Series D Notes, the "Notes"), and contains certain information relating to the Notes and the County.

With respect to collection of property taxes, the County adopted its Teeter Plan in 1993 (the "Teeter Plan"), which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan," for distribution of certain property tax and assessment levies on the secured roll. See "THE COUNTY — The Teeter Plan."

The Notes are being issued to (i) refund a portion of the County's 2013 Teeter Obligation Notes, Series D, issued in the aggregate principal amount of \$118,135,000 (the "2013 Series D Notes") and the County's 2013 Teeter Obligation Notes, Series E, issued in the aggregate principal amount of \$1,635,000 (the "2013 Series E Notes," and together with the 2013 Series D Notes, the "2013 Notes"), (ii) fund an advance of unpaid property taxes for agencies participating in the County's Teeter Plan, and (iii) to pay the costs of issuance related to the Notes. See "THE COUNTY — The Teeter Plan."

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of their delivery and will bear interest at the interest rate shown on the cover page. The principal of and interest on the Notes will be due on the maturity date thereof.

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive Notes representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in "THE NOTES — Book-Entry Only System."

The Notes will not be subject to redemption prior to maturity.

The County first adopted its Teeter Plan in 1993. From 1993 to 1997, the County Treasurer's Pooled Investment Fund purchased notes backed by a pledge of the outstanding delinquent taxes, assessments, penalties and interest from taxing entities within the County that participate in the Teeter Plan (the "Revenue Districts"). The County first issued taxable and tax exempt commercial paper to finance the annual cash requirements of its Teeter Plan in 1997.

* Preliminary, subject to change.

Since 1997, the County has issued taxable and tax exempt notes from time to time to finance the County's obligations to make distributions to the Revenue Districts, and to refund certain obligations of the County related to such obligations.

The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997 (the "Master Teeter Resolution"), as supplemented from time to time.

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution (as defined below) and the Obligations (as defined below) issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County. The appeal period for the default judgment expired October 14, 1997. See "VALIDATION" herein.

Each year since 1997 the existing notes issued pursuant to the Master Teeter Resolution are paid down from collected delinquent taxes from the prior fiscal year, and subsequent additional notes are issued pursuant to the Master Teeter Resolution to finance that year's obligation to make advances under the Teeter Plan. See "THE COUNTY — The Teeter Plan."

The County has agreed, in a Continuing Disclosure Certificate executed by the County in connection with the issuance of the Notes, to report the occurrence of specified "Listed Events" to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System ("EMMA"). See "CONTINUING DISCLOSURE."

All quotations from, and summaries and explanations of, provisions of the laws of the State of California (the "State") and acts and proceedings of the County contained herein, do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the County relating thereto are qualified in their entirety by reference to the Notes and such proceedings.

THE NOTES

Authority for Issuance

The Notes are authorized to be issued pursuant to the Master Teeter Resolution, as amended and supplemented thereafter, including as supplemented on September 9, 2014 (collectively, the "Resolution"), and a Fiscal Agent Agreement, dated as of November 1, 1997, as amended, between The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor to U.S. Trust Company of California, N.A. (the "Fiscal Agent"), and the County (the "Fiscal Agent Agreement").

Purpose of Issue

Pursuant to the Resolution, the proceeds of the sale of the Notes will be applied to refund the outstanding 2013 Notes, to fund an advance of unpaid property taxes for agencies participating in the County of Riverside's Teeter Plan, and to pay the costs of issuance related to the Notes. See "THE COUNTY — The Teeter Plan."

Description of the Notes

The Notes will be registered in the name of Cede & Company, as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000. Beneficial Owners (as defined below) of the Notes will not receive physical Notes representing the Notes purchased. The principal of, and interest on, the Notes will be paid on the maturity date of the Notes. The principal of and interest on the Notes will be paid by the County Treasurer-Tax Collector to the Fiscal Agent which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes. See “— Book-Entry Only System” below.

The Notes will be dated, will mature, and will bear interest at the rate per annum as shown on the cover page hereof computed on the basis of a 360-day year composed of twelve 30 day months for the 2014 Series D Notes and actual days/360-day year for the 2014 Series E Notes. Interest on the Notes will be paid on the maturity date of the Notes set forth on the cover page hereof. The Notes may be sold in Authorized Denominations of \$5,000 or any multiple thereof.

Redemption

The Notes are not subject to redemption prior to their maturity date.

Security for the Notes

The County has pledged the Series B Taxes (as hereinafter defined) to the payment of the Notes. The payment of the Notes is also secured by the County’s General Fund.

The Notes may be paid with lawfully available moneys in the County’s General Fund from available revenues generated in prior, the current or any subsequent fiscal year. For a description of the County and its finances, see APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

The principal of and interest on the Notes will be payable from Series B Taxes and from lawfully available moneys in the County’s General Fund. The County has pledged the Series B Taxes to the payment of the Notes. “Series B Taxes” are defined as (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2014 and such other fiscal years, if any, as may be specified in a supplemental resolution, for which the County actually provides funding pursuant to the Law, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled as a consequence of electing to be governed by the Law, and in each case following an allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County that are not participating in the Teeter Plan; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an independent district for all fiscal years prior to the fiscal year in which the respective independent district agreed with the County that the Law shall apply to such independent district, (ii) default penalties, (iii) interest or redemption penalties, (iv) certain costs and fees paid

pursuant to the Law and (v) the right to receive installment payments made pursuant to Section 4217 et seq. of the California Revenue and Taxation Code.

The office of the County Treasurer-Tax Collector serves as billing and collection agent for the basic 1% ad valorem property tax, voter approved ad valorem taxes and most additional special assessments and charges. The County Treasurer-Tax Collector bills property owners bi-annually, and payments not made by December 10 and April 10 are subject to a 10% delinquency penalty. Unpaid taxes begin accruing a 1.5% per month additional charge if unpaid at the end of the fiscal year (each June 30). Property owners are subject to foreclosure if delinquent taxes and penalties are not paid within five years.

Upon the collection of taxes and penalties the funds are deposited in a secured prior year trust account within the County's General Fund. Throughout the year the Auditor-Controller separates collected Teeter and non-Teeter taxes and penalties. Collected non-Teeter taxes are distributed to the non-Teeter taxing entities. The Teeter portion is separated between taxes and penalties and interest.

Receipts of the Series B Taxes are deposited into a Teeter Tax Account within the County's General Fund for repayment of the Notes. Penalties and interest are deposited into a Tax Losses Reserve Fund maintained by the County. In the event of a property sale at foreclosure which results in a loss, amounts to offset those losses are transferred from the Tax Losses Reserve Fund to the Teeter Tax Account. At the election of the County, the Tax Losses Reserve Fund is maintained at an amount equal to one of two methods: (1) 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan, or (2) 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for taxing entities participating in the Teeter Plan. Any excess over the required balance in the Tax Losses Reserve Fund is transferred to the County's General Fund. The County has always elected to maintain the Tax Losses Reserve Fund at an amount equal to 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan. See "THE COUNTY — The Teeter Plan."

Fiscal Agent

The Bank of New York Mellon Trust Company, N.A. is appointed as Fiscal Agent for the Notes. The County directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the Notes when such become due and payable. Under the Resolution, the County has covenanted to transfer from the General Fund to the Fiscal Agent sufficient moneys to pay the principal of and interest on the Notes when due.

Defeasance of the Notes

If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all outstanding Notes the interest and principal thereof at the times and in the manner stipulated under the Resolution and described below in this Official Statement, then all agreements and covenants of the County to such Holders under the Resolution shall thereupon cease, terminate and become void and shall be discharged and satisfied.

Any Outstanding Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Resolution if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance

Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said Notes on the maturity date thereof. Neither the securities nor moneys deposited with the Fiscal Agent pursuant to the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Notes. The Fiscal Agent shall have no right, title or interest in, or lien on, any moneys or securities deposited as described in this paragraph.

After the payment or deemed payment of all the interest and principal of all Outstanding Notes as provided in the Resolution and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay to or deliver to the County all moneys or securities held by it pursuant to the Resolution which are not required for the payment of the interest and principal represented by such Notes. Owners of Notes shall thereafter be entitled to payments due under the Notes only from amounts deposited with the Fiscal Agent as described under this heading "Defeasance of the Notes" and from no other source.

For the purposes described above, "Defeasance Securities" means any of the following:

- (i) Cash;
- (ii) United States Treasury Bonds, Notes and Certificates (including State and Local Government Series - "SLGS");
- (iii) Direct obligations of the United States Treasury which have been stripped, including by the Treasury itself, CATS, TIGRS and similar securities;
- (iv) The interest component of Resolution Funding Corp strips which have been stripped by request to the Federal Reserve Bank of New York, in book entry form;
- (v) Pre-refunded municipal bonds rated "AAA" by Moody's and "AAA" by S&P;
- (vi) Obligations issued or fully guaranteed by the following agencies which are backed by the full faith and credit of the United States of America:
 - (a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
 - (b) Farmers Home Administration
Certificates of beneficial ownership
 - (c) Federal Financing Bank
 - (d) General Services Administration
Participation certificates
 - (e) United States Maritime Administration

Guaranteed Title XI financing

- (f) United States Department of Housing and Urban Development
 - Project notes
 - Local Authority Certificates
 - New Communities Pool Notes - United States government guaranteed debentures
 - United States Public Housing Notes and Certificates - United States government guaranteed public housing notes and bonds.

Book-Entry Only System

The information herein describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and accredited by DTC while the Notes are registered in its nominee name. The information herein concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. 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.

DTC will act as securities depository for the Notes. The Notes 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 Note will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (a "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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 County or Fiscal Agent, on the 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 or its nominee, the Fiscal Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the County or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Notes are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Note certificates will be printed and delivered.

The County and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal or interest with respect to the Notes paid to DTC or its nominee as the registered owner, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The County and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or any error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Note and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters; and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Notes are anticipated to be applied as follows:

Sources:	
Principal Amount of Notes	\$
Original Issue Premium	_____
Total Sources	\$ _____
Uses:	
Payment of 2013 Series D Notes ⁽¹⁾	\$
Payment of 2013 Series E Notes ⁽²⁾	_____
Teeter Advance	_____
Costs of Issuance	_____
Underwriters' Discount	_____
Total Uses	\$ _____

⁽¹⁾ Note proceeds, together with other moneys of the County, will be used to pay in full the 2013 Series D Notes when due.

⁽²⁾ Note proceeds, together with other moneys of the County, will be used to pay in full the 2013 Series E Notes when due.

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 2,279,967 as of January 1, 2014, reflecting a 1.1% increase over January 1, 2013.

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 to serve staggered four year terms. The Chair of the Board is elected annually by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

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

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

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

The Teeter Plan

With respect to collection of property taxes, the County adopted in 1993 the Teeter Plan, which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive), commonly referred to as the “Teeter Plan” for distribution of certain property tax and assessment levies on the secured roll.

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total then-prior years’ delinquent secured property taxes and 100% of the then-current year’s secured roll levy. Supplemental taxes are currently excluded from the Teeter Plan.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two thirds of the participating districts in the county. An electing county may, however, determine to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

Taxing entities that are required to maintain funds in the County Treasury are all included in the Teeter Plan. These include all K-12 school districts, community college districts and certain special districts. 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 2013-14, approximately 55.3% of all taxing entities within the County participated in the Teeter Plan.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses that 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 appropriate amount in the fund is determined by one of two methods: (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. Any amount in excess of the 1% or 25% level determined pursuant to either method of calculation may be credited to the County’s General Fund. The County is currently governed by the first alternative, and this amount has consistently been sufficient to provide for any tax losses.

Since 1997, the County has issued taxable and tax exempt notes from time to time, such as the Notes, to finance the County's obligations to make distributions to the Revenue Districts pursuant to the Teeter Plan, and to refund certain obligations of the County related to such obligations. The County manages the program on a continuous basis paying down the amount outstanding with collections of prior years' taxes, funding the current year's advance and rolling over any unpaid amounts.

From Fiscal Year 1997-98 through Fiscal Year 2006-07, the size of the Teeter Plan obligations fluctuated between approximately \$24 million and \$90 million, producing annual net revenue to the County's General Fund of approximately \$14 million to \$25 million. In Fiscal Year 2007-08, the Teeter Plan obligations grew to approximately \$168.4 million and peaked at approximately \$266.6 million in Fiscal Year 2008-09. For the last five fiscal years the annual Teeter revenues averaged approximately \$45 million. As the amount of delinquent taxes receivable has shrunk the annual revenue available to the General Fund will decline. For Fiscal Year 2013-14, the net Teeter revenue to the County's General Fund was approximately \$31 million. The County estimates the Teeter Plan obligations will be approximately \$102 million in Fiscal Year 2014-15. The following Table 1 sets forth the aggregate principal amount of the Teeter Plan obligations issued in fiscal years 2007-08 through 2013-14.

**TABLE 1
COUNTY OF RIVERSIDE
TEETER PLAN OBLIGATIONS ISSUED
FISCAL YEARS 2007-08 THROUGH 2014-15**

<i>Fiscal Year</i>	<i>Principal Amount</i>
2007-08	\$168,436,000
2008-09	266,629,000
2009-10	257,300,000
2010-11	206,805,000
2011-12	171,325,000
2012-13	142,840,000
2013-14	119,770,000
2014-15	102,000,000*

* Preliminary, subject to change.
Source: County of Riverside.

The County accounts for the Teeter Plan in its audited financial statements by listing the amount of Notes payable with its other liabilities; including unpaid taxes with its other receivables; and including apportioned prior years' taxes on deposit with other restricted cash. The taxes receivable are listed in their principal amount without any penalties or accrued interest. See APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 — Note 6 — Receivables."

Since the Teeter Program is ongoing, the County must have annual access to cash, either through the issuance of Teeter notes, such as the Notes, or other alternative sources of cash. Should market access for Teeter notes be limited, and no private or direct bank placements options be available, the County has two voluntary options to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts.

One of the County's options is to have the County Treasurer's Pooled Investment Fund (the "PIF") purchase the Teeter notes. Such Teeter notes have been purchased by the PIF in the past. The PIF is much larger than the aggregate principal amount of the Notes (approximately \$102 million) and purchase of the Notes could be easily accommodated by the current PIF size (approximately \$4.85 billion as of July 31, 2014). Formal Board of Supervisors and County Treasurer approval would be required in order for the PIF to purchase Teeter notes if the Notes are not rated or otherwise not qualified for purchase under the County's investment policy. See APPENDIX A — "FINANCIAL INFORMATION — Riverside County Treasurer's Pooled Investment Fund."

Another option for the County to meet the redemption requirements of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts would be for the County to advance funds from the General Fund. Lawfully available moneys in the County's General Fund are available for the repayment of the Notes, and the continuation of the Teeter Program is beneficial to the County's over-all financial condition. Should additional cash be needed, the County may borrow lawfully available moneys in the County's General Fund to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts. Such General Fund borrowings to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts have been authorized by the Board of Supervisors. See "— The General Fund" herein.

Additionally, the County Treasurer and the County Auditor-Controller have an operating agreement to facilitate such General Fund borrowings by allowing the General Fund account in which the County Pool is deposited to run a negative balance. The amount by which the balance in the General Fund account in which the County Pool is deposited may be negative is capped by the amount the County may borrow. Such operating agreement allows for a seamless mechanism. It also spreads the loan across all County funds, minimizing the impact on any single fund and the need to manage individual fund balances. The Government Code section allows such borrowings on an indefinite basis, stipulating repayment prior to such date that funds are needed in the originating funds. The County has utilized this approach for many years including during the 1990s when the County carried a substantial year-end negative cash balance in the General Fund.

Tax Collections

The operation of the County's property tax system is shared by three elected officials: the County Assessor, the County Treasurer Tax-Collector and the County Auditor-Controller. The County Treasurer-Tax Collector bears primary responsibility for billing and collection, while the Auditor-Controller is responsible for accounting and apportionment issues. Payments not made by December 10 and April 10 are subject to a 10% delinquency penalty. Unpaid taxes begin accruing a 1.5% per month additional charge if unpaid at the end of the fiscal year (each June 30). The following Table 2 sets forth the secured property tax levy and collections for fiscal years 2002-03 through 2013-14.

TABLE 2
COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2002-03 THROUGH 2013-14
SECURED PROPERTY TAX ROLL⁽¹⁾

<i>Fiscal Year</i>	<i>Secured Property Tax Levy⁽²⁾</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30⁽²⁾</i>	<i>Total Collections⁽³⁾</i>	<i>Percentage of Total Collections to Current Levy</i>
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	2,122,973,130	101.38
2006-07	2,559,448,076	180,175,146	7.04	2,533,225,935	98.98
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	2,805,588,954	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14 ⁽⁴⁾	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64

(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; penalties and interest thereon deposited to the Tax Loss Reserve Fund.

(3) Includes current and prior years' redemptions, penalties and interest; refunds charged to current year collections as a result of corrections and roll changes.

(4) Actual unaudited figures.

Source: County Auditor-Controller.

Properties are subject to foreclosure if delinquent taxes and penalties are not paid within five years. Tax sale is the County's ultimate collection tool; at the same time the County may realize a tax loss upon sale. The County is required to transfer the amount of any tax loss from the Tax Losses Reserve Fund to the Teeter Debt Service Account. The required balance in the Tax Losses Reserve Fund for Fiscal Year 2013-14 is approximately \$16.0 million. The County's history of tax sales has been favorable, with minimal losses experienced over the last ten years. The following Table 3 sets forth the Teeter Plan losses in fiscal years 2002-03 through 2013-14.

TABLE 3
COUNTY OF RIVERSIDE
TEETER LOSSES IN FISCAL YEARS 2001-02 THROUGH 2013-14

<i>Fiscal Year</i>	<i>Maximum Projected Tax Loss</i>	<i>Maximum Projected Teeter Loss⁽¹⁾⁽²⁾</i>	<i>Actual Tax Loss⁽³⁾</i>	<i>Actual Teeter Loss⁽²⁾</i>
2002-03	\$ 560,784.00	\$392,736.80	\$179,262.86	\$125,484.00
2003-04	1,060,115.30	787,265.37	112,792.59	93,617.85
2004-05	387,710.76	307,171.46	54,900.27	40,077.21
2005-06	934,648.98	654,254.29	510,153.97	378,483.25
2006-07 ⁽⁴⁾	-	-	-	-
2007-08	67,681.48	49,712.06	40,026.93	29,379.77
2008-09	312,262.33	232,260.74	151,005.46	112,197.06
2009-10	297,323.41	218,740.84	273,665.55	201,853.93
2010-11	246,887.56	133,887.11	235,583.74	127,750.50
2011-12	571,731.15	314,605.46	249,452.87	137,310.17
2012-13	649,110.18	357,400.07	80,748.55	44,411.71
2013-14	5,211,319.08	2,878,952.98	747,826.47	412,920.48

⁽¹⁾ Assuming all properties sold at tax sale at the minimum authorized bid.

⁽²⁾ Teeter's prorata share based on the percentages provided by the Auditor's office of those agencies that participate in Teeter.

⁽³⁾ Tax loss equals taxes owed minus sale proceeds (per parcel), if proceeds do not exceed taxes owed. Any excess sale proceeds are refunded.

⁽⁴⁾ There was only one tax sale in Fiscal Year 2006-07 which did not result in a tax loss.

Source: County of Riverside.

The General Fund

In addition to Series B Taxes, the Notes are payable from the County's General Fund. For Fiscal Year 2013-14, the County estimates that approximately 42.5% of its General Fund budget revenues consisted of payments from the State and 21.1% consisted of payments from the federal government. Discretionary revenue was budgeted to increase to approximately \$586.6 million for Fiscal Year 2013-14, an increase of approximately 3.0% from the Fiscal Year 2012-13 adjusted budget estimates. The Fiscal Year 2013-14 Budget included an increase in discretionary spending of approximately \$16.7 million from the prior fiscal year. Property tax revenue was budgeted at approximately \$266.2 million for Fiscal Year 2013-14, and was approximately 45.4% of the County's discretionary revenue. Assessed valuation in Fiscal Year 2013-14 increased approximately 3.95% from Fiscal Year 2012-13.

In June 2013, the Board of Supervisors approved the Fiscal Year 2013-14 Recommended Budget. The Fiscal Year 2013-14 Recommended Budget includes total General Fund appropriations of approximately \$2.7 billion. For Fiscal Year 2014-15, 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 increase from \$586.6 million in Fiscal Year 2013-14 to \$623.5 million in Fiscal Year 2014-15, an increase of approximately \$36.9 million representing an approximate 6.3% increase from the Fiscal Year 2013-14 adjusted budget estimates. See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE — FINANCIAL INFORMATION."

Property tax revenue is budgeted at approximately \$282.2 million for Fiscal Year 2014-15, and represents approximately 45.3% of the County's budgeted Fiscal Year 2014-15 discretionary revenue. The Fiscal Year 2013-14 Recommended Budget assumes an increase in assessed valuation

in Fiscal Year 2014-15 of approximately 4.4% from Fiscal Year 2013-14. In July 2014, the County Assessor announced the preliminary Fiscal Year 2014-15 assessment roll grew by approximately 7.92%.

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.

TABLE 4
COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2010-11 THROUGH 2014-15
(IN MILLIONS)

	<i>2010-11 Budget</i>	<i>2011-12 Budget</i>	<i>2012-13 Budget</i>	<i>2013-14 Budget</i>	<i>2014-15 Recommended Budget⁽⁴⁾</i>
REQUIREMENTS					
General Government	\$ 175.3	\$ 174.4	\$ 180.4	\$ 179.5	\$ 174.3
Public Protection	1,062.4	1,060.0	1,072.1	1,132.4	1,186.1
Public Ways and Facilities	0.0	0.0	0.0	0.0	0.0
Health and Sanitation	396.0	411.9	430.1	485.9	481.1
Public Assistance	780.0	802.9	762.3	835.7	902.7
Education	0.6	0.6	0.6	0.6	0.6
Recreation and Cultural	0.3	0.4	0.0	0.4	0.3
Debt Retirement-Capital Leases	6.8	5.0	5.0	4.9	4.9
Contingencies	20.0	20.0	7.0	20.0	20.0
Increase to Reserves	<u>17.5</u>	<u>2.4</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>
Total Requirements ⁽²⁾	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>	<u>\$ 2,772.0</u>
AVAILABLE FUNDS					
Use of Fund Balance and Reserves ⁽³⁾	\$ 107.8	\$ 90.1	\$ 74.0	\$ 78.3	\$ 51.4
Estimated Revenues:					
Property Taxes	222.4	214.9	211.5	229.9	247.4
Other Taxes	46.0	35.5	35.0	31.0	27.0
Licenses, Permits and Franchises	19.8	18.1	17.7	17.6	18.2
Fines, Forfeitures and Penalties	58.0	56.2	51.7	49.3	45.3
Use of Money and Properties	11.2	10.0	7.4	6.3	10.7
Aid from Other Governmental Agencies:					
State	921.7	936.3	1,005.5	1,097.4	1,192.7
Federal	501.2	506.7	493.9	544.9	551.8
Charges for Current Services	461.0	462.8	442.6	469.1	497.1
Other Revenues	<u>111.9</u>	<u>147.7</u>	<u>120.5</u>	<u>137.9</u>	<u>130.4</u>
Total Available Funds ⁽²⁾	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>	<u>\$ 2,772.0</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⁾ Column numbers may not add up to totals due to rounding.

⁽³⁾ See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE — FINANCIAL INFORMATION — Financial Statements and Related Issues" for the actual General Fund balance at the end of fiscal years 2008-09 through 2012-13.

⁽⁴⁾ The Fiscal Year 2014-15 Recommended Budget is scheduled to be considered by the County Board of Supervisors on September 23, 2014. Source: County Auditor-Controller/County Executive Office.

The following table compares the actual beginning and ending balances in the General Fund budgets for fiscal years 2008-09 through 2012-13.

TABLE 5
COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2008-09 THROUGH 2012-13
(In Thousands)

	<i>Fiscal Year</i> 2008-09	<i>Fiscal Year</i> 2009-10	<i>Fiscal Year</i> 2010-11	<i>Fiscal Year</i> 2011-12	<i>Fiscal Year</i> 2012-13
BEGINNING FUND BALANCE	\$ 481,776	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598
REVENUES					
Taxes	\$ 274,480	\$ 229,631	\$ 221,807	\$ 216,746	246,144
Licenses, permits and franchises	19,840	16,724	18,187	17,648	16,442
Fines, forfeitures and penalties	107,147	112,813	93,528	88,979	85,241
Use of money and property – Interest	33,414	12,197	8,196	4,740	1,676
Use of money and property –					
Rents and concessions	3,157	3,936	3,669	3,798	3,670
Government Aid – State	908,334	820,432	856,327	931,652	1,000,545
Government Aid – Federal	472,210	504,605	490,088	475,221	478,791
Governmental Aid-Other	95,812	89,312	82,147	80,332	81,169
Charges for current services	364,649	367,249	369,780	354,451	374,750
Other revenues	<u>36,149</u>	<u>30,670</u>	<u>37,654</u>	<u>40,852</u>	<u>26,253</u>
TOTAL REVENUES	\$ 2,315,192	\$ 2,187,569	\$ 2,181,383	\$ 2,214,419	\$ 2,315,681
EXPENDITURES					
General government	\$ 146,816	\$ 130,516	\$ 109,146	\$ 127,195	\$ 103,895
Public protection	1,062,437	1,005,679	1,025,584	1,010,999	1,043,017
Public ways and facilities	4,378	-	-	-	-
Health and sanitation	382,588	333,068	345,649	369,165	388,325
Public assistance	719,328	712,353	731,017	719,670	735,057
Education	675	551	548	579	564
Recreation and cultural	230	312	364	324	346
Capital Outlay	22,746	31,018	8,321	2,671	1,721
Debt service	<u>22,501</u>	<u>21,876</u>	<u>24,829</u>	<u>21,426</u>	<u>19,576</u>
TOTAL EXPENDITURES	\$ 2,361,699	\$ 2,234,373	\$ 2,245,458	\$ 2,252,029	\$ 2,292,501
Excess (deficit) of revenues over (under) expenditures	\$ (46,507)	\$ (47,804)	\$ (64,075)	\$ (37,610)	\$ 23,180
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 99,825	\$ 168,833	\$ 106,047	\$ 23,587	\$ 92,297
Transfer to other funds	(185,719)	(132,682)	(93,217)	(98,045)	(96,547)
Capital Leases	<u>22,746</u>	<u>31,018</u>	<u>8,321</u>	<u>2,671</u>	<u>1,721</u>
Total other Financing Sources (Uses)	\$ (63,148)	\$ 62,169	\$ 21,151	\$ 28,213	\$ (2,529)
NET CHANGE IN FUND BALANCES	\$ (109,655)	\$ 14,365	\$ (42,924)	\$ (9,397)	\$ 20,651
FUND BALANCE, END OF YEAR ⁽¹⁾	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598	\$ 357,249

⁽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.

Changes in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2014-15 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services. The County is continuously monitoring developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

For additional information concerning the County's General Fund and the County's finances, see APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Alternative and Other Restricted Cash Resources. California Government Code Section 25252 authorizes the Board of Supervisors of the County to establish and abolish funds necessary for the proper transaction of the business of the County and further provides that the Board of Supervisors may authorize the County Auditor to perform this function. In addition, California Government Code Section 25252 authorizes the Board of Supervisors to make transfers from one fund to another as the public interest requires and further provides that the Board of Supervisors may by resolution authorize the County Auditor to make such transfers of money from one fund to another if the Board of Supervisors has authority over each such fund, as the public interest requires. Pursuant to Resolution 2010-205, adopted by the Board of Supervisors on August 10, 2010, the Board of Supervisors has authorized the County Auditor to make temporary transfers of money between those funds under the authority of the Board of Supervisors as the public interest may require. Additionally, the Board of Supervisors has adopted a General Fund Balance and Reserve Policy which does not preclude the use of temporary transfers of money between funds. While the County has made temporary transfers of money between funds from time to time subsequent to the adoption of Resolution 2010-205, the County has not exercised such authority with respect to any Teeter Obligations in any of the last three fiscal years.

Set forth in Table 6 below are the actual alternative cash resources available to the County from the specified funds as of the dates set forth in such table. Pursuant to the authority granted in Resolution 2010-205, the County Auditor is authorized, without further Board of Supervisors approval, to transfer such moneys from one County fund to another County fund as the public interest may require, including transfers to the General Fund for the payment of the Notes. However, transfers from non-County funds, including, without limitation, the Flood Control, Perris Valley Cemetery and District Court Financing Corporation funds, would require additional action by the Board of Supervisors. There is no prescribed time period for the repayment of temporary transfers from one fund to another. The County Auditor has the authority to determine the timing of such repayments based on the needs of the respective funds.

TABLE 6
COUNTY OF RIVERSIDE
ALTERNATIVE AND OTHER RESTRICTED CASH RESOURCES
(in Thousands)

<i>Fund Type</i>	<i>Fund Purpose</i>	<i>Audited Actual Balance June 30, 2013</i>	<i>Unaudited Actual Balance June 30, 2014</i>
Special Revenue	Transportation	\$ 145,644	\$ 156,013
Special Revenue	Flood Control	256,683	269,639
Special Revenue	Community Services	40,557	42,492
Special Revenue	County Services Areas	20,660	21,582
Special Revenue	Other Special Revenue	24,452	25,030
Capital Project	Public Facilities	346,092	360,584
Capital Project	Crest	13,522	14,729
Capital Project	PSEC	296	--
Enterprise	County Service Areas	108	100
Enterprise	Flood Control	2,549	2,702
Enterprise	Regional Medical Center	(21,637)	(82,001)
Enterprise	Waste Management	110,809	112,124
Internal Service	Records Management and Archive	1,330	1,449
Internal Service	Fleet Services	11,016	12,133
Internal Service	Information Services	6,116	10,339
Internal Service	Printing Services	2,879	3,066
Internal Service	Supply Services	3,840	3,849
Internal Service	OASIS Project	4,551	--
Internal Service	Risk Management	183,397	190,304
Internal Service	Temporary Assistance Pool	1,860	2,300
Internal Service	Flood Control Equipment	7,620	7,849
Internal Service	EDA Facilities Management	<u>6,165</u>	<u>6,709</u>
Total Alternative Cash Resources		\$1,168,509	\$1,160,992
Permanent fund	Perris Valley Cemetery	\$ 526	\$ 576
Special Revenue	Regional Park and Open-Space	10,050	10,410
Special Revenue	Air Quality Improvement	345	350
Special Revenue	In-Home Support Services	1,411	1,537
Capital Project	Perris Valley Cemetery	509	545
Capital Project	Flood Control	8,398	8,772
Debt Service	Regional Park and Open-Space	151	151
Enterprise	Housing	29,113	33,011
Trust and Agency	Agency Funds	226,773	230,112
Trust and Agency	Private Purpose Trust	155,261	147,498
Debt Service	Pension Obligation	6,014	6,164
Other	Children and Families Commission	<u>43,522</u>	<u>47,632</u>
Other Cash Resources of Riverside County		\$ 482,073	\$ 486,758

<i>Fund Type</i>	<i>Audited Actual Balance June 30, 2013</i>	<i>Unaudited Actual Balance June 30, 2013</i>
Alternative Cash Resources	\$1,168,509	\$1,160,992
Other Restricted Cash	482,073	486,758
General Fund Unrestricted Cash	<u>128,656</u>	<u>148,748</u>
All Riverside County Cash	\$1,779,238	\$1,796,498

Source: County Auditor-Controller.

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 1975-76 tax bill under 'full cash value' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 fiscal year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

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

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

The County's appropriations limit for Fiscal Year 2012-13 was \$2,246,378,720 and the amount shown in its budget for that year as the appropriations subject to limitation was \$1,119,274,762. The County's appropriations limit for Fiscal Year 2013-14 was \$2,388,219,717 and the amount subject to the limitation was \$862,139,716. Based on the preliminary Fiscal Year 2014-15 assessed value, the County's appropriations limit for Fiscal Year 2014-15 is \$2,416,779,004 and the amount subject to the limitation is \$875,067,523.

Right to Vote on Taxes Initiative Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective July 1, 1997. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. This initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. However, other than any impact resulting from the exercise of this initiative power, presently the County does not believe that the potential financial impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay debt service on the Notes as and when due and its other obligations payable from the General Fund.

Article XIII C of Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two thirds voter approval for the imposition, extension or increase of special taxes, including special taxes deposited into the County's General Fund. Proposition 218 also provides that any general tax imposed, extended or increased without voter

approval by any local government on or after January 1, 1995 and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. The County has not enacted imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to raise such taxes in the future to meet increased expenditure requirements.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the 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 governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not believe it is currently charging any fees which will have to be reduced or eliminated as a result of Proposition 26.

Article XIII C of Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk

of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the County’s General Fund.

Further, “fees” and “charges” are not defined in Article XIIC or SB 919. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the “Bighorn Decision”) that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution.

The initiative power granted under Article XIIC of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property-related. Accordingly, the scope of the initiative power under Article XIIC could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The County is unable to predict whether the courts will interpret the initiative provision to be limited to property-related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County’s General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected.

Article XIID of Proposition 218 adds several new requirements making it generally more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. “Assessment” is defined in Proposition 218 and SB 919 to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event

that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay debt service on the Notes as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIID of Proposition 218 also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) 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. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees under Article XIID of Proposition 218 is not substantial. Accordingly, presently the County does not anticipate that any impact Proposition 218 may have on future fees and charges will adversely affect the ability of the County to pay its outstanding obligations as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general

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

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City 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. City 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.

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 currently 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. See APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE — FINANCIAL INFORMATION — Impacts of State Budget.”

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.

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 the early fall and have the ability to file an appeal. The deadline for appeals in the County is November 30th. Current year appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. To date, approximately 26% of the Fiscal Year 2012-13 assessment appeals have been completed. The majority of the remaining Fiscal Year 2012-13 assessment appeals are expected to be completed by November 30, 2014. For Fiscal Year 2013-14, approximately 395,217 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the roll in the summer. The vast majority of property tax appeals filed are not upheld. From 2003 to 2013 the dollar amount of successful appeals only equaled approximately 4%. For Fiscal Year 2012-13 that figure was approximately 1.3%. See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Future Initiatives

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

STATE OF CALIFORNIA BUDGET INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not 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 Notes 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 2013-14, approximately 42.1% of the County's General Fund budget revenues consist of payments from the State and 20.7% consists of payments from the Federal government. For Fiscal Year 2014-15, the County projects that approximately 43.1% of its General Fund budget revenues will consist of payments from the State and 20.4% 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 2013-14. In June 2013, the State budget for Fiscal Year 2013-14 (the “2013 Budget Act”) was enacted. The 2013 Budget Act included an estimated \$97.1 billion in revenues and transfers, and planned spending of \$96.3 billion. The 2013 Budget Act included an expected spending increase of 5% from the prior fiscal year and included an additional \$2.7 billion in Proposition 98 funding, accounting for approximately 57% of General Fund spending. The 2013 Budget Act also contained a surplus of approximately \$1.7 billion. Temporary revenues provided by the passage of Proposition 30 (a sales and income tax revenue increase approved by the State voters on November 6, 2012) and spending cuts made in the past two years mean that the State’s budget is projected to remain balanced for the foreseeable future. In addition, the 2013 Budget Act overhauled the State’s system of K-12 education funding by adopting a new allocation formula, known as the local control funding formula (“LCFF”), which transitions funding to a locally-controlled system.

Significant features of the 2013 Budget Act pertaining to counties include the following:

- ***Impact of Health Care Reform***—the 2013 Budget Act proposed the state-based approach to the optional expansion of health care, whereby the State assumed greater financial responsibility for health care programs. The 2013 Budget Act is based on the assumption that increased coverage will generate substantial savings for the counties which pay for care for adults who are not 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. Under the state-based approach, county costs and responsibilities for indigent health care are expected to decrease, but the 2013 Budget Act proposes that savings will be calculated based on the actual experience of each county by measuring actual county costs for providing services and the revenue received for such services. The 2013 Budget Act redirects any such savings to support human services programs at the local level.
- ***Redevelopment Agency Funds***—In those areas that contained redevelopment agencies, the 2013 Budget Act estimated that over Fiscal Year 2012-13 and Fiscal Year 2013-14, approximately \$1.4 billion in redevelopment agency funds will be distributed back to counties. The County estimates that it has received approximately \$1.6 million in redevelopment agency funds in Fiscal Years 2012-13 and 2013-14.
- ***CalWORKs Employment Services***—The 2013 Budget Act included an increase of \$191.1 million in fiscal year 2013-14 to support the CalWORKs refocusing measures enacted by SB 1041. Counties are expected to assume greater financial responsibility for CalWORKs, CalWORKs-related child care programs and CalFresh (food stamps). Counties were required 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 Budget Act included \$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 were expected to increase 1.3% in Fiscal Year 2012-13 and 2.8% in Fiscal Year 2013-14. The base 1 percent rate was expected to generate roughly \$50.9 billion in revenue in Fiscal Year 2013-14, of which roughly half (\$27.2 billion) was allocated go to K-14 schools. Of this amount, approximately \$1.5 billion was 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 was 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 of the VLF rate from 2% to 0.65% is \$4.1 billion.

State Budget for Fiscal Year 2014-15. On June 20, 2014, the State budget for Fiscal Year 2014-15 (the “2014 Budget Act”) was signed into law by the Governor. The following information is drawn from the State Department of Finance’s summary of the 2014 Budget Act. The 2014 Budget Act is based on revenue projections previously included in the Governor’s May Revision to the proposed budget for Fiscal Year 2014-15. For Fiscal Year 2013-14, the 2014-15 Budget Act total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget Act projects that the State will end the Fiscal Year 2013-14 with a \$2.9 billion general fund surplus. For Fiscal Year 2014-15, the 2014 Budget Act projects total State general fund revenues of \$109.4 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for Fiscal Year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State’s general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014 Budget Act uses much of the large projected growth – primarily attributable to increases in personal income tax collections – to pay down \$5.1 billion in school and community college deferrals. The 2014 Budget Act includes \$4.75 billion for K-14 LCFF, \$276 million to bolster the State Teacher’s Retirement System, and \$3.9 billion to pay off the State’s remaining prior economic recovery bonds. The 2014 Budget Act places great emphasis in paying down debt in the current and future years, including accelerating completion of the “triple flip” property/sales tax swap by one year. Also, the State Legislature has also placed on the November 2014 ballot a rainy-day fund measure that would base deposits on capital gains related revenues. Based on its review, the County does not anticipate that the 2014 Budget Act will have a significant impact on the County’s Fiscal Year 2014-15 Recommended Budget.

Features of the 2014 Budget Act affecting counties in general include, but are not limited to, the following:

- The 2014 Budget Act continues to suspend all mandates suspended in the current year. The State estimates that it owes to counties, cities, and special districts approximately \$900 million relating to mandate costs which were incurred prior to 2004. In accordance with State law, the State must repay such amounts by Fiscal Year 2020-21. The 2014 Budget Act appropriates \$100 million to local governments in Fiscal Year 2014-15. The State expects to allocate approximately 73% of this amount to counties, 25% to cities and 2% to special districts. The State expects that these amounts will be applied to fund local government services such as public safety and the implementation of the 2011 Public Safety Realignment. In addition, the 2014 Budget Act provides that additional funds, in an amount not to exceed \$800 million, will be provided if the State's estimated General Fund revenues for Fiscal Years 2013-14 and 2014-15 exceed the estimate set forth in the 2014 Budget Act and sufficient moneys remain after payment of the Proposition 98 minimum guarantee for schools.
- The 2014 Budget Act includes an appropriation of approximately \$351 million for loan repayments from the State's General Fund. The appropriation includes approximately \$100 million for cities and counties for local streets and roads. The State expects that the majority of the remaining repayments will be allocated to pavement rehabilitation, maintenance projects on the State highway system and traffic management projects.
- The 2014 Budget Act estimates that in Fiscal Years 2011-12 and 2012-13 combined, cities received \$620 million, counties received \$875 million, and special districts received \$310 million in connection with the dissolution of redevelopment agencies in the State. The 2014 Budget Act estimates that cities will receive approximately \$593 million, counties will receive approximately \$731 million and special districts will receive approximately \$227 million in general purpose revenues in Fiscal Years 2013-14 and 2014-15 combined.
- In connection with the State's water shortage, the 2014 Budget Act notes that the State Legislature enacted emergency legislation in February 2014 to assist communities impact by the drought and improve management of water supplies. The State's legislation included, among other things, an allocation of approximately \$549 million of bond proceeds for infrastructure grants for local and regional projects. In addition, the State has approved approximately \$21 million of special funds and federal funds for the Department of Housing and Community Development and \$25 million for the Department of Social Services for housing assistance and food assistance, respectively, to individuals impacted by the drought.
- In connection with the 2014 Budget Act, the Governor approved a trailer bill which authorizes approximately \$500 million of lease revenue bond financing authority for the acquisition, design, and construction of local criminal justice facilities. Such authority will supplement the existing lease revenue bond authority provided by Assembly Bill 900 (2007) and Senate Bill 1022 (2012). The Governor expects these bond proceeds to be used for housing and to expand program and treatment space for the adult offender population.
- The 2014 Budget Act provides funding for the Community Corrections Performance Incentive Grant Program in the amount of \$124.8 million. The grant program will provide funds for county probation departments that have reduced the number of adult

felony probationers going to county jail or State prison. In addition, the 2014 Budget Act includes \$8 million in one-time funding for each county relating to recidivism reduction (the "Community Recidivism Reduction Grants"). Counties that receive funds for Community Recidivism Reduction Grants will be required to provide funding for nongovernmental entities engaged in these areas less administrative costs.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2014 Budget Act and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. 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, www.treasurer.ca.gov.

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.

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes.

Limitations on Remedies; Bankruptcy

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the County, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and 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; and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Federal Income Tax Consequences

Certain federal income tax consequences of an investment in the Notes are discussed under "TAX MATTERS." Each prospective purchaser of the Notes should consult with his or her own tax advisor to determine the specific effects of an investment in the Notes based upon such prospective investor's particular tax situation.

Loss of Tax Exemption

Bond Counsel's form of opinion regarding the exclusion from gross income for federal income tax purposes of interest on the 2014 Series D Notes appears as APPENDIX C herein. The County has covenanted in the Resolution to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, and has executed a Tax Certificate prepared by Bond Counsel and delivered by the County concurrently with the original delivery of the 2014 Series D Notes as guidance for compliance with such provisions. The interest on the 2014 Series D Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2014 Series D Notes as a result of acts or omissions of the County in violation of such covenants in the Tax Certificate. Should such an event of taxability occur, the 2014 Series D Notes are not subject to redemption and will remain outstanding until maturity. See "TAX MATTERS" herein.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County is currently experiencing a continued slowdown 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. A 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 pay the principal of and interest on the Notes when due 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."

VALIDATION

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution and the Obligations issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County (the "Default Judgment"). The period allowed for appeal of such judgment by Sections 860 *et seq.* expired on October 14, 1997 without an appeal having been filed.

LITIGATION

As of the date of this Official Statement, to the best knowledge of the County, no litigation is pending or threatened (either in state or federal courts): (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Notes, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Notes or the adoption of the resolution, (C) in any way contesting the existence or powers of the County, or (D) which would have a material adverse effect on the ability of the County to make payments with respect to the Notes.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014 Series D Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and interest on the Notes is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2014 Series D Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel further observes that interest on the 2014 Series E Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “original issue discount”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the 2014 Series D Notes should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Series D Notes if the prospective purchaser elects original issue discount treatment.

2014 Series D Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium 2014 Series D Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Notes, like the Premium 2014 Series D Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a 2014 Series D Noteholder’s basis in a Premium 2014 Series D Note, will be reduced by the amount of amortizable bond premium properly allocable to such 2014 Series D Noteholder. 2014 Series D Noteholders of Premium 2014

Series D Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 2014 Series D Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2014 Series D Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2014 Series D Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2014 Series D Notes. The opinion of Bond Counsel assumes the accuracy of these representations and 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), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2014 Series D Notes may adversely affect the value of, or the tax status of interest on, the 2014 Series D Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the 2014 Series D Notes is excluded from gross income for federal income tax purposes and interest on the Notes is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Notes may otherwise affect a Noteholder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2014 Series D Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent 2014 Series D Noteholders from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the 2014 Series D Notes to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the 2014 Series D Notes to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2014 Series D Notes. Prospective purchasers of the 2014 Series D Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2014 Series D Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the 2014 Series D Noteholders regarding the tax-exempt status of the 2014 Series D Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the 2014 Series D Noteholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds or 2014 Series D Notes is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2014 Series D Notes for audit, or the course or result of such audit, or an audit of bonds or 2014 Series D Notes presenting similar tax issues may affect the market price for, or the marketability of, the 2014 Series D Notes, and may cause the County or the 2014 Series D Noteholders to incur significant expense.

In issuing its opinions as to the validity of the Notes, Bond Counsel relied, and will rely, upon the Default Judgment.

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "_____" and "_____" respectively, to the Notes. Such ratings reflect only the views of such rating organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Fitch, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes. The County undertakes no responsibility either to bring to the attention of the owners of the Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

FINANCIAL ADVISOR

C.M. de Crinis & Co., Inc., Glendale, California, has served as the Financial Advisor to the County in connection with the execution and delivery of the Notes. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

The Notes are being purchased by Stifel Nicolaus & Company, Incorporated and Wells Fargo Bank, National Association, as underwriters (collectively, the "Underwriters"), pursuant to a Purchase Contract with the County (the "Purchase Contract"). The Underwriters have agreed, subject to certain conditions, to purchase the Notes at a purchase price equal to \$ _____, (representing the principal amount of the Notes, plus an original issue premium of \$ _____,

and less an Underwriters' discount of \$ _____). The Purchase Contract relating to the Notes provides that the Underwriters will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

Wells Fargo Bank, National Association ("WFBNA"), the Representative of the Underwriters, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Notes. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Notes with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Notes. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under our credit facility.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, pertinent sections of which are included in APPENDIX B to this Official Statement, have been audited by Brown Armstrong Certified Public Accountants, independent certified public accountants, as stated in their report appearing in APPENDIX B. Brown Armstrong Certified Public Accountants has not consented to

the inclusion of its report as APPENDIX B and has not undertaken to update its report or to 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 Brown Armstrong Certified Public Accountants, with respect to any event subsequent to its report dated December 13, 2013. See APPENDIX B — “COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013” attached hereto.

CONTINUING DISCLOSURE

Pursuant to the Resolution, the County has covenanted for the benefit of the Owners and beneficial owners of the Note to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”) and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding certain listed events, if any such events should occur, to the owners of the Note and to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, or any successor thereto, during the term of the Note. In addition, the County has covenanted to provide updated quarterly cash flow information within 40 days of the end of each fiscal quarter, beginning with the fiscal quarter ending September 30, 2014. See APPENDIX D — FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with the Rule.

The County’s obligations under the Disclosure Certificate terminate upon (i) payment in full of all of the Notes or (ii) in the event that the County receives an opinion of nationally recognized bond counsel, to the effect that those portions of SEC Rule 15c2-12(b)(5) (the “Rule”) which require the Disclosure Certificate do not or no longer apply to the Notes. These covenants have been made in order to assist the Underwriters in complying with the Rule. See APPENDIX D — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

During the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; and (ii) missing, incomplete or late filing of annual reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County’s website and/or available in other continuing disclosure filings made by the County.

Some specific examples of such failures include:

(a) The annual report and financial statements for fiscal year 2008-09, the first County filings which were required to be submitted to EMMA after the effective date of revisions to the Rule, were submitted to MSRB with significant delays with respect to each County issuance outstanding during the first quarter of the 2009-10 fiscal year, as the County had not yet updated its compliance procedures and filed its annual report and financial statement for such year in accordance with the previously-effective Rule requirements. The County has since submitted to EMMA the annual reports and financial statements for fiscal year 2008-09.

(b) With respect to the Housing Authority of the County of Riverside Refunding Revenue Bonds 1998 Series A (Corona Projects), no filings were submitted to the MSRB, and with respect to certain redevelopment issuances involving the Riverside County Public Financing Authority, no filings were made to the MSRB in fiscal years 2010-11, 2011-12 and 2012-13. The Housing Authority of the County of Riverside submitted to EMMA the financial statements of the Redevelopment Agency of the City of Corona for fiscal years 2008-09 through 2012-13.

The County and its related entities have made additional filings to provide certain of the previously omitted information. The County and its related entities are currently actively internally reviewing their previous filings and plan to complete corrective filings within 45 days on all issues which remain outstanding. With respect to notices or rating changes, the County and its related entities are preparing an omnibus corrective notice regarding bond insurer ratings and ratings of the County's general fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted new procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports on behalf of the County.

CERTAIN LEGAL MATTERS

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick Herrington & Sutcliffe, LLP, San Francisco, California, Bond Counsel. The opinion of Bond Counsel will be delivered with the Notes in substantially the form set forth in APPENDIX C hereto. Bond Counsel takes no responsibility for the fairness, accuracy or completeness of this Official Statement. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the County with respect to the Notes. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, and for the County by County Counsel.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County since the date hereof. Copies of the Resolution are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Executive Officer.

The execution and delivery of this Official Statement has been duly authorized by the County.

COUNTY OF RIVERSIDE

By: _____
County Executive Officer

APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE

APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE

TABLE OF CONTENTS

	<u>Page</u>
DEMOGRAPHIC AND ECONOMIC INFORMATION.....	1
Population	1
Effective Buying Income.....	2
Industry And Employment	4
Commercial Activity	5
Building and Real Estate Activity	6
Agriculture	8
Transportation	8
Education.....	9
Environmental Control Services	9
FINANCIAL INFORMATION.....	10
Budgetary Process and Budget.....	10
Fiscal Year 2013-14 Budget.....	10
Fiscal Year 2014-15 Proposed Budget.....	11
Impacts of State Budget	11
Realignment of Certain Services to Local Governments	11
Recent County Budgets.....	13
Riverside County Treasurer’s Pooled Investment Fund.....	13
<i>Ad Valorem</i> Property Taxes	15
The Assessment Roll.....	18
Teeter Plan	19
Largest Taxpayers	20
Other Taxing Entities	21
Redevelopment Agencies.....	21
Financial Statements and Related Issues.....	23
Short-Term Obligations of County.....	26
Long-Term Obligations of County.....	26
Lease Obligations.....	28
Interest Rate Swap Agreements	30
Employees	31
Retirement Program	32
Medical Center.....	39
Insurance	41
Litigation.....	41

APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,279,967 as of January 1, 2014, representing an approximately 1.1% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2004 to January 1, 2014, the County's population grew by approximately 25.7%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 274,393 as of January 1, 2014. The population growth in the County has slowed in recent years, during which period the County's population has grown at a rate close to the statewide average.

The following table sets forth the annual population as of January 1 of each year for the cities within the County for the years 2010 through 2014.

**COUNTY OF RIVERSIDE
POPULATION OF CITIES WITHIN THE COUNTY
(As of January 1)**

<i>City</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Banning	29,492	29,723	30,051	30,177	30,325
Beaumont	36,468	38,034	38,967	39,787	40,876
Blythe	20,882	20,063	20,440	19,609	18,992
Calimesa	7,847	7,910	8,022	8,096	8,231
Canyon Lake	10,550	10,606	10,721	10,771	10,826
Cathedral City	51,093	51,400	52,108	52,350	52,595
Coachella	40,508	41,339	42,030	42,795	43,633
Corona	151,858	153,047	154,986	156,864	159,132
Desert Hot Springs	25,856	27,277	27,721	27,835	28,001
Eastvale	–	54,090	55,770	57,266	59,185
Hemet	78,295	79,309	80,330	80,899	81,537
Indian Wells	4,947	4,990	5,050	5,083	5,137
Indio	75,263	76,817	78,299	81,415	82,398
Jurupa Valley	–	–	96,746	97,272	97,774
Lake Elsinore	51,448	52,294	53,183	55,444	56,718
La Quinta	37,044	37,688	38,190	38,412	39,032
Menifee	77,902	79,139	80,832	82,314	83,716
Moreno Valley	192,599	194,451	197,088	198,183	199,258
Murrieta	103,066	104,051	105,301	105,860	106,425
Norco	27,069	26,968	27,123	26,632	26,582
Palm Desert	48,215	48,920	49,619	49,962	50,417
Palm Springs	44,480	44,829	45,415	45,724	46,135
Perris	67,607	69,506	70,392	70,983	72,103
Rancho Mirage	17,165	17,399	17,556	17,643	17,745
Riverside	302,597	306,069	309,409	312,035	314,034
San Jacinto	43,881	44,421	44,938	45,229	45,563
Temecula	99,757	101,255	103,404	104,907	106,289
Wildomar	32,393	32,414	32,818	33,182	33,718
TOTALS					
Incorporated	1,678,312	1,754,009	1,876,509	1,896,729	1,916,377
Unincorporated	<u>501,380</u>	<u>451,722</u>	<u>357,700</u>	<u>358,924</u>	<u>363,590</u>
County-Wide	<u>2,179,692</u>	<u>2,205,731</u>	<u>2,234,209</u>	<u>2,255,653</u>	<u>2,279,967</u>
California	37,223,900	37,510,766	37,668,804	37,984,138	38,340,074

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 sets forth the total effective buying income, the median household effective buying income and the percent of households with income over \$50,000 for the population in the County and the State for the years 2010 through 2014.

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

	<i>Total Effective Buying Income⁽²⁾</i>	<i>Median Household Effective Buying Income</i>	<i>Percent of Households with Income over \$50,000</i>
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
2013			
Riverside County	\$ 40,157,310	\$ 43,860	42.39%
California	864,088,828	47,307	46.90
2014			
Riverside County	\$ 40,293,518	\$ 44,784	43.84%
California	858,676,636	48,340	48.17

⁽¹⁾ Estimated, as of January 1 of each year.

⁽²⁾ Dollars in thousands.

Source: Nielsen Solution Center.

Industry And Employment

The County is a part of the Riverside-San Bernardino-Ontario 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. The number of employed persons in the County by industry is set forth in the following table.

**RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY⁽¹⁾
(In Thousands)**

<i>INDUSTRY</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Agriculture	14.9	15.0	14.9	15.0	14.6
Construction	67.9	59.7	59.1	62.6	69.3
Finance Activities	42.5	41.0	39.9	40.8	42.0
Government	235.2	234.3	227.5	224.6	225.0
Manufacturing:	88.7	85.1	85.1	86.7	86.8
Nondurables	30.6	29.8	29.3	29.8	29.8
Durables	58.1	55.3	55.8	56.8	57.0
Natural Resources and Mining	1.1	1.0	1.0	1.2	1.2
Retail Trade	156.2	155.5	158.5	162.3	164.8
Professional, Educational and other Services	471.9	438.5	446.3	463.6	491.4
Transportation, Warehousing and Utilities	66.8	66.6	68.8	73.8	78.6
Wholesale Trade	48.9	48.6	49.0	52.1	56.0
Information, Publishing and Telecommunications	<u>14.1</u>	<u>14.0</u>	<u>12.1</u>	<u>11.5</u>	<u>11.3</u>
Total, All Industries	<u>1,177.6</u>	<u>1,159.3</u>	<u>1,162.2</u>	<u>1,194.2</u>	<u>1,241.0</u>

⁽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 2014.

The following table sets forth the major employers in the County and their respective product or service and number of employees as of 2013.

**COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2013)**

<i>Company Name</i>	<i>Product/Service</i>	<i>No. of Local Employees⁽²⁾</i>
County of Riverside	Government	18,728
March Air Reserve Base	Military Reserve Base	9,000
Stater Brothers Market	Supermarket	6,900
Walmart	Retail Store	5,681
University of California, Riverside	University	5,497
Riverside Unified School District	School District	5,000
Corona-Norco Unified School District	School District	4,633
Kaiser Permanente Riverside Medical Center	Hospital	4,500
Moreno Valley Unified School District	School District	3,355
Hemet Unified School District	School District	3,270

⁽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; excludes, under certain circumstances, temporary, seasonal and per diem employees.
Source: Riverside County Economic Development Agency.

Unemployment data for the County, the State and the United States for the years 2009 through 2013 and for July 2014 are set forth in the following table.

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

	2009	2010	2011	2012	2013	July 2014
County ⁽¹⁾	13.4%	14.5%	13.7%	12.1%	10.3%	9.5%
California ⁽¹⁾	11.3	12.4	11.8	10.4	8.9	7.8
United States ⁽²⁾	9.3	9.6	8.9	8.1	7.4	6.2

⁽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 2008 through 2012, the last year being the most recent full year for which data is currently available.

**COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(In Thousands)**

	2008 ⁽¹⁾	2009	2010	2011	2012
Motor Vehicles and Parts Dealers	\$ 3,115,036	\$ 2,449,747	\$ 2,620,568	\$ 3,010,487	\$ 3,493,098
Furniture and Home Furnishings	485,981	381,643	412,325	436,482	441,649
Electronics and Appliances Stores	330,398	476,455	470,784	478,406	488,419
Building Materials, Garden Equipment and Supplies	1,580,020	1,237,518	1,232,145	1,303,073	1,365,513
Food and Beverage Stores	1,352,704	1,251,220	1,267,758	1,304,731	1,356,148
Health and Personal Care Stores	307,947	389,620	400,207	454,268	490,238
Gasoline Stations	3,011,476	2,300,247	2,685,840	3,300,785	3,516,040
Clothing and Clothing Accessories Stores	1,218,127	1,293,271	1,391,174	1,505,821	1,672,482
Sporting Goods, Hobby, Book and Music Stores	210,121	411,301	428,121	454,971	467,536
General Merchandise Stores	3,081,989	2,855,733	2,947,905	3,051,709	3,174,022
Miscellaneous Store Retailers	1,654,895	641,954	652,273	700,338	742,118
Nonstore Retailers	1,045,704	101,925	92,916	101,876	142,081
Food Services and Drinking Places	2,340,554	2,266,853	2,317,486	2,473,339	2,668,324
Total Retail and Food Services	<u>\$ 18,689,249</u>	<u>\$ 16,057,488</u>	<u>\$ 16,919,500</u>	<u>\$ 18,576,285</u>	<u>\$ 20,016,668</u>
All Other Outlets	6,268,632	6,170,390	6,233,280	7,065,212	8,079,341
Total All Outlets	\$ 26,003,595	\$ 22,227,877	\$ 23,152,780	\$ 25,641,497	\$ 28,096,009

⁽¹⁾ Data for 2008 is not necessarily directly comparable to 2009-2012 due to changes in classifications and groupings in the "Taxable Sales In California" report beginning in 2009.

Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2009 through 2013.

**COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS⁽¹⁾
(In Thousands)**

	2009	2010	2011	2012	2013
RESIDENTIAL					
New Single-Family	\$ 891,825	\$ 914,058	\$ 651,747	\$ 854,814	\$ 1,134,158
New Multi-Family	76,717	71,152	115,064	99,578	136,501
Alterations and Adjustments	85,148	94,429	119,684	84,517	94,422
Total Residential	<u>\$ 1,053,690</u>	<u>\$ 1,079,639</u>	<u>\$ 886,495</u>	<u>\$ 1,038,963</u>	<u>\$ 1,365,081</u>
NON-RESIDENTIAL					
New Commercial	\$ 94,653	\$ 191,324	\$ 152,160	\$ 346,865	\$ 80,510
New Industry	12,278	6,686	10,000	3,767	140,972
New Other ⁽¹⁾	107,334	98,105	99,898	78,602	184,500
Alterations & Adjustments	162,557	243,265	297,357	154,325	364,616
Total Nonresidential	<u>\$ 376,822</u>	<u>\$ 539,380</u>	<u>\$ 559,415</u>	<u>\$ 583,559</u>	<u>\$ 770,598</u>
TOTAL ALL BUILDING	<u><u>\$ 1,430,512</u></u>	<u><u>\$ 1,619,019</u></u>	<u><u>\$ 1,445,910</u></u>	<u><u>\$ 1,602,522</u></u>	<u><u>\$ 2,135,679</u></u>

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

Source: Construction Industry Research Board for 2009 through 2011, California Homebuilding Foundation for 2012 through 2013.

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

	2009	2010	2011	2012	2013
Single Family	3,424	4,031	2,676	3,455	4,671
Multi-Family	<u>784</u>	<u>526</u>	<u>1,073</u>	<u>829</u>	<u>1,415</u>
TOTAL	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>	<u>4,284</u>	<u>6,086</u>

Source: Construction Industry Research Board for 2009 through 2011, California Homebuilding Foundation for 2012 through 2013.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2008 through 2013.

**COUNTIES OF LOS ANGELES, RIVERSIDE, AND SAN BERNARDINO
AND SOUTHERN CALIFORNIA
MEDIAN HOUSING PRICES**

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California⁽¹⁾</i>
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
2013	412,000	259,000	205,000	370,000

⁽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 the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2008 through 2013.

**COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO
AND SOUTHERN CALIFORNIA
HOME FORECLOSURES**

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California⁽¹⁾</i>
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,560	100,106
2010	26,827	20,598	16,757	86,853
2011	25,597	17,383	14,181	77,105
2012	15,271	10,657	9,262	47,347
2013	6,469	4,191	4,088	19,470

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

Agriculture

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

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 following table sets forth the value of agricultural production in the County for the years 2009 through 2013.

COUNTY OF RIVERSIDE VALUE OF AGRICULTURAL PRODUCTION

	2009	2010	2011	2012	2013
Citrus Fruits	\$ 101,652,000	\$ 140,500,922	\$ 119,942,513	\$ 125,711,000	\$ 142,404,000
Trees and Vines	191,682,600	164,993,960	232,649,262	217,214,000	232,536,000
Vegetables, Melons, Misc.	221,286,700	292,002,337	278,628,295	286,234,000	340,407,000
Field and Seed Crops	69,699,800	81,328,229	149,198,052	147,352,000	154,582,000
Nursery	206,499,900	169,341,300	200,154,964	190,878,000	191,215,000
Apiculture	5,017,600	4,631,700	4,844,400	4,983,000	4,715,000
Aquaculture Products	5,243,900	4,921,700	4,808,250	4,205,000	2,262,000
Total Crop Valuation	\$ 801,082,500	\$ 857,720,148	\$ 990,225,736	\$ 976,577,000	\$1,068,121,000
Livestock and Poultry Valuation	214,672,800	235,926,225	292,030,380	276,553,000	259,683,000
Grand Total	\$1,015,755,300	\$1,093,646,373	\$1,282,256,116	\$1,253,130,000	\$1,327,804,000

Source: Riverside County Agricultural Commissioner.

The County does not expect at this time that the drought affecting the County and California in general will impact agricultural production in the County. See “— Environmental Control Services — *Water Supply*” below.

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.

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 Palm Springs. 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. Approximately 92% 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 the Metropolitan Water District of Southern California 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.

In January 2014, California's governor proclaimed a state of emergency due to the ongoing drought, and directed State officials to take all necessary actions to prepare for drought conditions. On July 15, 2014, the State Water Resources Control Board adopted drought regulations that give local agencies the authority to fine those who waste water up to \$500 a day. As of July 2014, no mandatory rationing has been initiated by the local water districts serving 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, which has been exacerbated due to the current drought. The governor and the State Legislature have been engaged in

discussions to develop a comprehensive, State-wide water supply, storage and conveyance solution. However, no assurance can be made that a sustainable solution will be achieved within a reasonable timeframe.

The Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance (“Ordinance 859.2”), which conforms to State Assembly Bill 1881. State Assembly Bill 1881 requires the implementation of water efficient landscape practices for new developments. Additionally, 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

Under the California 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 2013-14 Budget

In June 2013, the Board of Supervisors approved the Fiscal Year 2013-14 Recommended Budget. The Fiscal Year 2013-14 Recommended Budget includes total General Fund appropriations of approximately \$2.7 billion. For Fiscal Year 2013-14, the County projects that approximately 42.5% of its General Fund budget revenues will consist of payments from the State and 21.1% will consist of payments from the federal government. Discretionary revenue was budgeted to increase to approximately \$586.6 million for Fiscal Year 2013-14, an increase of approximately 3.0% from the Fiscal Year 2012-13 adjusted budget estimates. The Fiscal Year 2013-14 Budget includes an increase in discretionary spending of approximately \$16.7 million from the prior fiscal year. Property tax revenue is budgeted at approximately \$266.2 million for Fiscal Year 2013-14, and is approximately 45.4% of the County’s discretionary revenue. The County estimates an increase in assessed valuation in Fiscal Year 2013-14 of approximately 3.95% from Fiscal Year 2012-13.

The County expects revenue for Fiscal Year 2013-14 to be approximately \$33 million higher than budgeted. During the Fiscal Year 2013-14 third quarter budget meeting, the County reported that, although the local unemployment rate has decreased and the real estate market appears to be stabilizing, new permit activity has slowed and projected sales and use tax revenue remain flat. Consequently, the County has reduced its revenue projections for the next four years. The County is also experiencing escalating labor costs, a growing deficit of the Riverside County Regional Medical Center, and expected additional costs related to the construction and operation of new jail facilities. See “-Realignment of Certain Services to Local

Governments” below. The Fiscal Year 2013-14 second quarter budget recommendations included setting aside approximately \$29.5 million in one-time resources to build reserves and guard against unsustainable spending, and the third quarter budget recommendations included \$13.1 million in draws from contingency funds to be allocated to the sheriff’s and fire departments.

Fiscal Year 2014-15 Proposed Budget

The County has started its budget process for Fiscal Year 2014-15 and plans to hold its budget impact hearings in September, when preliminary year-end financial data for Fiscal Year 2013-14 becomes available. All General Fund departments have been directed to prepare budgets that are balanced and absorb any additional costs without additional General Fund support. Departments may request additional support, if needed, during the budget impact hearings in September.

Property tax revenue is expected to increase by 5% in Fiscal Year 2014-15 and sales tax receipts that are not related to solar projects within the County are expected to remain stable. Revenue growth and surplus revenue set aside in the budget stabilization fund created in Fiscal Year 2012-13 will be used to develop a balanced General Fund budget for Fiscal Year 2014-15. The County allocates one-time revenues above budgeted amounts to the budget stabilization fund, which has a balance of approximately \$53.9 million as of March 31, 2014. While the County utilized some of its reserves during the economic downturn between 2008 and 2012, no reserves have been utilized since Fiscal Year 2011-12 and no reserves are budgeted to be utilized in Fiscal Year 2014-15. Outside of the General Fund, the Riverside County Regional Medical Center (“RCRMC”), which is operated as an enterprise fund, is projecting an operating deficit in Fiscal Year 2014-15. It is the County’s intent that RCRMC 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 2014-15 operating deficit. See “-Medical Center” below.

Impacts of State Budget

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County’s Fiscal Years 2013-14 and 2014-15 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” in the front part of this Official Statement.

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 various additional responsibilities related to inmates released from State prison, newly convicted offenders whose offenses are legally defined under the State Penal Code as non-violent, non-serious and non-sexual, and parole violators. In Fiscal Year 2013-14, the County received a \$51.24 million appropriation from the State to address the needs of the realigned criminal justice population. Although this amount is not sufficient to meet all of the identified needs, the slow pace of hiring has led to under-spending and the affected County departments have been able to continue providing identified services. In Fiscal Year 2014-15, the County is likely to receive less funding for Realignment as the Statewide allocation will be \$60 million less than the prior year and the County expects that it will be considerably more difficult to provide needed services. In addition, the County expects to receive a grant reimbursement of \$25 million in Fiscal Year 2014-15 to replace the Probation Youth Education and Treatment Center in the City of Riverside. Beginning in late Fiscal Year 2014-15 or early Fiscal Year 2015-16, the County will begin to draw down \$100 million in State bond funds to pay for a portion of the construction of a new jail facility in the City of Indio.

Recent County Budgets

The following table sets forth the General Fund budgets for 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 2009-10 THROUGH 2013-14 (IN MILLIONS)

	<i>2009-10 Budget</i>	<i>2010-11 Budget</i>	<i>2011-12 Budget</i>	<i>2012-13 Budget</i>	<i>2013-14 Budget</i>
REQUIREMENTS					
General Government	\$ 239.2	\$ 175.3	\$ 174.4	\$ 180.4	\$ 179.5
Public Protection	1,055.2	1,062.4	1,060.0	1,072.1	1,132.4
Public Ways and Facilities	2.2	0.0	0.0	0.0	0.0
Health and Sanitation	395.2	396.0	411.9	430.1	485.9
Public Assistance	815.5	780.0	802.9	762.3	835.7
Education	0.4	0.6	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.4	0.0	0.4
Debt Retirement-Capital Leases	6.8	6.8	5.0	5.0	4.9
Contingencies	30.0	20.0	20.0	7.0	20.0
Increase to Reserves	(12.8)	17.5	2.4	2.3	2.3
Total Requirements ⁽³⁾	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	\$ 112.8	\$ 107.8	\$ 90.1	\$ 74.0	\$ 78.3
Estimated Revenues:					
Property Taxes	244.9	222.4	214.9	211.5	229.9
Other Taxes	46.1	46.0	35.5	35.0	31.0
Licenses, Permits and Franchises	20.7	19.8	18.1	17.7	17.6
Fines, Forfeitures and Penalties	55.7	58.0	56.2	51.7	49.3
Use of Money and Properties	13.5	11.2	10.0	7.4	6.3
Aid from Other Governmental Agencies:					
State	962.0	921.7	936.3	1,005.5	1,097.4
Federal	511.1	501.2	506.7	493.9	544.9
Charges for Current Services ⁽²⁾	452.7	461.0	462.8	442.6	469.1
Other Revenues ⁽²⁾	112.5	111.9	147.7	120.5	137.9
Total Available Funds ⁽³⁾	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</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 July 31, 2014, the portfolio assets comprising the PIF had a market value of \$4,857,243,067.51.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2013, 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 77.18% of the funds on deposit

in the County Treasury, while approximately 22.82% 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 of Supervisors 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 2014 Statement of Investment Policy (the "Policy Statement"), 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. Reverse-repurchase agreements are not authorized to be purchased for the PIF 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 July 31, 2014, was as follows:

	<i>% of Pool</i>
U.S. Treasury Securities	5.86%
Federal Agency Securities	60.64
Cash/Money Market Funds	8.72
Commercial Paper	17.55
Municipal Notes/Bonds	1.88
Certificates of Deposit	1.23
Repurchase Agreements	4.11
Local Agency Obligations	<u>0.01</u>
Total	100.00%
Book Yield:	0.410%
Years to Maturity:	1.309 years

Source: County Treasurer-Tax Collector.

As of July 31, 2014, the market value of the PIF was 99.95% 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 accordance 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, Section 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board of Supervisors established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Investment Oversight 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 Investment Oversight 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 of Supervisors. The Investment Oversight Committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The Investment Oversight 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-bf" 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 10% penalty attaches. 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 10% 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.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A 10% 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 set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2002-03 through Fiscal Year 2013-14.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2002-03 THROUGH 2013-14
SECURED PROPERTY TAX ROLL⁽¹⁾**

<i>Fiscal Year</i>	<i>Secured Property Tax Levy</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30⁽²⁾</i>	<i>Total Collections⁽³⁾</i>	<i>Percentage of Total Collections to Current Levy</i>
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	2,122,973,130	101.38
2006-07	2,559,448,076	180,175,146	7.04	2,533,225,935	98.98
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	2,805,588,954	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14 ⁽⁴⁾	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64

⁽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.

⁽⁴⁾ Actual unaudited figures.

Source: County Auditor-Controller.

UNSECURED PROPERTY TAX ROLL⁽¹⁾

<i>Fiscal Year</i>	<i>Unsecured Property Tax Levy</i>	<i>Total Collections⁽²⁾</i>	<i>Percentage of Total Collections to Original Levy⁽²⁾</i>
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	97.33
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,578,154	95.35
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	78,686,704	93.84
2013-14 ⁽³⁾	83,522,992	86,835,311	103.97

⁽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⁾ Actual unaudited figures.

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 sets forth the supplemental tax roll of the County for Fiscal Year 2003-04 through Fiscal Year 2013-14.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2003-04 THROUGH 2013-14**

<i>Fiscal Year</i>	<i>Tax Levy for Increased Assessments^{(1),(2),(3)}</i>	<i>Refunds for Decreased Assessments^{(1),(3)}</i>	<i>Net Supplemental Tax Levy</i>	<i>Collections^{(1),(2)}</i>
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	17,105,096
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14 ⁽⁶⁾	52,907,916	8,982,077	43,925,839	41,498,433

⁽¹⁾ Includes tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment and successor 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 description 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⁾ Actual unaudited figures.

Source: County Auditor-Controller/County Treasurer and Tax Collector.

The Assessment Roll

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2009-10 through Fiscal Year 2013-14.

**COUNTY OF RIVERSIDE
 ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
 FISCAL YEARS 2009-10 THROUGH 2013-14
 (IN MILLIONS)**

<i>Category</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
<u>SECURED PROPERTY:</u>					
Land	\$ 69,917	\$ 65,877	\$ 64,308	\$ 63,549	\$ 65,635
Structures	137,292	132,431	131,516	132,077	138,000
Personal Property	906	819	836	887	878
Utilities	<u>2,907</u>	<u>3,019</u>	<u>3,614</u>	<u>3,475</u>	<u>3,618</u>
Total Secured	\$ 211,022	\$ 202,146	\$ 200,274	\$ 199,988	\$ 208,131
<u>UNSECURED PROPERTY:</u>					
Land	\$ 2	\$ 14	\$ 29	\$ 17	\$ 13
Structures	300	309	274	268	227
Improvements	3,461	3,439	3,504	3,683	3,684
Fixtures	<u>4,154</u>	<u>4,049</u>	<u>3,975</u>	<u>3,895</u>	<u>3,691</u>
Total Unsecured ⁽²⁾	\$ <u>7,917</u>	\$ <u>7,811</u>	\$ <u>7,782</u>	\$ <u>7,863</u>	\$ <u>7,615</u>
Grand Total	\$ <u>218,939</u>	\$ <u>209,957</u>	\$ <u>208,056</u>	\$ <u>207,851</u>	\$ <u>215,746</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 but has been showing moderate increases in recent years. 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 market 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 the then current (depressed) values, without waiting for tax payers to file an appeal. The Fiscal Years 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 through Fiscal Year 2012-13 due to the County Assessor's proactive reviews. No additional Proposition 8 reductions are expected for Fiscal Year 2013-14 or 2014-15, and assessed valuation in the County increased from Fiscal Year 2012-13 to Fiscal Year 2013-14 by approximately 3.95%.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2013-14 totaling approximately \$12.4 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 \$2.2 billion of assessed value was reduced from the County tax roll in Fiscal Year 2012-13 and Fiscal Year 2013-14 due to appeals, representing \$22 million in general purpose taxes over the two-fiscal year period. 26% of the Fiscal Year 2012-13 assessment appeals have been completed. The majority of the remaining Fiscal Year 2012-13 assessment appeals are expected to be completed by November 30, 2014.

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 2014-15 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2012-13 assessment appeals still to be completed; and (ii) a portion of the Fiscal Year 2013-14 and Fiscal Year 2014-15 assessment appeals being completed during Fiscal Year 2014-15.

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 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 2013-14, approximately 55.3% of all taxing entities within the County 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 issuance in October 2013 of County of Riverside Teeter Obligation Tax-Exempt Notes, Series D (the

“D Notes”) in the amount of approximately \$118.1 million and the County of Riverside Teeter Obligation Taxable Notes, Series E (the “Series E Notes” and together with the D Notes, the “2013 Notes”) in the amount of approximately \$1.6 million. The proceeds of the 2013 Notes refunded the outstanding County of Riverside 2012 Teeter Obligation Notes, Series D originally issued in the amount of \$142.8 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and made payments to the Cities of Riverside and Eastvale to acquire such cities’ prior year tax receivables as new participants in the Teeter Plan. The 2013 Notes funded approximately \$44.2 million representing Fiscal Year 2012-13 delinquent property taxes and approximately \$75.5 million representing prior years’ delinquent property taxes. The 2013 Notes mature on October 15, 2014 and are being refunded with the proceeds of the Notes. See “THE NOTES — Security for the Notes” and “— Purpose of Issue.” The County’s General Fund is pledged to the repayment of the 2013 Notes and the Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the 2013 Notes and the Notes.

Largest Taxpayers

The following table sets forth the 25 largest taxpayers by individual tax levied in the County for Fiscal Year 2013-14.

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2013-14
COMBINED TAX ROLLS⁽¹⁾**

<i>TAXPAYER</i>	<i>TOTAL TAXES LEVIED</i>	<i>PERCENTAGE OF TOTAL TAX CHARGE</i>
Southern California Edison Company	\$ 27,265,175.94	0.92%
CPV Sentinel LLC	8,528,247.00	0.29
Verizon California Inc.	7,444,694.48	0.25
Southern California Gas Company	6,463,752.24	0.22
Inland Empire Energy Center, LLC	4,724,552.80	0.16
Walgreen Co.	3,047,025.73	0.10
Tyler Mall Ltd. Partnership	2,985,659.56	0.10
Time Warner Cable Pacific West LLC	2,923,122.40	0.10
Lowes HIW Inc.	2,739,694.02	0.09
Target Corp.	2,655,141.13	0.09
Chelsea GCA Realty Partnership	2,600,909.58	0.09
Costco Wholesale Corp.	2,594,866.65	0.09
Wal Mart Real Estate Business Trust	2,581,516.60	0.09
KB Home Coastal Inc.	2,565,084.35	0.09
Federal National Mortgage Association	2,538,809.20	0.09
Roripaugh Valley Restoration	2,502,491.44	0.08
Standard Pacific Corp.	2,462,304.49	0.08
Abbott Vascular Inc.	2,418,560.79	0.08
Blythe Energy, LLC	2,416,881.60	0.08
Nestle Waters North America, Inc.	2,272,728.64	0.08
Ross Dress For Less, Inc.	2,227,547.50	0.08
Health Care REIT	2,137,448.36	0.07
Richmond American Homes of Maryland Inc.	2,096,973.02	0.07
Fresh & Easy Neighborhood Market, Inc.	2,067,061.87	0.07
Palm Desert Funding Co.	2,066,948.04	0.07
Total	<u>\$ 104,327,197.43</u>	<u>3.52%</u>
Total Tax Charge for 2013-14	\$ 2,966,469,758.95	

⁽¹⁾ Includes secured, unsecured and State-assessed property.
Source: County Treasurer and Tax Collector.

The following table sets forth the ten largest property owners in the County by assessed value for all properties for Fiscal Year 2014-15.

**COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2014-15
BY ASSESSED VALUE**

<i>ASSESSEE</i>	<i>ASSESSED VALUE</i>
Eisenhower Memorial Hospital	\$ 363,825,365
Kaiser Foundation Hospital	331,710,705
Ross Dress for Less Inc.	293,073,873
Walgreen Co.	271,064,103
Kaiser Foundation Health Plan Inc.	268,522,448
Time Warner Cable Pacific West LLC	240,450,219
Target Corp.	224,112,730
Chelsea GCA Realty Partnership	221,856,908
Lowes HIW Inc.	211,274,769
Costco Wholesale Corp.	<u>207,444,443</u>
Subtotal	<u>\$ 2,633,335,563</u>
All Others	<u>226,827,490,802</u>
Total	<u>\$ 229,460,826,365</u> ⁽¹⁾

⁽¹⁾ 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 majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2012-13, the County retained approximately 12.23% of the total amount collected (and is budgeted to retain 12.23% in Fiscal Year 2013-14). 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 applied to pay such obligations, less any allowable collection charges.

Redevelopment Agencies

The California Community Redevelopment Law (California 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 for Fiscal Years 2002-03 through 2013-14.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2002-03 THROUGH 2013-14**

<i>Fiscal Year</i>	<i>Frozen Base Value</i>	<i>Full Cash Value Increments⁽¹⁾</i>	<i>Total Tax Allocations^{(2),(3)}</i>
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	16,352,697,201	56,178,718,338	594,476,134
2013-14 ⁽⁴⁾	16,352,697,201	58,677,226,297	688,683,052

- (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; excludes negative increment.
- (4) Based on County estimate of increment of assessed value for the community redevelopment agencies for Fiscal Year 2013-14.

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 receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. 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 March 2014, the County received approximately \$9 million in such funds in the current fiscal year.

In Fiscal Year 2013-14, the County estimates that it will receive approximately \$81 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive approximately \$85 million in pass-through payments in Fiscal Year 2014-15. 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 2012-13 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B — "COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

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, 2013, which are included in APPENDIX B — "COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Fund Balances – General Fund for Fiscal Years 2008-09 through 2012-13.

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2008-09 THROUGH 2012-13
(In Thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13
BEGINNING FUND BALANCE	\$ 481,776	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598
REVENUES					
Taxes	274,480	229,631	221,807	216,746	246,144
Licenses, permits and franchises	19,840	16,724	18,187	17,648	16,442
Fines, forfeiture and penalties	107,147	112,813	93,528	88,979	85,241
Use of money and property–Interest	33,414	12,197	8,196	4,740	1,676
Use of money and property–					
Rents and concessions	3,157	3,936	3,669	3,798	3,670
Government Aid–State	908,334	820,432	856,327	931,652	1,000,545
Government Aid–Federal	472,210	504,605	490,088	475,221	478,791
Governmental Aid–Other	95,812	89,312	82,147	80,332	81,169
Charges for current services	364,649	367,249	369,780	354,451	374,750
Other revenues	36,149	30,670	37,654	40,852	26,253
TOTAL REVENUES	\$ 2,315,192	\$ 2,187,569	\$ 2,181,383	\$ 2,214,419	\$ 2,315,681
EXPENDITURES					
General government	\$ 146,816	\$ 130,516	\$ 109,146	\$ 127,195	\$ 103,895
Public protection	1,062,437	1,005,679	1,025,584	1,010,999	1,043,017
Public ways and facilities	4,378	-	-	-	-
Health and sanitation	382,588	333,068	345,649	369,165	388,325
Public assistance	719,328	712,353	731,017	719,670	735,057
Education	675	551	548	579	564
Recreation and cultural	230	312	364	324	346
Capital Outlay	22,746	31,018	8,321	2,671	1,721
Debt service	22,501	21,876	24,829	21,426	19,576
TOTAL EXPENDITURES	\$ 2,361,699	\$ 2,234,373	\$ 2,245,458	\$ 2,252,029	\$ 2,292,501
Excess (deficit) of revenues over					
(under) expenditures	(46,507)	(47,804)	(64,075)	(37,610)	23,180
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 99,825	\$ 168,833	\$ 106,047	\$ 123,587	\$ 92,297
Transfer to other funds	(185,719)	(132,682)	(93,217)	(98,045)	(96,547)
Capital Leases	22,746	31,018	8,321	2,671	1,721
Total other Financing Sources (Uses)	\$ (63,148)	\$ 62,169	\$ 21,151	\$ 28,213	\$ (2,529)
NET CHANGE IN FUND BALANCES	\$ (109,655)	\$ 14,365	\$ (42,924)	\$ (9,397)	\$ 20,651
FUND BALANCE, END OF YEAR(1)	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598	\$ 357,249

(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.

The following table sets forth the County's General Fund Balance Sheets for Fiscal Years 2008-09 through 2012-13.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2009 THROUGH JUNE 30, 2013
(In Thousands)**

	2009	2010	2011	2012	2013
ASSETS:					
Cash & Marketable Securities	\$ 150,728	\$ 122,902	\$ 160,887	\$ 151,845	\$ 128,655
Taxes Receivable	46,813	27,714	17,790	14,046	10,931
Accounts Receivable	31,150	8,468	12,771	9,196	9,167
Interest Receivable	3,315	2,091	1,119	643	687
Advances to Other Funds	0	0	3,692	3,342	3,342
Due from Other Funds	19,110	25,353	18,787	14,227	9,071
Due from Other Governments	250,144	263,240	276,656	328,817	308,532
Inventories	2,132	1,941	1,564	1,187	2,059
Prepaid items	3,720	888	277	298	818
Restricted Assets	252,084	296,543	283,095	299,673	307,452
Total Assets	<u>\$ 759,196</u>	<u>\$ 749,140</u>	<u>\$ 777,638</u>	<u>\$ 823,274</u>	<u>\$ 780,714</u>
LIABILITIES:					
Accounts Payable	\$ 68,560	\$ 57,236	\$ 84,116	\$ 75,996	\$ 24,234
Salaries & Benefits Payable	88,184	46,376	50,374	57,391	57,519
Due To Other Funds	0	2,155	2,639	1,466	9,190
Due to Other Governments	47,579	35,161	34,550	40,804	23,377
Deferred Revenue	180,777	218,676	260,343	311,003	66,855
Deposits Payable	1,975	3,050	2,054	16	19
Advances from grantors and third parties	-	-	-	-	242,271
Total Liabilities	<u>\$ 387,075</u>	<u>\$ 362,654</u>	<u>\$ 434,076</u>	<u>\$ 486,676</u>	<u>\$ 423,465</u>
FUND BALANCE:⁽¹⁾					
Nonspendable			\$ 2,214	\$ 1,834	\$ 3,247
Restricted			98,552	101,651	101,440
Committed			50,097	52,439	42,183
Assigned			3,463	8,674	10,460
Unassigned			189,236	171,910 ⁽²⁾	199,919 ⁽²⁾
Reserved	\$ 91,196	\$ 90,374			
Unreserved	280,925	296,112			
Fund Balance	<u>\$ 372,121</u>	<u>\$ 386,486</u>	<u>\$ 343,562</u>	<u>\$ 336,598</u>	<u>\$ 357,249</u>
Total Liabilities and Fund Balance	<u>\$ 759,196</u>	<u>\$ 749,140</u>	<u>\$ 777,638</u>	<u>\$ 823,274</u>	<u>\$ 780,714</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.

⁽²⁾ Annual fluctuations are due mainly to fluctuation in tax revenue, general government expenditures, interest earnings and State allocations.
Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2006 THROUGH JUNE 30, 2013
(In Thousands)**

	<i>Reserved</i>	<i>Unreserved</i>					<i>Total</i>
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
	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>		
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	
2013	3,247	101,440	42,183	10,460	199,919	357,249	

⁽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

On July 1, 2014, the County issued its 2014-15 Tax and Revenue Anticipation Note (the "2014-15 TRAN") in the principal amount of \$250,000,000 to provide funds to meet the County's Fiscal Year 2014-15 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2014-15 TRAN is due on June 30, 2015. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's Fiscal Year 2014-15 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.

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 August 1, 2014, the County had \$692,656,315 in direct General Fund obligations and \$334,515,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of August 1, 2014.

**COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF AUGUST 1, 2014)**

2013-14 Assessed Valuation: \$213,210,306,282 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/14</u>
Metropolitan Water District	6.146%	\$ 8,129,622
Community College Districts	1.173-99.999	544,764,865
Unified School Districts	1.300-100.	2,135,128,585
Perris Union High School District	100.	83,862,260
Elementary School Districts	100.	63,323,331
City of Riverside	100.	13,395,000
Eastern Municipal Water District Improvement Districts	100.	38,015,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	1,705,000
San Geronio Memorial Hospital District	100.	114,010,000
Community Facilities Districts	50.225-100.	2,792,516,097
Riverside County 1915 Act Bonds	100.	2,660,000
City and Special District 1915 Act Bonds (Estimated)	100.	206,573,972
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 6,004,083,732

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	<u>%</u>	<u>\$</u>
Riverside County General Fund Obligations	100. %	\$ 692,656,315 ⁽¹⁾
Riverside County Pension Obligations	100.	334,515,000
Riverside County Board of Education Obligations	100.	2,700,000
School Districts General Fund and Lease Tax Obligations	1.300-100.	472,531,724
City of Corona General Fund Obligations	100.	53,603,208
City of Moreno Valley General Fund Obligations	100.	69,211,500
City of Indio General Fund Obligations	100.	40,165,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	156,159,020
City of Riverside Certificates of Participation	100.	198,583,819
City of Riverside Pension Obligations	100.	115,775,000
Other City General Fund Obligations	100.	79,335,681
Other Water District Certificates of Participation	100.	65,747
Other Special District Certificates of Participation	100.	2,625,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 2,217,927,014
Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)		<u>9,283,353</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 2,208,643,661

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	\$ 2,719,800,574
GROSS COMBINED TOTAL DEBT	\$ 10,941,811,320 ⁽²⁾
NET COMBINED TOTAL DEBT	\$ 10,932,527,967

Ratios to 2013-14 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.82%
Combined Gross Direct Debt (\$1,046,374,868).....	0.48%
Combined Net Direct Debt (\$1,036,272,610)	0.48%
Gross Combined Total Debt.....	5.13%
Net Combined Total Debt.....	5.13%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$58,479,843,303):

Total Overlapping Tax Increment Debt	4.65%
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⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
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 July 31, 2014, the County's current outstanding lease obligations total \$694,314,915. The County's annual lease obligation is approximately \$88,788,447 and the maximum annual lease payment is \$90,168,530. The County plans to finance the construction of the East County Detention Center and related projects with proceeds of lease revenue bonds in an approximate aggregate principal amount of \$325 million.

The table on the following page sets forth the County's outstanding lease obligations and the respective annual lease requirements as of July 31, 2014.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of July 31, 2014)

	<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	\$ 28,000,000	\$ 14,245,620 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	41,170,073	35,301,562	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B ⁽³⁾	2019	90,530,000	90,030,000	19,516,997 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	4,400,000	873,500 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2008 Series A	2022	72,445,000	56,655,000	8,263,100
County of Riverside Certificates of Participation (2005 Series B Historic Courthouse Project) ⁽⁵⁾	2027	22,610,000	18,025,000	1,607,916
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) ⁽⁶⁾	2021	36,100,000	18,800,000	2,560,550
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	8,858,353	
Series 2002	2020	925,000	425,000	1,820,656 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	6,483,115
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) ⁽⁹⁾	2036	51,655,000	43,335,000	3,399,338
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	30,780,000	2,158,969
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	40,395,000	11,136,750
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,065,000	1,152,211
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) ⁽¹⁰⁾	2040	45,685,000	43,345,000	1,911,800
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	3,890,000	673,016
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) ⁽¹¹⁾	2031	33,360,000	30,680,000	2,514,313
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) ⁽¹²⁾	2033	17,640,000	16,280,000	1,391,025
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	66,015,000	4,283,738
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project)	2044	44,380,000	44,380,000	2,438,950
County of Riverside Lease Revenue Bonds (Court facilities Project, Series 2014A & Series 2014B (Taxable) ⁽¹³⁾	2033	<u>18,495,000</u>	<u>18,495,000</u>	<u>2,356,883</u>
TOTAL		<u>\$971,745,073</u>	<u>\$ 694,314,915</u>	<u>\$ 88,788,447</u>

⁽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⁾ 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).

⁽¹⁰⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

⁽¹¹⁾ The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

⁽¹²⁾ The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.

⁽¹³⁾ The 2014 Series A & B (Taxable) County of Riverside lease Revenue Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2003 Series B, County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).

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 March 2014. 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 or the party so downgraded is required to post collateral in the amount of its exposure. 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 July 31, 2014, the swap agreement had a negative fair market value of approximately \$25.3 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 March 2014, 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

The following table sets forth the number of County employees for years 2004 through 2014.

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2004 THROUGH 2014

<i>Year</i>	<i>Regular Employees⁽¹⁾</i>
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014 ⁽²⁾	18,620

⁽¹⁾ As of December 31st of each year. Excludes temporary, per diem and seasonal employees.

⁽²⁾ As of June 30, 2014.

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 72% 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 non-management 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 Riverside County Deputy District Attorneys Association ("RCDDAA").

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

**COUNTY OF RIVERSIDE
LABOR ORGANIZATIONS**

<i>Union</i>	<i>Number of Employees</i>	<i>Expiration Date of Contract</i>
Unrepresented	1,375	N/A
Law Enforcement Management Unit (LEMU)	462	June 30, 2017
Riverside County Attorneys' Association (RCAA)	115	June 30, 2015
Deputy District Attorney's Association (DDAA)	269	June 30, 2015
Riverside Sheriffs' Association (RSA)	3,118	June 30, 2016
Service Employees International Union (SEIU)	6,375	November 30, 2016
Laborers' International Union of North America (LIUNA)	<u>7,217</u>	June 30, 2016
Total	18,931	

Source: County Human Resources Department.

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, benefit factor (determined by age at retirement), and final compensation, which is the highest average pay rate and special compensation during any consecutive one-year period of employment (for Tier 1 employees) or three-year period of employment (for Tier 2 and Tier 3 employees). The benefit for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent pension reform, the County's retirement plans currently includes three tiers of benefits.

**COUNTY OF RIVERSIDE
EMPLOYEES PER RETIREMENT TIER⁽¹⁾
(AS OF JUNE 30, 2014)**

	<i>Number of Employees</i>
Tier 1	15,905
Tier 2	570
Tier 3	<u>2,145</u>
Total	18,620

⁽¹⁾ Excludes Temporary, Per Diem, and Seasonal Employees.
Source: County Human Resources Department.

For Miscellaneous members who qualify based on their date of hire for Tier 1 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 1 benefits, the benefit factor is 3% at age 50 and beyond. The Tier 1 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 20 – Retirement Plan of the Notes to Basic Financial Statements, June 30, 2013, which are attached hereto as APPENDIX B — "COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

In September 2003, the County established the Pension Advisory Review Committee ("PARC"). The purpose of PARC is to develop a better institutional understanding of the County's pension plans (the "Plan"),

currently managed by PERS and to advise the Board of Supervisors on important matters concerning the Plan. PARC reports annually to the Board of Supervisors on the performance of the Plan and evaluates strategies to address appropriate funding of the Plan.

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 on or 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. The plans also provide for cost-of-living adjustments of up to 2% per year after retirement.

On September 12, 2012, Governor Brown signed Assembly Law 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Law of 1937 (the "1937 Act"). The majority of the PEPRA changes will first impact the rates and benefit provisions on the June 30, 2013 valuation for the Fiscal Year 2015-16 rates. 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") for non-safety has a single general member benefit formula, and for safety provides three 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 hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and at 2.7% at 57 for Safety members. PEPRA mandated all new members be subject to a pensionable compensation cap, which caps the annual salary that can be used to calculate final compensation for all new members at 100% of the social security contribution and benefit base for members that participate in social security, and 120% of the social security contribution and benefit base for members that do not participate in social security. Adjustments to the caps are permitted annually based on changes to the Consumer Price Index for All Urban Consumers. 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.

In May 2013, the RSA filed a complaint in the Superior Court of the County of Riverside against the State and the County asking the Court to declare that the provisions of PEPRA are unconstitutional in regard to its members. RSA has taken the position that the lower pension benefit levels provided by PEPRA conflict with the higher benefit levels provided to RSA's members by its collective bargaining agreement with the County. RSA alleges that the unilateral implementation of PEPRA by the State and the County violates the Contracts Clause of the California and United States Constitutions by impairing RSA members' rights to pension benefits under the collective bargaining agreement. The State and the County deny the allegations and are defending the lawsuit. The County does not believe an adverse decision in the case would materially adversely affect the County's future pension payment liability or the County's payment of principal of and interest on the Notes.

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 based on the annual actuarial valuation rates recommended by 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 2013 covered PERS' Fiscal Year 2011-12). 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, 2012, which was prepared in October 2013, is effective for the County's Fiscal Year 2014-15). 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 over a 3 year rolling period, thus reducing the volatility of employer rates; (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%). There have been changes to some of these features over time as described below.

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." This technique has changed over time as described below. 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 did 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% to 140% for 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).

On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for Fiscal Year 2015-16.

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 California Public Employees Retirement System, 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 to 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, 2012, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 14.527% be implemented as the required rate for Fiscal Year 2014-15, which the County anticipates will result in a contribution to PERS of approximately \$128 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$3.8 million in County Offsets of Employee Contributions for Fiscal Year 2014-15, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2014-15 of approximately \$131.8 million. In the actuarial valuation for the Safety Plan as of June 30,

2012, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 21.899% be implemented as the required rate for Fiscal Year 2014-15, which the County anticipates will result in a contribution to PERS of approximately \$73.7 million for that fiscal year. Beginning in Fiscal Year 2014-15, the County will no longer pay County Offsets of Employee Contributions to PERS for the Safety Plan.

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 2012-13 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, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of \$31.3 million as of February 15, 2014. A liability management fund was established in connection with the 2005 Pension Obligation Bonds. By Board policy, each year PARC, in its annual report, recommends to the Board whether the funds in the liability management fund should be applied to purchase 2005 Pension Obligations Bonds or to transfer the funds to PERS to reduce the County's PERS liability. In 2014, PARC recommended a transfer of the liability management fund balance of \$2 million to PERS. 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, 2008 through June 30, 2012 and the total employer contributions made by the County for Fiscal Year 2010-11 through Fiscal Year 2014-15. The two tables are based on PERS Actuarial Reports for those years.

**HISTORICAL FUNDING STATUS
(Safety Plan)**

<i>Valuation Date</i> <i>June 30,</i>	<i>Unfunded</i> <i>Accrued</i> <i>Actuarial</i> <i>Liability</i>	<i>Funded Status</i> <i>(Actuarial</i> <i>Value)</i>	<i>Affects County</i> <i>Contribution for</i> <i>Fiscal Year</i>	<i>County</i> <i>Contribution</i> <i>Amount(1)</i>	<i>County Offsets</i> <i>of Employee</i> <i>Contributions</i>
2008	\$ 55,295,801	96.2%	2010-11	\$53,117,897	\$21,222,703
2009	131,506,806	92.0	2011-12	60,667,388	13,460,331 ⁽³⁾
2010	184,737,814	89.8	2012-13	63,652,359	11,594,226 ⁽³⁾
2011	286,064,497	85.9	2013-14	71,529,739 ⁽²⁾	2,964,063 ⁽²⁾⁽³⁾
2012	225,792,281	89.2	2014-15	72,675,631 ⁽²⁾	0 ⁽²⁾⁽³⁾

(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 Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2013-14 and 2014-15.

(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, 2008 through June 30, 2012 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

<i>Valuation Date June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount(1)</i>	<i>County Offsets of Employee Contributions</i>
2008	\$175,248,079	94.8%	2010-11	\$ 90,944,229	\$40,041,548
2009	389,195,847	89.7	2011-12	103,892,326	36,974,032 ⁽³⁾
2010	444,330,905	89.2	2012-13	106,685,618	17,525,337 ⁽³⁾
2011	538,055,042	87.9	2013-14	124,463,807 ⁽²⁾	7,415,562 ⁽²⁾⁽³⁾
2012	536,480,531	88.6	2014-15	128,197,721 ⁽²⁾	3,843,205 ⁽²⁾⁽³⁾

(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 Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2013-14 and 2014-15.

(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, 2008 through June 30, 2012 (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)**

<i>Valuation Date June 30</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (Actuarial Value) (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>	<i>Market Value of Assets (MVA)</i>	<i>Funded Ratio MVA</i>
2008	\$1,469,415,642	\$1,414,119,841	\$ 55,295,861	96.2%	\$240,746,309	23.0%	\$1,432,026,173	97.5%
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6	1,100,356,865	67.0
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7	1,279,783,747	70.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7	1,565,799,198	77.1
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012.

**SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)**

<i>Valuation Date June 30</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (Actuarial Value) (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>	<i>Market Value of Assets (MVA)</i>	<i>Funded Ratio MVA</i>
2008	\$3,350,222,866	\$3,174,974,787	\$175,248,079	94.8%	\$841,612,805	20.8%	\$3,222,895,476	96.2%
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3	2,482,332,809	65.6
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0	2,882,444,152	70.4
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2	3,525,640,733	79.0
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2010-11 through Fiscal Year 2014-15 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES
Valuation Date

<i>Valuation Date</i> June 30,	<i>Affects Contribution</i> Rate for Fiscal Year:	<i>Safety Plan</i>	<i>Miscellaneous Plan</i>
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
2012	2014-15	21.899	14.527

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012.

According to the PERS actuary, as of June 30, 2012, the funded status of the Miscellaneous Plan based on its market value of \$3.5 billion was 74.8% and the funded status of the Safety Plan based on its market value of \$1.5 billion was 75.1%. The PERS Board has announced that, beginning with the valuation for Fiscal Year 2012-13, it will utilize the market value of plan assets rather than the actuarial value.

Projected County Contributions. The County’s projections with respect to the County contributions below reflect certain significant assumptions concerning future events and circumstances. The information and the related assumptions are forward-looking in nature and are not to be construed as representations of fact or representation that in fact the information shown will be the correct amounts for the years indicated. Rather, these amounts reflect good faith estimates by the County taking into account a variety of assumptions. 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. Accordingly, prospective investors are cautioned to view these estimates as general indications of trends and orders of magnitude and not as precise amounts.

During Fiscal Year 2013-14, based on PERS’ experience in recent years, PERS adopted several changes to the PERS Plans, including the elimination of asset smoothing methodologies, a 25-year amortization period for future gains and losses, elimination of annual caps on increases, and other changes based on a new experience study, including mortality improvements and other demographic assumptions. The changes will impact the County’s contribution rates beginning in Fiscal Year 2015-16 and will be fully implemented by Fiscal Year 2019-20. Based on its current analysis of the data, the County projects that its contribution rates will increase significantly during such period, to a contribution rate of approximately 15.5% for the Miscellaneous Plan and approximately 23% for the Safety Plan. A description of these projections and their underlying assumptions are included in the PARC report which is available to Bondholders on the County’s website or upon request.

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.

decline in patient collections in Fiscal Year 2012-13 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in Fiscal Year 2012-13 for Medi-Cal days and Medi-Cal costs and unreimbursed uninsured 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, each year 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 the prior fiscal year. Such tentative interim reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year. In Fiscal Year 2013-14, the County estimates that it will have to reimburse the State approximately \$26 million for overpayments attributable to Fiscal Year 2012-13. Final settlements, however, may take up to seven years to complete after a public hospital cost report is submitted. RCRMC fully reserves the estimated overpayments made by the State that are subject to the Waiver.

In 2013, RCRMC retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RCRMC. The engagement is one-third complete, but early estimates project budget improvement of approximately \$44 million to \$66 million per year. Additionally, the projected continued economic recovery may return the average RCRMC patient to where they were before the 2007 recession, when they were in a better financial position to afford insurance and medical costs. Further, RCRMC expects that the Affordable Care Act will decrease the number of uninsured hospital patients and thereby benefit RCRMC's financial situation. Since the implementation of the Affordable Care Act in January 2014, RCRMC has experienced an 11% decline in the number of patients treated at RCRMC. RCRMC cannot predict at this time if this trend will continue and the extent to which it will impact RCRMC's financial position.

In July 2013, the Board of Supervisors approved a loan of up to \$40 million to RCRMC from the County's Workers Compensation Fund to cover RCRMC's negative cash position at the end of Fiscal Year 2012-13. The loan was issued in September 2013 and repaid in full in October 2013 from funds received from collections of delayed Medi-Cal reimbursements and of delayed outpatient service bills.

On November 26, 2013, the Board of Supervisors approved a temporary transfer of approximately \$26 million to RCRMC from the County's Waste Management Enterprise Fund to pay for the Huron engagement. RCRMC is required to repay the funds, with interest calculated at the County's pooled investment fund rate, starting in 2016 pursuant to a negotiated repayment schedule, with final maturity on June 30, 2022. If RCRMC is unable to timely repay the loan in full within 10 years of its origination date, then unpaid amounts will be payable by the County from unencumbered General Fund sources.

For Fiscal Year 2013-14, consistent with its past practice, the County contributed 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. RCRMC estimates an operating cash deficit of approximately \$54 million for Fiscal Year 2013-14. RCRMC attributes the Fiscal Year 2013-14 deficit primarily to uncompensated services provided to uninsured patients, jail inmates and Medi-Cal patients and to operating inefficiencies.

The County's Executive Office, in collaboration with RCRMC, provides the Board of Supervisors monthly reports on its financial status. The latest report indicates that RCRMC has launched \$62.5 million of one-time and recurring savings in new initiatives and \$9 million in one-time non-labor and revenue savings. The April 2014 monthly financial update projects a slight improvement in the projected June 30, 2014 cash position, to a cumulative cash deficit of \$82 million over the past two fiscal years. The County has helped RCRMC meet its liquidity needs by making temporary transfers to RCRMC from the County's available, non-General Fund resources. The Executive Office continues monitoring these issues closely.

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, 2013, the County's current required contribution level is 0.78%. The County elected to contribute 1% to maintain a funded ratio of over 90% in Fiscal Year 2013-14. The County's contribution to the Plan was \$334,728 for Fiscal Year 2012-13 and is estimated to be approximately \$252,273 for Fiscal Year 2013-14. The Plan's unfunded liabilities as of June 30, 2013 were approximately \$1,765,941.

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 obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB Statement 45 as of July 1, 2013 (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 7.36%, the present value of benefits was estimated to be \$52.8 million, the accrued actuarial liability was estimated to be \$43.8 million and the annual normal cost was \$1.2 million. If the accrued actuarial liability of \$43.8 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.3 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to the California Employers' Retiree Benefit Trust (the "OPEB Trust"). On November 7, 2007 the irrevocable OPEB Trust was established with PERS and a payment of \$10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional \$2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the 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 \$17 million most recently.

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 and computerized tomography 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. RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, Medi-Cal and private insurance, and provides services to the uninsured.

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 a growing uninsured population, coupled with rising service needs as a result of the recent economic downturn and costs of an older and sicker population, have placed significant demands on the County's health care system. These factors have negatively impacted RCRMC's financial performance over the past several years.

RCRMC ended Fiscal Year 2012-13 with an approximate \$27.1 million operating cash deficit. In the same fiscal year, RCRMC had a decrease in net unrestricted assets of approximately \$18.3 million, ending the fiscal year with unrestricted net assets of approximately \$53.1 million. RCRMC continued to experience a

RCRMC is projecting that its fiscal situation will somewhat stabilize in Fiscal Year 2014-15, but that it will still experience an operating cash deficit of approximately \$20 million for Fiscal Year 2014-15. RCRMC expects and that it will seek further approvals from the Board of Supervisors for temporary transfers from the County's available non-General Fund resources to meet such deficit.

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. The Huron consulting engagement is ongoing, and is expected to improve patient service, increase efficiencies, cut costs and increase revenue collection. 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.

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 \$300 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 \$80 million with an additional \$247.5 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, 2013 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, 2013 was approximately \$183.9 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 Notes or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

The County is currently involved in a litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2013-2014, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately \$28,000,000, of which \$3,300,000 is allocable to the County. Should Agua Caliente be successful, the County would be prohibited from assessing, levying, and collecting the possessory interest tax in the future. In addition, taxpayers could have the right to seek a refund of possessory interest taxes paid for the previous four years with interest. The County estimates that its total liability for such refunds would be approximately \$12 million, plus accrued interest. The County denies the allegations of the complaint and is actively defending the action.

APPENDIX B
COUNTY OF RIVERSIDE
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

APPENDIX C

FORM OF BOND COUNSEL OPINION

[Closing Date]

County of Riverside
Riverside, California

County of Riverside
Teeter Plan Obligation Notes, 2014 Series D (Tax-Exempt)
and
County of Riverside
Teeter Plan Obligation Notes, 2014 Series E (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Riverside, California (the "Issuer") in connection with the authorization of issuance of \$_____ aggregate principal amount of County of Riverside Teeter Plan Obligation Notes, 2014 Series D (Tax-Exempt) (the "2014 Series D Notes") and \$_____ aggregate principal amount of County of Riverside Teeter Plan Obligation Notes, 2014 Series E (Taxable) (the "2014 Series E Notes" and together with the 2014 Series D Notes, the "Notes") pursuant to and by authority of Resolution No. 97-203 of the Board of Supervisors of the Issuer adopted on July 29, 1997, as heretofore amended and supplemented and as further supplemented by Resolution No. 2014-___ of the Board of Supervisors of the Issuer adopted on September 9, 2014 (collectively, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Issuer, certificates of the Issuer, the Fiscal Agent and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained

in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2014 Series D Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and the default judgment entered on September 12, 1997 by the Superior Court of the State of California for the County of Riverside in the action entitled County of Riverside v. All Persons, No. 299847, filed July 31, 1997, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer.
2. The Notes constitute the valid and binding obligations of the Issuer.
3. Interest on the 2014 Series D Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and interest on the Notes is exempt from State of California personal income taxes. The amount treated as interest on the 2014 Series D Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the 2014 Series D Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We observe that interest on the 2014 Series E Notes is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

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 by the County of its \$_____ 2014 Series D Teeter Obligation Notes (Tax-Exempt) (the "2014 Series D Notes") and its \$_____ 2014 Series E Teeter Obligation Notes (Taxable) (the "2014 Series E Notes," and, together with the 2014 Series D Notes, the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997 and ratified, confirmed and modified on November 4, 1997, as amended and supplemented on August 18, 1998, on September 7, 1999, on September 26, 2000, on September 11, 2001, on October 8, 2002, on October 21, 2003, on October 26, 2004, on December 6, 2005, on October 17, 2006, on October 30, 2007, on November 18, 2008, on November 24, 2009, on September 14, 2010, on September 27, 2011, on September 11, 2012, on September 10, 2013 and on September 9, 2014 (collectively, the "Resolution"). 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 for the benefit of the Owners and Beneficial Owners of the Notes and to assist the Participating Underwriters in complying with the Rule.

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

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note (including persons holding a Note through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Note 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.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Participating Underwriters" shall mean each of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Quarterly Report" means any Quarterly Report of the County provided by the County pursuant to and as described in Section 3 of this Certificate.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to

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

“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 Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 40 days after the end of the fiscal quarters ending September 30, 2014, December 31, 2014 and March 31, 2015, provide to the Repository, in such format accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, copies of the Quarterly Report of the County, which is consistent with the requirements of subsection (b) below. Each Quarterly Report may include by reference other information as required by this Certificate. The County shall provide a written certification with each Quarterly Report filed with the Dissemination Agent to the effect that such Quarterly Report constitutes the Quarterly Report required to be submitted by the County hereunder. The Dissemination Agent may conclusively rely upon such certification of the County.

(b) The County’s Quarterly Report shall contain or include by reference information regarding the County’s cash flow in the fiscal quarter most recently ended, including comparative information to the projected cash flow included in the Official Statement.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine prior to the date for providing the Quarterly Report the name and address of the Repository; and

(ii) if the Quarterly Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Quarterly Report has been provided pursuant to this Certificate, stating the date it was provided.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes not less than 10 business days after the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

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

(vii) modifications to the rights of Owners of the Notes, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Note, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of 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 such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, listed under Subsection (a)(ii), (vi) (except for adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, for which no materiality determination is required), (vii), (viii) (except for tender offers, for which no materiality determination is required), (x), (xiii) or (xiv) the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event listed under Subsection (a)(ii), (vi) (except for adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, for which no materiality determination is required), (vii), (viii) (except for tender offers, for which no materiality determination is required), (x), (xiii) or (xiv) would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the MSRB and the Repository not more than 10 business days following the event. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Note pursuant to the Resolution.

SECTION 5. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the County shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 6. 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 Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 7. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 or subsection 4(a) it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules and regulations) or interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(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 issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by a majority of the Owners of the Notes, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in its next Quarterly 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.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Quarterly 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 Quarterly 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 Quarterly Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County 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 Resolution with respect to the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance,

and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Dated: _____, 2014

COUNTY OF RIVERSIDE

By: _____
Its: _____

EXHIBIT A

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

Name of Issuer: County of Riverside, California

Name of Bond Issue: \$ _____ County of Riverside 2014 Series D/E Teeter Obligation
Notes

Issuance Date: _____, 2014

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Quarterly Report with respect to the above-named Notes as required by Section 3 of the Continuing Disclosure Certificate, dated as of _____, 2014, executed and delivered by the County. [The County anticipates that such report will be filed by _____].

Dated: _____

COUNTY OF RIVERSIDE

By _____
Authorized Officer