

FORM APPROVED COUNTY COUNSEL
 BY: GREGORY P. PRIAMOS DATE: 11/15/14

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

266



FROM: Executive Office

SUBMITTAL DATE:
 November 13, 2014

SUBJECT: Resolution No. PFA 2014-03 Authorizing the Issuance and Sale of the Public Finance Authority's 2014 Tax Allocation Revenue Bonds Series B (Hemet Redevelopment Project) (Vote on Separately)

RECOMMENDED MOTION: That the Board of Directors:

1. Approve and adopt Resolution No. PFA 2014-03 authorizing the issuance and sale of the Public Finance Authority's ("PFA") 2014 Tax Allocation Revenue Bonds Series B, (Hemet Redevelopment Project) in a principal amount not to exceed \$14,000,000 to purchase refunding bonds of the Successor Agency to Hemet Redevelopment Agency; and authorizing and approving related documents and actions; and,
2. Approve the professionals involved in the financing.

BACKGROUND:
Summary

(Commences on page 2)

Alex Gann

Alex Gann
 Deputy County Executive Officer

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

SOURCE OF FUNDS:

Budget Adjustment: No
 For Fiscal Year: 14-15

C.E.O. RECOMMENDATION:

Approved
Gregory P. Priamos

County Executive Office Signature

**MINUTES OF THE BOARD OF DIRECTORS OF THE
 RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY**

On motion of Director Ashley, seconded by Director Stone and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Stone, Benoit and Ashley
 Nays: None
 Absent: Tavaglione
 Date: November 24, 2014
 xc: E.O.

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

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

Prev. Agn. Ref.: 9/24/13, 4-1

District: 3

Agenda Number:

5-1

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE COUNTY PUBLIC FINANCE AUTHORITY
FORM 11: Resolution No. PFA 2014-03 Authorizing the Issuance and Sale of the PFA's 2014 Tax
Allocation Bonds, (Hemet Redevelopment Project)**

DATE: November 13, 2014

PAGE: 2 of 3

BACKGROUND:

Summary (continued)

On September 24, 2013 (Item 4-1) the Board of Supervisors approved, in principle, a County Redevelopment Bond Refunding Program to assist County Successor Agencies ("SA") refund outstanding tax increment bonded indebtedness to save money on the SA's debt service payments and increase available property tax revenues to be distributed to the County, school districts, community college districts and other taxing entities under the Redevelopment Dissolution Law (ABx1 26 as amended by AB 1484). The ultimate goal of this program is to facilitate the refunding bonds for SAs in Riverside County. The program is managed exclusively by the County.

Resolution No. PFA 2014-03 authorizes the issuance and sale of the PFA's 2014 Tax Allocation Revenue Bonds, Series B (Hemet Redevelopment Project) ("the Authority Bonds") in a principal amount of not to exceed \$14,000,000 to purchase a bond issue of the Hemet SA to refund all or a portion of certain bonds issued by the former Redevelopment Agency of the City of Hemet. As of October 7, 2014, the net present value savings from this refunding is estimated to be approximately \$1.74 million or 14.1% of the amount of bond refunded which exceeds the minimum savings required by County policy of 3%.

The Hemet SA and its Oversight Board approved the refunding on August 26 and 27, 2014. The State Department of Finance ("DOF") is expected to give final approval of the refunding on or about November 7, 2014. The refunding is conditioned on obtaining DOF approval.

The Authority Bonds will be special, limited obligations of the Authority, payable from and secured by certain revenues of the PFA consisting primarily of payments on the Hemet SA bonds which the PFA will purchase. Those Hemet SA bonds are payable from and secured by designated property tax (formerly tax increment revenues) which is deposited from time to time in the Redevelopment Property Tax Trust Fund and tax increment from the Hemet Redevelopment Project. Payments under the purchased Hemet SA bonds are calculated to be sufficient to permit the PFA to pay the principal of, premium, if any, and interest on the Authority Bonds when due. Following the refunding issue there will be no other bonds outstanding by the Hemet SA.

The Authority Bonds will not constitute a charge against the general credit of the PFA or any of its members. Under no circumstances will the PFA be obligated to pay principal of, redemption premium, if any, or interest on the Authority Bonds except from the payments that the PFA receives on the purchased Hemet SA bonds. Neither the County nor any public agency other than the PFA is obligated to pay the principal of or redemption premium, if any, or interest on the Authority Bonds and neither the faith and credit nor the taxing power of the County or any public agency is pledged to the payment of the Authority Bonds. The Authority Bonds do not constitute a debt or other obligation of the County and no funds of the County are pledged to the repayment of the Authority Bonds.

Resolution No. PFA 2014-03 also approves various documents associated with the issuance and sale of the Authority Bonds, including a Preliminary Official Statement.

Connected and a part of the issuance and sale of the Public Finance Authority's 2014 Tax Allocation Revenue Bonds Series B (Hemet Redevelopment Project) is a companion item on the County Board Agenda. The County Board is being asked, as part of the refunding, to approve a Third Amendment to the Settlement Agreement between the County, the City of Hemet and the Former Hemet Redevelopment Agency. The County pass through payments (currently over \$2 million per year) are subordinated, by virtue of the Second Amendment to the Settlement Agreement approved in April of 2002, to the outstanding Series 1999 and Series 2002 bonds. The Series 1999 and 2002 bonds are proposed to be refunded by the Public Finance Authority's 2014 Tax Allocation Revenue Bonds Series B reducing annual debt service from on average \$1.026 million to

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE COUNTY PUBLIC FINANCE AUTHORITY
FORM 11: Resolution No. PFA 2014-03 Authorizing the Issuance and Sale of the PFA's 2014 Tax
Allocation Bonds, (Hemet Redevelopment Project)**

DATE: November 13, 2014

PAGE: 3 of 3

\$904,000. The Third Amendment is required, although this is a refunding of the Series 1999 and 2002 Bonds, since the County's existing subordination under the Second Amendment is not automatically extended to the Refunding Bonds and requires new County, SA, Oversight Board and DOF approval. The Hemet SA and Oversight Board have approved this proposed Amendment and the DOF expect to approve it. The proposed refunding does not extend the term of the bonds beyond the current term of 2031 and reduces the bond debt service increasing the amounts available to make the County pass through payment. The subordination is requested to enhance the credit quality of the bonds and increase the savings. Without the subordination it may not be possible to refund the bonds. If the Third Amendment is not approved and the Series 1999 and Series 2002 Bonds are not refunded the County pass through payments will remain subordinated to the remaining Series 1999 and Series 2002 Bond debt service.

The professionals working on the issuance and sale of the Authority Bonds include Jones Hall, a Professional Law Corporation, as Bond Counsel; Best Best & Krieger LLP as Disclosure Counsel; and C.M. de Crinis & Co. Inc., as financial advisor. The cost of professional services will be paid from the proceeds of the Authority Bonds. In addition, the Authority, on behalf of the County, will receive a semi-annual administrative fee to act as Program Manager. The Authority and County Counsel will also be reimbursed from bond proceeds for administrative costs related to the refinancing.

Staff recommends that the Board adopt Resolution No. PFA 2014-03 and approve the professionals working on the financing.

Impact on Citizens and Businesses

Approval of this refunding will be beneficial to the citizens of Riverside County. County residents and businesses will ultimately benefit from the surplus property tax revenues that will be derived from the refunding which will be distributed to impacted taxing entities. NPV savings are estimated, as of November 7, 2014, at \$1,746,687 and total cash flow savings are \$2,052,397, as shown in Exhibit A.

Attachments:

1. Resolution PFA No. 2014-03
2. Indenture
3. Local Obligation Purchase Contract
4. Purchase Agreement
5. Preliminary Official Statement
6. Continuing Disclosure Agreement

1
2 RESOLUTION NO. 2014-03

3 RESOLUTION OF THE RIVERSIDE COUNTY PUBLIC FINANCING
4 AUTHORITY AUTHORIZING THE ISSUANCE OF ITS 2014 TAX
5 ALLOCATION REVENUE BONDS (HEMET REFUNDING PROJECT) IN
6 A PRINCIPAL AMOUNT OF NOT TO EXCEED \$14,000,000, WITH
7 RESPECT TO THE PURCHASE OF REFUNDING BONDS OF THE
8 SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY,
9 APPROVING AN INDENTURE OF TRUST, AUTHORIZING SALE OF
10 BONDS, APPROVING OFFICIAL STATEMENT AND PROVIDING
11 OTHER MATTERS PROPERLY RELATING THERETO

12
13 WHEREAS, the Authority is a joint powers authority duly
14 organized and existing under and pursuant to that certain Joint
15 Exercise of Powers Agreement dated March 20, 1990 by and between
16 the Redevelopment Agency for the County of Riverside (the
17 "Agency") and the County of Riverside (the "County"), and under
18 the provisions of Articles 1 through 4 (commencing with Section
19 6500) of Chapter 5 of Division 7 of Title 1 of the Government
20 Code of the State of California (the "Act"), and is authorized
21 pursuant to Article 4 of the Act (the "Bond Law") to borrow
22 money for the purpose of financing the acquisition of bonds,
23 notes and other obligations of, or for the purpose of making
24 loans to, local agencies (as such term is defined in the Bond
25 Law);

26
27 WHEREAS, for the purpose of providing funds to purchase an
28 issue of bonds (the "Successor Agency Bonds") of the Successor

APPROVED COUNTY COUNSEL
11/6/14
TATE A. GARDNER

1 Agency to the Hemet Redevelopment Agency (the "Successor
2 Agency") issued by the Successor Agency to refund certain bonds
3 issued by the former Redevelopment Agency of the City of Hemet,
4 the Authority intends to issue its 2014 Tax Allocation Revenue
5 Bonds (Hemet Refunding Project") (the "Authority Bonds");
6

7
8 **WHEREAS**, the Authority will use the proceeds of the
9 Authority Bonds to purchase the Successor Agency Bonds pursuant
10 to the terms of the Local Obligation Purchase Contract (the
11 "Local Obligation Purchase Contract") to be entered into by the
12 Authority and the Successor Agency;

13
14 **WHEREAS**, the Underwriters (as defined herein) have agreed
15 to purchase the Authority Bonds in accordance with the bond
16 purchase agreement in form on file with the Secretary (the
17 "Purchase Agreement"), and, in connection with the offering of
18 the Authority Bonds, Best Best & Krieger LLP, as disclosure
19 counsel to the Authority, has caused to be prepared a draft of
20 the Official Statement for the Authority Bonds (the "Official
21 Statement"), the preliminary form of which is on file with the
22 Secretary, and a form of Continuing Disclosure Agreement (the
23 "Continuing Disclosure Agreement"), the form of which is on file
24 with the Secretary; and

25
26 **WHEREAS**, the Board has duly considered the transactions
27 described above and wishes at this time to approve such
28

1 transactions in the public interests of the Authority and the
2 Successor Agency;
3

4
5 **NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** by
6 the Board of Directors of the Riverside County Public Financing
7 Authority, as follows:

8
9 **Section 1. Recitals True and Correct.** The Authority hereby
10 finds and declares that the above recitals are true and correct.

11
12 **Section 2. Issuance of Bonds.** Under and pursuant to the
13 Act and the Indenture of Trust between the Authority and MUFG
14 Union Bank, N.A., as trustee, pursuant to which the Authority
15 Bonds will be issued, and for the purposes above described, the
16 Board hereby authorizes the issuance of its Authority Bonds in
17 an aggregate principal amount of not to exceed \$14,000,000. The
18 Board hereby approves the Indenture in the form on file with the
19 Secretary together with any additions thereto or changes therein
20 requested by the provider of a municipal bond insurance policy
21 for either the Authority Bonds or the Successor Agency Bonds or
22 a surety bond or reserve policy for the Agency Bonds or deemed
23 necessary or advisable by the Chairman, the Executive Director,
24 or the Deputy Executive Director of the Authority (each, a
25 "Designated Officer"), whose execution thereof shall be
26 conclusive evidence of approval of any such additions and
27 changes. The Designated Officers are hereby separately
28 authorized and directed to execute the final form of the

1 Indenture for and in the name and on behalf of the Authority.
2 Such changes and additions shall include, without limitation,
3 the insertion in the Indenture of the applicable final annual
4 maturities and final aggregate principal amount of the Authority
5 Bonds, as provided in the executed Purchase Agreement. The
6 Board hereby authorizes the delivery and performance of the
7 Indenture.

8 **Section 3. Purchase of Agency Bonds.** The Authority hereby
9 authorizes and approves the purchase from the Successor Agency
10 of Successor Agency Bonds in an aggregate principal amount of
11 not to exceed \$14,000,000 pursuant to the Local Obligation
12 Purchase Contract. The Authority hereby approves the purchase
13 of the Successor Agency Bonds on the terms and conditions set
14 forth in the Indenture and the Successor Agency Bonds Indenture
15 (as such term is defined in the Indenture), and pursuant to and
16 in accordance with the Local Obligation Purchase Contract (the
17 "Purchase Contract"), between the Authority and the Successor
18 Agency, in the form on file with the Secretary together with any
19 changes therein or additions thereto approved by the Designated
20 Officers, whose execution thereof shall be conclusive evidence
21 of approval of any such additions and changes. The Purchase
22 Contract shall be executed in the name and on behalf of the
23 Authority by a Designated Officer, each of whom, acting alone,
24 is hereby authorized and directed to execute and deliver the
25 Purchase Contract on behalf of the Authority.
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Section 4. Sale of Authority Bonds. The Board hereby approves the selection of Citigroup Global Markets and RBC Capital Markets as underwriters for the Authority Bonds (collectively, the "Underwriters"), and approves the sale of the Authority Bonds by negotiation with the Underwriters pursuant to the Purchase Agreement by and among the Authority, the Successor Agency and the Underwriters, in the form on file with the Secretary together with any changes therein or additions thereto approved by the Designated Officers, whose execution thereof shall be conclusive evidence of approval of any such additions and changes. The Purchase Agreement shall be executed in the name and on behalf of the Authority by a Designated Officer, each of whom, acting alone, is hereby authorized and directed to execute and deliver the Purchase Agreement on behalf of the Authority; *provided, however,* that the purchase price and the interest rates with respect to the Authority Bonds shall be such that the Successor Agency Bonds comply with the savings requirement set forth in Section 34177.5(a)(1) of the California Health and Safety Code, and provided, further, that the Underwriters' discount (exclusive of original issue discount) shall not exceed one percent (1.00%) of the original principal amount of the Authority Bonds.

Section 5. Official Statement. The Board hereby approves the Preliminary Official Statement describing the Authority Bonds, in substantially the form on file with the Secretary, together with any changes therein or additions thereto necessary

1 or convenient to cause the Preliminary Official Statement to
2 describe accurately matters pertaining to the Authority Bonds
3 and the Designated Officers are each separately authorized and
4 directed on behalf of the Authority to review the final form of
5 the preliminary Official Statement and to deem the Preliminary
6 Official Statements "near final" pursuant to Rule 15c2-12 under
7 the Securities Exchange Act of 1934, prior to distribution by
8 the Underwriters. Distribution of the "near final" preliminary
9 Official Statement by the Underwriters is hereby approved. The
10 Board hereby authorizes the distribution of the final Official
11 Statement by the Underwriters. The Designated Officers are each
12 separately hereby authorized and directed to approve any changes
13 in or additions to the final form of the Official Statement,
14 whose execution thereof shall be conclusive evidence of approval
15 of any such changes and additions. The final Official Statement
16 shall be executed in the name and on behalf of the Authority by
17 a Designated Officer, each of whom is hereby authorized and
18 directed to execute and deliver the final Official Statement on
19 behalf of the Authority.
20

21
22 **Section 6. Municipal Bond Insurance and Surety Bonds.** The
23 Designated Officers, each acting alone, are hereby authorized
24 and directed to obtain a municipal bond insurance policy for the
25 Authority Bonds and reserve account surety bond or reserve
26 policy for the Successor Agency Bonds from a municipal bond
27 insurance company if it is determined, upon consultation with
28 the Underwriters and C.M. de Crinis & Co. Inc., the Financial

1
2 Advisor to the Authority and the Successor Agency, that such
3 municipal bond insurance policy and/or surety bond or reserve
4 policy will reduce the true interest costs with respect to the
5 Authority Bonds and the Successor Agency Bonds.

6
7 **Section 7. Continuing Disclosure Agreement.** The Board
8 hereby approves the Continuing Disclosure Agreement in
9 substantially the form on file with the Secretary together with
10 any additions thereto or changes therein deemed necessary or
11 advisable by the Designated Officers, each acting alone, whose
12 execution thereof shall be conclusive evidence of approval of
13 any such additions and changes. The Designated Officers are
14 hereby separately authorized and directed to execute the final
15 form of the Continuing Disclosure Agreement for and in the name
16 and on behalf of the Authority.

17
18 **Section 8. Official Action.** The Chairman, the Executive
19 Director, the Deputy Executive Director, the Secretary, and any
20 and all other officers of the Authority are hereby authorized
21 and directed, for and in the name and on behalf of the
22 Authority, to do any and all things and take any and all
23 actions, including execution and delivery of any and all
24 assignments, certificates, requisitions (including requisitions
25 for the payment of costs of issuance of the Authority Bonds),
26 agreements, notices, consents, instruments of conveyance,
27 warrants and other documents, which they, or any of them, may
28 deem necessary or advisable in order to consummate the lawful

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issuance, sale and delivery of the Authority Bonds and the purchase of the Successor Agency Bonds. Each of the foregoing named officers of the Authority are authorized to act on behalf of any other officer of the Authority who is authorized and directed herein to act on behalf of the Authority.

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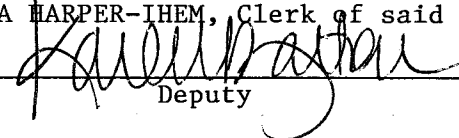
Section 9. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing resolution was passed and adopted by the Board of Directors of the Riverside County Public Financing Authority at a regular meeting held on the 25th day of November, 2014, by the following vote:

ROLL CALL:

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

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

INDENTURE OF TRUST

by and between the

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

and

**MUFG UNION BANK, N.A.,
as Trustee**

Dated as of _____ 1, 2014

Relating to

**\$ _____
Riverside County Public Financing Authority
2014 Tax Allocation Revenue Bonds
(Hemet Refunding Project)**

TABLE OF CONTENTS

**ARTICLE I:
DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS;
EQUAL SECURITY:**

Section 1.01. Definitions..... 3
Section 1.02. Rules of Construction..... 9
Section 1.03. Authorization and Purpose of Bonds..... 9
Section 1.04. Equal Security..... 10

**ARTICLE II:
ISSUANCE OF BONDS:**

Section 2.01. Terms of Bonds..... 11
Section 2.02. Redemption of Bonds..... 12
Section 2.03. Book-Entry System..... 15
Section 2.04. Form of Bonds..... 16
Section 2.05. Execution of Bonds..... 16
Section 2.06. Transfer of Bonds..... 17
Section 2.07. Exchange of Bonds..... 17
Section 2.08. Temporary Bonds..... 17
Section 2.09. Registration Books..... 17
Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen..... 17

**ARTICLE III:
DEPOSIT AND APPLICATION OF PROCEEDS:**

Section 3.01. Issuance of Bonds..... 19
Section 3.02. Application of Proceeds of Sale of Bonds..... 19
Section 3.03. Bond Purchase Fund..... 19
Section 3.04. Costs of Issuance Fund..... 19
Section 3.05. Validity of Bonds..... 20

**ARTICLE IV:
REVENUES; FLOW OF FUNDS:**

Section 4.01. Pledge of Revenues; Assignment of Rights..... 21
Section 4.02. Receipt, Deposit and Application of Revenues..... 21
Section 4.03. Investments..... 22
Section 4.04. Valuation and Disposition of Investments..... 23
Section 4.05. Claims Upon the Insurance Policy..... 23
Section 4.06. Rights of {INSURER}..... 23

**ARTICLE V:
COVENANTS:**

Section 5.01. Punctual Payment..... 24
Section 5.02. Extension of Payment of Bonds..... 24
Section 5.03. Against Encumbrances..... 24
Section 5.04. Power to Issue Bonds and Make Pledge and Assignment..... 24
Section 5.05. Accounting Records and Financial Statements..... 24
Section 5.06. No Additional Obligations..... 25
Section 5.07. No Arbitrage..... 25
Section 5.08. Rebate Requirement..... 25

Section 5.09.	Private Activity Bond Limitation.....	25
Section 5.10.	Private Loan Financing Limitation.....	25
Section 5.11.	Federal Guarantee Prohibition.....	25
Section 5.12.	Compliance with the Code.....	25
Section 5.13.	Successor Agency Bonds.....	25
Section 5.14.	Continuing Disclosure.....	25
Section 5.15.	Information to be Provided to [INSURER].....	26
Section 5.16.	Further Assurances.....	26

ARTICLE VI:
THE TRUSTEE:

Section 6.01.	Appointment of Trustee.....	27
Section 6.02.	Acceptance of Trustee.....	27
Section 6.03.	Fees, Charges and Expenses of Trustee.....	30
Section 6.04.	Notice to Bond Owners of Default.....	30
Section 6.05.	Intervention by Trustee.....	30
Section 6.06.	Removal of Trustee.....	31
Section 6.07.	Resignation by Trustee.....	31
Section 6.08.	Appointment of Successor Trustee.....	31
Section 6.09.	Merger or Consolidation.....	31
Section 6.10.	Concerning any Successor Trustee.....	32
Section 6.11.	Appointment of Co-Trustee.....	32
Section 6.12.	Indemnification; Limited Liability of Trustee.....	32

ARTICLE VII:
MODIFICATION AND AMENDMENT OF THE INDENTURE:

Section 7.01.	Amendment Hereof.....	34
Section 7.02.	Effect of Supplemental Indenture.....	34
Section 7.03.	Endorsement or Replacement of Bonds After Amendment.....	35
Section 7.04.	Amendment by Mutual Consent.....	35
Section 7.05.	Transcript of Proceedings to [INSURER].....	35
Section 7.06.	Copy of Supplemental Indenture to any Rating Agency.....	35

ARTICLE VIII:
EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS:

Section 8.01.	Events of Default.....	36
Section 8.02.	Remedies and Rights of Bond Owners.....	36
Section 8.03.	Application of Revenues and Other Funds After Default.....	37
Section 8.04.	Power of Trustee to Control Proceedings.....	38
Section 8.05.	Appointment of Receivers.....	38
Section 8.06.	Non-Waiver.....	38
Section 8.07.	Rights and Remedies of Bond Owners.....	39
Section 8.08.	Termination of Proceedings.....	39
Section 8.09.	[INSURER] Deemed Sole Owner.....	39

ARTICLE IX:
MISCELLANEOUS:

Section 9.01.	Limited Liability of Authority.....	41
Section 9.02.	Benefits of Indenture Limited to Parties.....	41
Section 9.03.	Discharge of Indenture.....	41
Section 9.04.	Successor Is Deemed Included in All References to Predecessor.....	42

Section 9.05.	Content of Certificates.....	42
Section 9.06.	Execution of Documents by Bond Owners.....	43
Section 9.07.	Disqualified Bonds.....	43
Section 9.08.	Waiver of Personal Liability.....	43
Section 9.09.	Partial Invalidity.....	44
Section 9.10.	Destruction of Canceled Bonds.....	44
Section 9.11.	Funds and Accounts.....	44
Section 9.12.	Notices.....	44
Section 9.13.	Unclaimed Moneys.....	45
Section 9.14.	Governing Law.....	45
Section 9.15.	Execution in Several Counterparts.....	45

EXHIBIT A Form of Bond

INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture"), dated as of _____ 1, 2014, is by and between the RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated as of March 20, 1990, by and between the County of Riverside (the "County") and the Redevelopment Agency for the County of Riverside, as succeeded by operation of law by the Successor Agency to the Redevelopment Agency for the County of Riverside, under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, local agencies (as such term is defined in the Bond Law);

WHEREAS, for the purpose of providing funds to purchase a bond issue (the "Successor Agency Bonds") of the Successor Agency to the Hemet Redevelopment Agency being issued to refund certain bonds issued by the former Redevelopment Agency of the City of Hemet, the Authority intends to issue its \$_____ original principal amount of 2014 Tax Allocation Revenue Bonds (Hemet Redevelopment Project) (the "Bonds"), all pursuant to and secured by this Indenture in the manner provided herein;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable

considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"_____" means _____, or any successor thereto or assignee thereof, as the issuer of the Bond Insurance Policy and the Series 2014 Surety Bond (as such term is defined in the Successor Agency Bonds Indenture).

"Agreement" means that certain Joint Exercise of Powers Agreement, dated as of March 20, 1990, by and between the County and the Redevelopment Agency for the County of Riverside, together with any amendments thereof and supplements thereto.

"Authority" means the Riverside County Public Financing Authority, a joint powers authority duly organized and existing under the Agreement and the laws of the State.

"Board" means the Board of Directors of the Authority.

"Bond Insurance Policy" means the municipal bond insurance policy relating to the Bonds issued by [INSURER] guaranteeing the scheduled payment of the principal of and interest on the Bonds when due.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Purchase Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

"Bonds" means the \$_____ aggregate principal amount of Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project), issued and at any time Outstanding under this Indenture.

"Bond Year" means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Certificate of the Authority" means a certificate in writing signed by the Executive Director, Assistant Executive Director, Treasurer, Secretary or Assistant Secretary of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose.

"Closing Date" means the date of delivery of the Bonds to the Original Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Certificate executed by the Authority and the Successor Agency dated and delivered as of the Closing Date, as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the Successor Agency Bonds and the application of the proceeds of the Successor Agency Bonds pursuant to the Successor Agency Bonds Indenture, compensation, fees and expenses (including, but not limited to fees and expenses for legal counsel) of the Authority, the Successor Agency and the Trustee, compensation to any financial consultants or underwriters, costs of continuing disclosure and recording costs, rating agency fees, bond insurance premiums, costs of preparation and reproduction of documents and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.04.

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period;

(b) The minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period, together with any premium thereon; and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Defeasance Obligations" means:

(a) cash; and

(b) non-callable Federal Securities.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.03.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any written directions of the Authority.

"Federal Securities" means any direct, general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority, the County or the Successor Agency;

(b) does not have any substantial interest, direct or indirect, in the Authority, the County or the Successor Agency; and

(c) is not connected with the Authority, the County or the Successor Agency as an officer or employee of the Authority, the County or the Successor Agency but who may be regularly retained to make annual or other audits of the books of or reports to the Authority, the County or the Successor Agency.

"Independent Financial Consultant" means any financial consultant or fiscal consultant or firm of such consultants or investment banking firm, including the Original Purchaser, appointed and paid by the Successor Agency, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority, the County or the Successor Agency;

(b) does not have any substantial interest, direct or indirect, in the Authority, the County or the Successor Agency; and

(c) is not connected with the Authority, the County or the Successor Agency as an officer or employee of the Authority, the County or the Successor Agency but who may be regularly retained by the Authority, the County or the Successor Agency.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to Section 4.02(a).

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 2015, and continuing thereafter so long as any Bonds remain Outstanding.

"Moody's" means Moody's Investors Service of New York, New York, and its successors.

"Nominee" means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.03(a).

"Original Purchaser" means, collectively, Citigroup Global Markets Inc. and _____, as the first purchaser of the Bonds.

"Outstanding" when used as of any particular time with reference to the Bonds, means (subject to the provisions of Section 9.07) all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except -

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

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

"Owner" or **"Bond Owner"**, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State and constitute Permitted Investments), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, Federal Housing Administration and Federal Financing Bank;

(c) direct obligations for any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); and senior debt obligations of the Federal Home Loan Bank System;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase, including those of the Trustee or its affiliates;

(e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated AAm or AAm-G or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which

irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Certified Public Accountant and with the prior approval of S&P, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; and

(h) the County's investment pool.

"Principal Account" means the account by that name established and held by the Trustee pursuant to Section 4.02(b).

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.09 for the registration and transfer of ownership of the Bonds.

"Request of the Authority" means a request in writing signed by the Executive Director, Deputy Executive Director, Treasurer, Secretary or Assistant Secretary of the Authority (or the written designate of any of the foregoing) or by any other officer of the Authority duly authorized by the Board for that purpose.

"Revenue Fund" means the fund by that name established pursuant to Section 4.02.

"Revenues" means: (a) all amounts payable by the Successor Agency to the Authority or the Trustee pursuant to the Successor Agency Bonds, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) amounts payable to the United States of America pursuant to Section 5.13 of the Successor Agency Bonds Indenture; (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder; and (d) any other investment income received hereunder.

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill, of New York, New York, and its successors.

"Securities Depositories" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Serial Bonds" means all Bonds other than Term Bonds.

"Series 2014 Surety Bond" means the municipal bond debt service reserve insurance policy relating to the Series 2014 Bonds issued by [INSURER].

"State" means the State of California.

"Successor Agency" means the Successor Agency to the Hemet Redevelopment Agency, as successor to the former Redevelopment Agency of the City of Hemet.

"Successor Agency Bonds" means the Successor Agency to the Hemet Redevelopment Agency Hemet Redevelopment Project Tax Allocation Refunding Bonds, Series 2014, issued in the initial principal amount of \$_____.

"Successor Agency Bonds Indenture" means the Indenture of Trust, dated as of _____ 1, 2014, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee, providing for the issuance of the Successor Agency Bonds.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of this Indenture.

"Tax Regulations" means temporary and permanent regulations promulgated under or with respect to Sections 103 and all related provisions of the Code.

"Term Bonds" means the Bonds maturing on September 1, 20__ and September 1, 20__.

"Trust Office" means the corporate trust office of the Trustee 120 South San Pedro Street, Suite 400, Los Angeles, California 90012, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency, provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

"Trustee" means MUFG Union Bank, N.A., and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI.

Section 1.02. Rules of Construction. All references in this Indenture to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Agreement and the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant

to the Bond Law and this Indenture for the purpose of providing funds to purchase the Successor Agency Bonds.

Section 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Terms of Bonds. The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the "Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project)" and shall be issued in the original aggregate principal amount of _____ Dollars (\$_____).

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall mature on September 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360 day year comprised of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any Owner of either the Bonds in the aggregate amount of \$1,000,000 or more who shall furnish written instructions to the Trustee before the applicable Record Date. Any such written instructions shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office and shall be payable in lawful money of the United States of America.

Each Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before February 15, 2015, in which event it shall bear interest from the Closing Date; *provided,*

however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.02. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or before September 1, 20__ are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 20__, are subject to redemption, at the option of the Authority or the Successor Agency on any date on or after September 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Authority or the successor Agency, as applicable, shall be required to give the Trustee written notice of its intention to redeem Bonds under this Section 2.02(a) at least 60 days prior to the date to be fixed for redemption or such later date as shall be permitted by the Trustee. The Authority shall ensure that the Bonds redeemed pursuant to this Section 2.02(a) shall be selected for redemption based on the Successor Agency Bonds, if any, being concurrently redeemed, and in a manner that does not adversely affect the Authority's ability to pay debt service on the Bonds in a timely manner.

(b) Mandatory Sinking Fund Redemption. The Term Bonds shall also be subject to redemption or prior purchase in part by lot, from Sinking Account payments made by the Authority pursuant to Section 4.02(b), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased by the Authority as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that, if some but not all of the Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future Sinking Account payments payable with respect to the maturity redeemed shall be reduced by the aggregate principal amount of the maturity so redeemed, to be allocated among such Sinking Account payments in integral multiples of \$5,000 as determined by the Authority (notice of which determination shall be given by the Authority to the Trustee).

The Term Bonds maturing on September 1, 20__ and September 1, 20__ are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and on September 1, in the respective years as set forth in the following tables; provided, however, that in lieu of mandatory sinking fund redemption thereof such Bonds may be purchased by the Successor Agency pursuant to the Successor Agency Bonds Indenture:

Term Bonds Maturing September 1, 20__

Sinking Account
Redemption Date
(September 1)

Principal Amount
To be Redeemed
or Purchased

Term Bonds Maturing September 1, 20__

Sinking Account
Redemption Date
(September 1)

Principal Amount
To be Redeemed
or Purchased

In lieu of redemption of the Term Bonds pursuant to this subsection (b), proceeds of the purchase by the Agency of Agency Bonds or other available moneys shall be used by the Authority or by the Trustee, upon the Request of the Authority received prior to the selection of Bonds for redemption, for the purchase of the Term Bonds, at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine. The par amount of any Term Bonds so purchased by or upon the Request of the Authority in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the par amount of the Term Bonds required to be redeemed on September 1 in such year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said July 1.

(c) Mandatory Redemption Upon Acceleration of Agency Bonds. The Bonds shall also be subject to mandatory redemption in whole or in part among maturities on a pro rata basis and by lot within a maturity, on any date, from amounts credited towards the payment of principal of any Agency Bonds coming due and payable solely by reason of acceleration of such Agency Bonds pursuant to Section 8.01 of the Successor Agency Bonds Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest thereon to the redemption date. The Bonds shall be subject to redemption under this subsection (c) solely from amounts credited towards the payment of any Agency Bonds which has become due and payable by reason of acceleration, and shall not be subject to redemption from any amounts credited towards the payment of matured principal which has become due and payable.

(d) Notice of Redemption; Rescission. The Trustee on behalf and at the expense of the Authority shall send notice of any redemption to [INSURER] and to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services,

at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so sent nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(f) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed or purchased pursuant to this Section 2.02 shall be canceled by the Trustee.

(g) Manner of Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem fair and appropriate, and shall notify the Authority and the Successor Agency thereof. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of principal amount. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount or maturity amount, as applicable, of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to this Section 2.02 shall be canceled and, if held by the Trustee, shall be surrendered to the Authority (subject to the provisions of Section 9.10).

Section 2.03. Book-Entry System.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond without coupons (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Authority holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry

system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Article II. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

Section 2.04. Form of Bonds. The form of the Bonds, the form of Trustee's Certificate of Authentication and the form of Assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

"CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Successor Agency to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the Successor Agency's contract with such Owners and shall not impair the effectiveness of any such notice.

Section 2.05. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signatures of its Chairman, Vice Chairman, the Executive Director or the Assistant Executive Director and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a Certificate of Authentication in substantially the form set forth in Exhibit A or Exhibit B, as applicable, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate of the Trustee shall be conclusive evidence that the Bonds so

authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like series and tenor, maturity and aggregate principal amount of authorized denominations. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.06. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority. The Trustee shall not be required to transfer, pursuant to this Section, either (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Trust Office for Bonds of the same series and tenor and maturity and of other authorized denominations. The Trustee shall collect from the person requesting any exchange, any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.07. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Authority. The Trustee shall not be required to exchange, pursuant to this Section, either (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

Section 2.08. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Successor Agency, [INSURER] and the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series, tenor and

authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS

Section 3.01. Issuance of Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute the Bonds in the aggregate principal amount of \$_____, and shall deliver the Bonds to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

Section 3.02. Application of Proceeds of Sale of Bonds. Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall deposit the proceeds of sale thereof, being \$_____ (being the par amount of the Bonds, \$_____, plus net original issue premium of \$_____, less the discount of the Original Purchaser relating to the Bonds in the amount of \$_____ and less the premium on the _____ Bond Insurance Policy and the premium on the Series 2014 Surety Bond in the amount of \$_____) in the Bond Purchase Fund.

Section 3.03. Bond Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the "Bond Purchase Fund," into which shall be deposited the proceeds of sale of the Bonds pursuant to Section 3.02. The Trustee shall use all amounts in the Bond Purchase Fund on the Closing Date to purchase the Successor Agency Bonds for a purchase price of \$_____ (being the initial aggregate principal amount of the Successor Agency Bonds (\$_____), (i) less that portion of the Original Purchaser's discount on the Bonds in the amount of \$_____ allocable to the Successor Agency Bonds, (ii) plus that portion of the net original issue premium on the Bonds in the amount of \$_____, (iii) less the premium on the Bond Insurance Policy in the amount of \$55,871.25 paid by the Original Purchaser on the Closing Date and allocable to the Successor Agency Bonds and (iv) less that portion of the premium on the Series 2014 Surety Bond in the amount of \$_____ by Original Purchaser on the Closing Date), less that portion of the Costs of Issuance in the amount of \$_____, and shall disburse the remaining proceeds of such purchase price in the amount of \$_____ on behalf of the Successor Agency in accordance with Section 3.02(a) of the Successor Agency Bonds Indenture. The Authority shall deliver or cause to be delivered the executed and authenticated Successor Agency Bonds to the Trustee and hereby instructs the Trustee and the Trustee hereby agrees to hold such Successor Agency Bonds in trust in the Bond Purchase Fund for the benefit of the Owners of the Bonds.

Section 3.04. Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee known as the "Costs of Issuance Fund" into which shall be deposited a portion of the proceeds of the Bonds in the aggregate amount of \$_____ pursuant to Section 3.03. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority. Each such Request of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Successor Agency to be deposited by the Successor Agency into the Debt Service Fund established pursuant to the Successor Agency Bonds Indenture. The Authority may at any time file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer the remaining amount to the Successor Agency as provided above, and the Trustee shall comply with such request. Each such Request of the Authority shall be sufficient evidence to the

Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Successor Agency with respect to the application of the proceeds of the Successor Agency Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

Section 4.01. Pledge of Revenues; Assignment of Rights. Subject to the provisions of Section 6.03, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Revenues and a pledge of all of the moneys in the Revenue Fund, the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Successor Agency Bonds. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall, with the consent or at the direction of [INSURER] and subject to the provisions of this Indenture, be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Successor Agency under the Successor Agency Bonds.

Section 4.02. Receipt, Deposit and Application of Revenues. All Revenues described in clause (a) of the definition thereof in Section 1.01 shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust hereunder.

Three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Successor Agency Bonds, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Successor Agency Bonds, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Successor Agency to be used for any lawful purpose of the Successor Agency.

(b) Principal Account. Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives debt service on the Successor Agency Bonds, on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date pursuant to Section 2.01, or the redemption price of the Bonds required to be redeemed on such Interest Payment Date pursuant to Section 2.02(a) or (b). All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Serial Bonds at the maturity thereof, (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to Section 2.02(b) or upon the maturity thereof, or (iii) paying the redemption price of Bonds upon the redemption thereof pursuant to Section 2.02(a). All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Successor Agency to be used for any lawful purpose of the Successor Agency.

Section 4.03. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed by in a Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (f) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder but shall account for each separately. The Trustee may act as principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Authority and the Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the Successor Agency the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the Authority and the Successor Agency specifically waive receipt of such confirmations to the extent permitted by law. The Authority and the Successor Agency further understand that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Authority and the Successor Agency periodic cash transaction statements which include detail for all investment transactions effected by the Trustee hereunder or by or brokers selected by the Authority. Upon the

Authority's or the Successor Agency's election, such statements will be delivered to such party via the Trustee's online service and upon electing such service, paper statements will be provided to that party only upon request.

Section 4.04. Valuation and Disposition of Investments. All investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued by the Authority at their present value (within the meaning of section 148 of the Code).

Section 4.05. Claims Upon the Insurance Policy. [to come]

Section 4.06. Rights of [INSURER]. [to come]

ARTICLE V
COVENANTS

Section 5.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 5.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 5.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the Successor Agency Bonds and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall, subject to the provisions of this Indenture at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 5.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, books of record and account, prepared in accordance with corporate trust industry standards, in which entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues, the Successor Agency Bonds and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, the Successor Agency and [INSURER], during regular business hours with reasonable prior written notice. In addition, the Authority shall, and shall cause the Successor Agency to, transmit their respective annual audited financial statements with respect to the foregoing to [INSURER] not later than 180 days following the end of the applicable Fiscal Year. The Authority will permit [INSURER] to discuss the affairs, finances and accounts of the Authority or any information [INSURER] may

reasonably request regarding the security for the Bonds with appropriate officials of the Authority.

Section 5.06. No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part, except that the Authority may issue refunding bonds payable out of the Revenues that refund the Bonds in part so long as the aggregate debt service payable on the refunding bonds is less than the aggregate debt service on the Bonds refunded.

Section 5.07. No Arbitrage. The Authority shall not take, or permit to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.08. Rebate Requirement. The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investments earnings, if any, with respect to the Bonds to the federal government.

Section 5.09. Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code.

Section 5.10. Private Loan Financing Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private loan financing test of section 141(c) of the Code.

Section 5.11. Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.12. Compliance with the Code. The Authority covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Code or amendments thereto in order to maintain the exclusion from federal gross income, pursuant to Section 103 of the Code, of the interest on the Bonds paid by the Authority and received by the Owners. This covenant shall continue in full force and effect following any defeasance of the Bonds pursuant to Section 9.03.

Section 5.13. Successor Agency Bonds. Subject to the provisions of this Indenture, the Trustee, as assignee of the Authority's rights pursuant to Section 4.01, shall promptly collect all amounts due from the Successor Agency pursuant to the Successor Agency Bonds and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and under the Successor Agency Bonds Indenture and for the enforcement of all of the obligations of the Successor Agency thereunder and under the Successor Agency Bonds Indenture .

Section 5.14. Continuing Disclosure. The Authority hereby covenants and agrees that it will comply with and carry out all of its obligations of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Authority to comply with the provisions of the Continuing Disclosure Agreement relating to it shall not be an Event of Default hereunder. However, any Participating Underwriter or any Owner or beneficial owner of the

Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority to comply with its obligations under this Section 5.14.

Section 5.15. Information to be Provided to [INSURER]. The Authority shall provide or cause to be provided to [INSURER] such information as [INSURER] shall from time to time reasonably request.

Section 5.16. Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds and [INSURER] the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

Section 6.01. Appointment of Trustee. MUFG Union Bank, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee (i) acceptable to [INSURER] and (ii) having a corporate trust office in the State, with a combined capital and surplus (including capital and surplus of its parent or affiliate) of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank, association, corporation or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.01 the combined capital and surplus of such bank, association, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds, as applicable, when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Section 6.02. Acceptance of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would exercise in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall not be responsible for the acts or omissions of any receivers, agents or attorneys and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee may conclusively rely on an opinion of counsel as full and complete protection for any action taken or suffered by it hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the Indenture, the Successor Agency Bonds or any security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee may

conclusively rely on an opinion of counsel as full and complete protection for any action taken or suffered by it hereunder.

(d) Except as provided in Section 3.02, Section 3.03 and Section 3.04, the Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected in acting, in good faith and without negligence, upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.02(h) hereof, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or [INSURER], and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office, and in the absence of

such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, [INSURER] and their duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not the duty) fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.02 or this Article (other than the payment of debt service on the Bonds, drawing on the Bond Insurance Policy or the sending or giving of notices required to be sent or given hereunder), the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

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

(p) The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

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

in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(r) The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(s) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(t) The Trustee agrees to accept and act upon facsimile transmission or electronic transmission (including by electronic mail) of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) such directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (ii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 6.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

Section 6.04. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(h) hereof, then the Trustee shall promptly send written notice thereof to [INSURER] and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee with the consent of [INSURER] may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Section 6.05. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the Owners of any of the Bonds, the Trustee, with the consent of [INSURER] with respect to the Bonds, may intervene on behalf of such Bond Owners, and

subject to Section 6.02(l) hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding.

Section 6.06. Removal of Trustee. Upon prior written notice to [INSURER] with respect to the Bonds only, the Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the Authority may (and at the request of the Successor Agency shall) so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee, whereupon the Authority, Insurer or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank, association, corporation or trust company meeting the requirements set forth in Section 6.01.

Section 6.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time give thirty (30) days' written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority, the Successor Agency and [INSURER]. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given to the Bond Owners at their respective addresses set forth on the Registration Books.

Section 6.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, with the prior written consent of Agency, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in Section 6.06 or within ninety (90) days following the receipt of notice by the Authority pursuant to Section 6.07, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Within sixty (60) days following the appointment of a successor Trustee hereunder, the former Trustee shall deliver to such successor Trustee (a) all funds and accounts held by the former Trustee hereunder, and (b) any and all information and documentation as may be required or reasonably requested by the Authority or such successor Trustee in connection with the transfer to such successor Trustee of all the duties and functions of the Trustee hereunder. The Authority shall pay the reasonable costs and expenses of such former Trustee incurred in connection with such transfer.

Section 6.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Section 6.11. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them. The Trustee shall not be liable for any acts or omissions of any separate or co-trustee.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 6.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder or pursuant to the Successor Agency Bonds, including the reasonable costs and expenses of defending against

any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the termination or discharge of this Indenture and the resignation or removal of the Trustee. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE INDENTURE

Section 7.01. Amendment Hereof. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds or the interests of [INSURER]; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds or the interests of [INSURER]; or

(c) to amend any provision hereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the Bonds from gross income of interest on any of the Bonds under the Code, in the opinion of nationally-recognized bond counsel.

Except as set forth in the preceding paragraph of this Section 7.01, this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of [INSURER] and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of [INSURER] (but only with respect to any such modification or amendment affecting the Bonds) and the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Trustee shall send a copy of any amendment to this Indenture to [INSURER] and S&P.

Section 7.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any

Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may, with the prior written consent of [INSURER] (but only with respect to the Bonds), determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Trust Office, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Trust Office, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond and provided, further, that written consent to such amendment shall first be obtained from [INSURER] if such amendment applies to or affects the Bonds.

Section 7.05. Transcript of Proceedings to [INSURER]. The Authority shall provide or cause to be provided to [INSURER] a full transcript of proceedings relating to any Supplemental Indenture or providing for the amendment or supplement of the Successor Agency Bonds Indenture.

Section 7.06. Copy of Supplemental Indenture to any Rating Agency. The Authority shall provide a copy of any Supplemental Indenture to any rating agency that then has in effect (to the knowledge of the Authority) a credit rating on the Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 8.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bond pursuant to Section 4.02, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond pursuant to Section 4.02.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and [INSURER] by the Trustee, or to the Authority and the Trustee by [INSURER] or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding; provided that such default shall not constitute an Event of Default hereunder if the Authority shall, with the consent of [INSURER], commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Section 8.02. Remedies and Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may, subject to the provisions of Section 8.09 hereof, pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and, subject to the provisions of Section 8.09 hereof, if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, the Trustee has been indemnified as provided in Section 6.02(l) and [INSURER] shall have provided its written consent (but only with respect to the Bonds), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners or as may be directed by [INSURER] (but only with respect to the Bonds).

In addition, subject to the terms and conditions of the Successor Agency Bonds Indenture, and provided that the Trustee has first been indemnified as provided in Section 6.02(l) and [INSURER] shall have provided its written consent (but only with respect to the Successor Agency Bonds), the Trustee, as owner of the Successor Agency Bonds, shall have the right to: (i) by mandamus, or other suit, action or proceeding at law or in equity enforce all rights of the Owners of the Successor Agency Bonds, including the right to receive and collect Tax Revenues (as defined in the Successor Agency Bonds Indenture); (ii) bring suit upon or otherwise enforce any obligation of the Successor Agency under the Successor Agency Bonds Indenture; and (iii) take such other action with respect to any and all obligations of the Successor Agency under the Successor Agency Bonds Indenture or any Permitted Investments of the Successor Agency as the Trustee shall deem necessary and appropriate.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Section 8.03. Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture and any other funds held by the Trustee shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII and incurred in and about the performance of its powers and duties under this Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest, as applicable, to the extent permitted by law at an annual rate of ten percent (10%) per annum provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, as applicable, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest, on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) second, to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full,

(c) third, to the payment of the redemption price (including principal and interest, premium, if any, accrued to the redemption date) of the Bonds to be redeemed from Revenues derived from the acceleration of the Successor Agency Bonds, on a pro rata basis in the event that the available amounts are insufficient to pay the redemption price of all such Bonds in full, and

(d) fourth, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Section 8.04. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion with the consent of [INSURER] (with respect to the Bonds) or upon the direction of [INSURER] (with respect to the Bonds) or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with the consent of [INSURER] (with respect to the Bonds), it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and [INSURER], with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if, subject to the provisions of Section 8.09 hereof, at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding hereunder or [INSURER] (with respect to the Bonds) opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds and [INSURER] shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee with the consent of [INSURER] (with respect to the Bonds) for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Section 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.06. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner, in either case subject to the provisions of Section 8.09 hereof, shall not affect any subsequent

default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach; provided however, that no such waiver shall occur without the prior written consent of [INSURER] (with respect to the Bonds). No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee, Insurer or the Bond Owners, as the case may be.

Section 8.07. Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee and Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, with the consent of [INSURER] (with respect to the Bonds), shall have made a written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond, as applicable, as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee, [INSURER] and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.09. [INSURER] Deemed Sole Owner. So long as [INSURER] shall be in compliance with its payment obligations under the Bond Insurance Policy, [INSURER] shall be deemed to be the sole owner of the Bonds for purposes of all provisions relating to an event of default with respect to the Bonds, except with respect to the giving of notice of such an Event of Default. [INSURER] shall be included as a party in interest and as a party entitled to (1) notify the Trustee of the occurrence of an Event of Default and (2) request the Trustee to intervene in

judicial proceedings that affect the Bonds or the security therefor. In addition, the provisions herein and in the Successor Agency Bonds Indenture requiring the consent, approval or direction of [INSURER] shall be applicable only at such time as [INSURER] shall be in compliance with its payment obligations under the Bond Insurance Policy and the Series 2014 Surety Bond.

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, [INSURER] shall be entitled to control and direct the enforcement of all rights and remedies granted under this Indenture to the Owners of the Bonds, or to the Trustee for the benefit of the Owners of the Bonds, including but not limited to rights and remedies which may be exercised pursuant to this Indenture following an event of default and including but not limited to the right to approve all waivers of any events of default. Except to the extent amounts are owed to [INSURER], the rights granted to [INSURER] under this Indenture shall be deemed terminated and shall not be exercisable by [INSURER] during any period during which [INSURER] shall be in default under the Bond Insurance Policy or the Series 2014 Surety Bond.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or otherwise from amounts payable under the Successor Agency Bonds). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

Section 9.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Successor Agency, [INSURER] and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the Successor Agency, [INSURER] and the Owners of the Bonds.

Section 9.03. Discharge of Indenture. (a) If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(i) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as applicable, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and the Successor Agency Bonds, is fully sufficient to pay such Bonds, including all principal, interest, premium (if any); or

(iii) subject to the requirements of Section 4.06(f), by complying with the requirements set forth in Section 9.03(b) and by irrevocably depositing with the Trustee or any other fiduciary, in trust in an escrow, Defeasance Obligations in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and the Successor Agency Bonds, be fully sufficient to pay and discharge the indebtedness on such Bonds

(including all principal, interest, premium (if any) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given pursuant to Section 2.02(d) or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, all amounts required to be paid to the United States of America as provided in Section 5.09 hereof and all expenses and costs of the Trustee and amounts due [INSURER]. In the event the Authority shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Authority has determined to pay and discharge in part. In the event the Authority shall, pursuant to the foregoing provisions, pay and discharge all of the Bonds then Outstanding, any funds thereafter held by the Trustee which are not required for said purposes, shall be paid over to the Authority.

(b) Notwithstanding anything herein to the contrary, in the event that the principal or interest due with respect to the Bonds is paid by [INSURER] pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and other assets hereunder and all covenants, agreements and other obligations of the Authority to the Bond Owners so paid shall continue to exist and shall run to the benefit of Insurer, and [INSURER] shall be subrogated to the rights of such Bond Owners.

Section 9.04. Successor Is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

Section 9.05. Content of Certificates. Excluding certificates delivered on the Closing Date, every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel,

unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 9.06. Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by their agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 9.06.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 9.07. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Successor Agency or the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the Authority and the Successor Agency shall specify to the Trustee those bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 9.08. Waiver of Personal Liability. No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 9.09. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.10. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Authority of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and furnish to the Authority a certificate of such destruction.

Section 9.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 9.12. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered by personal delivery by or when received by overnight mail or courier, or sent by fax, or other form of telecommunication, including electronic mail, addressed as follows:

If to the Authority: Riverside County Public Financing Authority
c/o Riverside County Economic Development
Agency
P.O. Box 1180
Riverside, California 92502
Attention: Executive Director
Fax: (951) 955-6686

If to the Successor Agency: Successor Agency to the Hemet Redevelopment
Agency
445 E. Florida Ave.
Hemet, CA 92543
Attention: City Manager
Fax: (951) ____-____

If to the Trustee: MUFG Union Bank, N.A.
120 South San Pedro Street, Suite 400
Los Angeles, California 90012
Attention: Corporate Trust Division
Fax: (213) 972-5694
[timothy.miller@unionbank.com]

With a copy to:
AccountAdministration-
CorporateTrust@unionbank.com

If to [INSURER]: As provided in Section 4.06()

So long as the Bond Insurance Policy or the Series 2014 Surety Bond remain in effect, the Trustee or the Authority, as applicable, shall furnish to [INSURER] a copy of any notice required to be given hereunder to the Bond Owners and any certification required to be given hereunder relating to the security for the Bonds. The Trustee or the Authority, as applicable, shall also furnish to [INSURER] a copy of any notice relating to the Successor Agency Bonds Indenture. The Trustee or the Authority, as applicable, shall notify [INSURER]: to the attention of its Surveillance Department, of any failure of the Authority under this Indenture or of the Successor Agency under the Successor Agency Bonds Indenture to give any required notice to [INSURER] and immediately of the occurrence of an Event of Default hereunder.

The Authority, the Successor Agency, the Trustee and [INSURER] may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.13. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall, be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be given to the Owners of all such Bonds, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of giving of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 9.14. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 9.15. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and MUFG UNION BANK, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY

By _____
Executive Director

Attest:

By _____
Secretary

MUFG UNION BANK, N.A., as Trustee

By _____
Authorized Officer

Refunding Project)" (the "Bonds"), limited in principal amount to _____ Dollars (\$ _____), secured by an Indenture of Trust, dated as of _____ 1, 2014 (the "Indenture"), by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from the Revenues and certain other moneys and securities held by the Trustee as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues and such other moneys and securities, and the Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or redemption premiums (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The Bonds have been issued to provide a portion of the funds to the Authority to purchase a series of tax allocation bonds (the "Successor Agency Bonds") issued by the Successor Agency to the Hemet Redevelopment Agency (the "Successor Agency") to refund certain outstanding bonds of the Successor Agency.

The Successor Agency Bonds are issued pursuant to an Indenture of Trust, dated as of _____ 1, 2014, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (the "Successor Agency Bonds Indenture") and are secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Successor Agency Bonds Indenture) allocated and paid to the Successor Agency with respect to the applicable Project Area.

The Bonds are subject to redemption as provided in the Indenture.

The Trustee on behalf and at the expense of the Authority shall give notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services (as such terms are defined in the Indenture), at least thirty (30) but not more than sixty (60) days prior to the redemption; provided, however, that neither failure to receive any such notice so given nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the serial numbers of each maturity or maturities (except that if the event of redemption is of all of the Bonds of such maturity or maturities in whole, the Trustee shall designate such maturities or the maturity in whole without referencing each individual number) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office for redemption at the

redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall give notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Trust Office or such other place as designated by the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Trustee shall not be required to register the transfer or exchange of any Bond during the period established by the Trustee for the selection of Bonds for redemption or any Bond selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the registered owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf by the facsimile signatures of its Executive Director and Secretary all as of the Dated Date identified above.

RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY

By _____
Executive Director

[S E A L]

Attest:

By _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture and registered on the Registration Books of the Trustee.

Date: _____

MUFG UNION BANK, N.A.,
as Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address, and Tax Identification or Social Security Number of Assignee)

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

LOCAL OBLIGATION PURCHASE CONTRACT

relating to

Successor Agency to the Hemet Redevelopment Agency Hemet Redevelopment Project Tax Allocation Refunding Bonds, Series 2014

_____, 2014

Successor Agency to the Hemet Redevelopment Agency
445 E. Florida Ave.
Hemet, CA 92543

Ladies and Gentlemen:

The undersigned, the Riverside County Public Financing Authority (the "Authority"), offers to enter into this Local Obligation Purchase Contract (the "Local Obligation Purchase Contract") with you, the Successor Agency to the Hemet Redevelopment Agency (the "Agency"), which, upon acceptance, will be binding upon the Agency and the Authority.

1. Purchase, Sale and Delivery of the Local Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Authority hereby agrees to purchase from the Agency, and the Agency hereby agrees to sell to the Authority, all (but not less than all) of the following (the "Local Obligation"):

\$_____ aggregate principal amount of Successor Agency to the Hemet Redevelopment Agency Hemet Redevelopment Project Area Tax Allocation Refunding Bonds, Series 2014 to be issued under the provisions of the Indenture of Trust, dated as of _____ 1, 2014 (the "Agency Indenture"), between the Agency and MUFG Union Bank, N.A., as trustee (the "Agency Bonds Trustee").

The Agency Indenture was approved by Resolution No. _____ adopted by the Agency on August __, 2014 (the "Bond Resolution") and the Official Statement relating to the Authority Bonds (as defined below) and the Agency Bonds was approved by Resolution No. _____ adopted by the Agency on _____, 2014 (together with the Bond Resolution, the "Agency Resolution"). Except as otherwise provided herein, capitalized terms used herein shall have the meanings attributed to them in the Agency Indenture.

The Local Obligations are to be dated the date of their delivery and bear interest payable on the dates and at the interest rates, and mature on the dates and in the amounts set forth in Exhibit A attached hereto. So long as the Local Obligations are held by the Authority Trustee (defined below), there shall be one Local Obligation per series and each maturity thereof in the denomination of the entire outstanding principal amount of such maturity of such series of Local Obligations.

The Local Obligations will be purchased with proceeds of the Authority's 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project) (the "Authority Bonds"). The Authority Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Revenues as provided in the Indenture of Trust, dated as of _____ 1, 2014 (the "Authority Indenture"), between the Authority and MUFG Union Bank, N.A., as trustee (the "Authority Trustee"). The issuance of the Authority Bonds has been duly authorized by the Authority pursuant to a resolution (the "Authority Resolution") adopted by the Board of Directors of the Authority on _____, 2014.

The aggregate purchase price for the Local Obligations shall be:

Principal Amount	\$ _____.
Plus Original Issue Premium	_____.
Less: Underwriters' Discount	(_____.)
Purchase price	\$ _____.

The above purchase price shall be payable from amounts held by the Authority Trustee under the Authority Indenture subject to the terms and conditions thereof. As described above, said purchase price includes the funding of underwriters' discount and costs of issuance of the Local Obligations and the Authority Bonds, which amounts shall be transferred to the Authority and paid on the Agency's behalf by the Authority for such purposes.

The Local Obligations shall be substantially in the forms described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Agency Indenture providing for the issuance of the Local Obligations and registered in the name of the Authority Trustee. Pursuant to the Agency Indenture, the Agency Bonds Trustee shall deposit or cause to be deposited from the proceeds of the Local Obligations the amounts in the funds and accounts established under the Agency Indenture.

Citigroup Global Markets Inc. [and _____] ([collectively,]the "Underwriter[s]"), have submitted to the Agency a proposed form of an agreement to purchase the Authority Bonds (the "Bond Purchase Agreement") by and between the Underwriter[s] and the Authority, which includes a Letter of Representations (the "Letter of Representations") to be executed by the Agency, each to be executed and delivered concurrently with this Local Obligation Purchase Contract.

Pursuant to the authorization of the Agency and the Authority, the Underwriter[s] [have/has] distributed copies of the Preliminary Official Statement dated _____, 2014, pertaining to the Authority Bonds and describing the Local Obligations, the Agency and its Hemet Redevelopment Project Area (the "Project Area") and certain other information deemed material to an informed investment decision respecting the Authority Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the "Preliminary Official Statement." By its acceptance of this Local Obligation Purchase Contract, the Agency hereby acknowledges the use by the Underwriter[s] of the Preliminary Official Statement. The Agency hereby approves the distribution of a final official statement (the "Official Statement") which will substantially consist of the Preliminary Official Statement and the Agency Appendix with such changes as may be made thereto, with the approval of Best Best & Krieger LLP, the Authority's Disclosure Counsel, and Jones Hall, A Professional Law Corporation, the Authority's Bonds Counsel (herein called "Bond Counsel"), and the Underwriter[s].

(b) At 8:00 a.m., California time, on _____, 2014, or at such earlier or later time or date as shall be agreed by the Agency and the Authority (such time and date being herein referred to as the "Closing Date"), the Agency will deliver to the Authority at the offices of Bond Counsel in San Francisco, California (or such other location as may be designated by the Authority and approved by the Agency), the Local Obligations in definitive forms, duly executed by the Agency and authenticated by the Agency Bonds Trustee, and will deliver to the Authority at said location, the other documents herein mentioned; and the Authority will accept such delivery and pay the purchase price of the Local Obligations as set forth in paragraph (a) of this Section by wire transfer payable as provided in the Agency Indenture (such delivery and payment being herein referred to as the "Closing"). The Local Obligations shall be made available to the Authority not later than one business day before the Closing Date for purposes of inspection.

2. Representations, Warranties and Agreements of the Agency. The Agency represents and warrants to and agrees with the Authority that:

(a) The Agency is duly existing as a successor agency under California Assembly Bill 1484 (Stats 2012 c. 26) ("AB 1484"), with full right, power and authority to adopt the Agency Resolutions, to issue the Local Obligations and to execute, deliver and perform its obligations under the Agency Indenture, the Local Obligations, the Letter of Representations, the tax certificate or certificates to be executed in connection with the issuance of the Authority Bonds and the Agency Bonds (the "Tax Certificate"), the 1999 Refunding Instructions and the 2002 Refunding Instructions (as such terms are defined in the Agency Indenture and, collectively, the "Refunding Instructions") and the Local Obligation Purchase Contract (collectively, the "Agency Documents") and to carry out and consummate the transactions contemplated by the Agency Documents, and the Agency Documents are and will be at the Closing Date valid and binding obligations of the Agency and Enforceable Obligations under AB 1484; and

(b) When delivered to and paid for by the Authority at the Closing in accordance with the provisions of this Local Obligation Purchase Contract, the Local Obligations will have been duly authorized, executed, issued and delivered and will constitute valid and binding obligations of the Agency in conformity with, and entitled to the benefit and security of, the respective Agency Indenture; and

(c) By all necessary official action, the Agency has duly adopted the Agency Resolutions at meetings properly noticed at which a quorum was present and acting throughout and has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained in, the Agency Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Agency Documents will constitute the legally valid and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against governmental agencies in the State. The Agency has complied, and will at the Closing be in compliance in all respects, with the terms of the Agency Documents; and

(d) The Agency has complied with all material requirements of the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended) (the "Law") and the California Environmental Quality Act with respect to undertaking a variety of capital improvements in the Project Area pursuant to the

redevelopment plan for the Project Area (the "Redevelopment Plan") duly adopted by the City Council of the City of Hemet; and

(e) The information relating to the Agency set forth in the Preliminary Official Statement is true and correct in all material respects, and such information does not contain a misstatement of any material fact and does not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading; and

(f) Except as otherwise disclosed in the Preliminary Official Statement, the Agency is not in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any Authority Indenture, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and, as of such times, except as disclosed in the Preliminary Official Statement, the authorization, execution and delivery of the Agency Documents, and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, Authority Indenture, loan agreement, bond, note, resolution, ordinance agreement or other to which the Agency (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Agency Documents; and

(g) All approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which would constitute conditions precedent to or the failure to obtain which would materially adversely affect the performance by the Agency of its obligations hereunder or under the Agency Documents have been duly obtained and no further consent, approval, authorization or other action or filing with or by any governmental or regulatory authority having jurisdiction over the Agency is or will be required for the issue and sale of the Local Obligations or the consummation by the Agency of the other transactions described in the Agency Documents; and

(h) Except as disclosed in the Preliminary Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened: (i) in any way questioning the corporate existence of the Redevelopment Agency of the City of Hemet (the "Former RDA") or the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of the Local Obligations, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Local Obligations, or in any way contesting or affecting the validity of the Local Obligations or the Agency Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Local Obligations from taxation or contesting the powers of the Agency or its authority to issue the Local Obligations; (iii) which may result in any material adverse change relating to the Agency; (iv) with respect to information relating to the Agency only, contesting the completeness or accuracy of the

Preliminary Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this paragraph; and

(i) The Agency will refrain from taking any action with regard to which the Agency may exercise control that results in the inclusion in gross income for federal or State income tax purposes of the interest on the Authority Bonds; and

(j) The Agency's Oversight Board has duly approved the issuance of the Local Obligation and no further Oversight Board approval or consent is required for the issuing of the Local Obligations.

The execution and delivery of this Local Obligation Purchase Contract by the Agency shall constitute a representation by the Agency to the Authority that the representations, warranties and agreements contained in this Section 2 are true as of the date hereof; provided that no member of the Governing Board of the Agency shall be individually liable for the breach of any representation, warranty or agreement contained herein.

3. Conditions to the Local Obligations of the Authority. The obligation of the Authority to accept delivery of and pay for the Local Obligations on the Closing Date shall be subject, at the option of the Authority, to the accuracy in all material respects of the representations, warranties and agreements on the part of the Agency contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Agency made in any certificates, or other documents furnished pursuant to the provisions hereof, and to the performance by the Agency of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, all conditions precedent to the purchase of the Authority Bonds by the Underwriter[s] shall have been satisfied or waived and no conditions to the obligations of the Underwriter[s] to accept delivery of and pay for the Authority Bonds on the Closing Date shall have been identified by the Underwriter[s] as an impediment to such purchase and sale;

(b) At the Closing Date, the Agency Documents shall be in full force and effect in the form heretofore submitted to the Authority and there shall have been taken in connection with the issuance of the Local Obligations and with the transactions contemplated thereby and by this Local Obligation Purchase Contract, all such actions as, in the opinion Bond Counsel, shall be necessary and appropriate;

(c) At the Closing Date, the Agency Resolutions shall not have been rescinded or amended, modified or supplemented, except as may have been agreed to by the Authority;

(d) At or prior to the Closing Date, the Authority and the Authority Trustee shall have received the following documents with respect to the Local Obligations, in each case satisfactory in form and substance to the Authority:

(1) A certified copy of the Agency Resolutions;

(2) An executed copy of each of the Agency Documents;

(3) A certificate dated the Closing Date and signed by an authorized representative of the Agency or an authorized designee, on behalf of the Agency to the effect that: (i) the representations and warranties of the Agency in the Letter of Representations are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the Agency has complied with all the agreements and satisfied all the conditions on its part to be satisfied under the Local Obligation Purchase Contract, the Agency Resolutions and the Agency Indenture at or prior to the Closing Date; and (iv) all information in the Official Statement relating to the Agency is true as of the date of the Official Statement and as of the Closing Date does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(4) Copies of the Redevelopment Plan for the Project Area, together with all amendments thereto;

(5) An unqualified opinion of Bond Counsel addressed to the Authority, the Agency and the Underwriter[s] with respect to the Local Obligations to the effect that the Local Obligations and the Agency Indenture has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the Agency Bonds Trustee, constitute the legal, valid and binding agreements of the Agency and are enforceable in accordance with their terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on legal remedies against public agencies in the State;

(6) A defeasance opinion of Bond Counsel addressed to the Authority, the Underwriter[s] and the Agency to the effect that each of the Prior Bonds (as defined in the Agency Indenture) have been legally defeased in accordance with each of the agreements pursuant to which such obligations were issued, and the owners of such obligations have ceased to be entitled to the pledge of Tax Revenues;

(7) An opinion of counsel to the Agency, dated the Closing Date and addressed to the Authority and the Underwriter[s], substantially in the form attached hereto as Exhibit B hereto;

(8) A counterpart original or certified copy of each of the documents and opinions specified in [Section 3F] of the Bond Purchase Agreement, in each case satisfactory in form and substance to the Representative (as defined in the Bond Purchase Agreement); and

(9) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Authority or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Agency contained herein, and the due performance or satisfaction by the

Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

If the Agency shall be unable to satisfy the conditions to the Authority's obligations contained in this Local Obligation Purchase Contract, this Local Obligation Purchase Contract shall terminate and neither the Authority nor the Agency shall have any further obligation hereunder.

4. Expenses. All expenses and costs of the Agency and the Authority incident to the authorization, issuance and sale of the Local Obligations and the costs incident to the authorization and issuance of the Local Obligations and the authorization, issuance and sale of the Authority Bonds including, in each case, fees and expenses of trustees, auditors, financial advisors and fiscal consultant fees and continuing disclosure and rating agency costs, Bond Counsel, Disclosure Counsel and counsel for the Agency, shall be paid by the Agency from proceeds of the Authority Bonds or otherwise in accordance with the Dissolution Act.

5. Indemnification. The Agency, to the fullest extent permitted by law, shall indemnify, defend and hold harmless the Authority and the County and their respective officers, directors, agents and employees and the Underwriter[s] (each an "Indemnified Party"), from and against any and all Indemnifiable Losses arising out of, resulting from, or in any way connected with:

(a) with respect to the Agency and the Project Area, the redevelopment projects financed, or the conditions, occupancy, use, possession, conduct or management of, work done in or about, or from the planning, design, acquisition, installation or construction, of any facilities within the redevelopment projects, or any part thereof, including, without limitation, Indemnifiable Losses resulting from or in any way relating to any generation, processing, handling, transportation, storage, treatment or disposal of solid wastes, Hazardous Substances including, but not limited to, any of those activities occurring, to occur or having previously occurred and any releases on, under or from the facilities occurring or existing prior to or after the execution and delivery of this Local Obligation Purchase Contract and the Local Obligations;

(b) the issuance, sale or remarketing of the Authority Bonds, as they relate to the Agency, the Project Area, the Tax Revenues (as defined in the Agency Indenture), the Redevelopment Plan, the Agency Indenture or the Local Obligations and the carrying out of any of the transactions or undertakings contemplated by the Agency Indenture, the Local Obligations, the Authority Indenture or any document delivered by the Agency pursuant to, or in connection with, any of the foregoing;

(c) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of any material fact concerning the Agency, the Project Area, the Tax Revenues or the Redevelopment Plan in any official statement, offering statement, offering circular or continuing disclosure document for the Authority Bonds or any statement made in connection with the purchase or sale of the Authority Bonds (other than any such statement in the Official Statement provided by the County, the Authority or other successor agency mentioned in the Official Statement, expressly for use in the Official Statement or any other official statement, offering statement, offering circular or continuing disclosure document for the Authority Bonds), or any omission or alleged omission to state a material fact concerning the Agency, the Project Area, Tax Revenues or the Redevelopment Plan necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(d) any declaration of taxability of interest paid or payable on the Authority Bonds attributable to the Agency, the Project Area, the Tax Revenues, the Redevelopment Plan, the Agency Indenture or the Local Obligations, or allegations (or regulatory inquiry) that interest paid or payable on the Authority Bonds attributable to the Agency, the Project Area, the Tax Revenues, the Redevelopment Plan, the Agency Indenture or the Local Obligations is taxable, for federal income tax purposes;

(e) the Agency Bonds Trustee's acceptance or administration of the trust of the Agency Indenture or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Local Obligations to which it is a party;

(f) any misrepresentation or breach of warranty by the Agency of any representation or warranty in this Local Obligation Purchase Contract, the Agency Indenture, the Letter of Representations, the Local Obligations or any document delivered by the Agency pursuant to, or in connection with, any of the foregoing or the Local Obligations;

(g) any breach by the Agency of any covenant or undertaking set forth in this Local Obligation Purchase Contract, the Agency Indenture, the Letter of Representations, the Local Obligations, or any document delivered by the Agency pursuant to, or in connection with, any of the foregoing or the Local Obligations;

(h) the exercise and performance of the Indemnified Parties' powers and duties expressly required by and pursuant to any Adverse Change in State Law or pursuant to any Court Order obtained in connection with any Adverse Change in State Law.

The Authority agrees to notify the Agency promptly, but in no event later than 45 business days, after written notice to the County or the Authority that any third party has brought any action, suit or proceeding against an Indemnified Party that may result in an Indemnifiable Loss (a "Third Party Action"). Upon such notice or other notice from an Indemnified Party of a Third Party Action, the Agency shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to the Agency, and shall assume the payment of all Litigation Expenses (as defined in this Section) related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove (in its sole and absolute discretion) any such compromise or settlement and the Indemnified Party has no liability with respect to any compromise or settlement of any Third Party Claim effected without its written approval. If the Indemnified Party fails to provide such notice to the Agency, the Agency is still obligated to indemnify the Indemnified Party for Indemnifiable Losses.

The rights and undertakings set forth in this Section do not terminate and shall survive the final payment or defeasance of the Local Obligations and the termination or defeasance of the Agency Indenture or any related agreement.

For purposes of this Section, the term "Adverse Change in State Law" means a change in State law, including any judicial decision that adversely affects the ability of the Agency to comply with the Agency Indenture.

For purposes of this Section, the term "Environmental Regulation" shall mean any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to

dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

For purposes of this Section, the term "Hazardous Substances" shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to facilities in the Project Area or to Persons on or about facilities in the [Project Area] or (ii) cause facilities in the Project Area to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Environmental Quality Act ("CEQA"), California Public Resources Code § 21000 et seq.; the California Hazardous Waste Control Law ("HWCL"), California Health and Safety §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), California Health and Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, California Health and Safety §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), California Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of facilities in the Project Area or the owners and/or occupants of property adjacent to or surrounding facilities in the Project Area, or any other Person coming upon the facilities in the [Project Area] or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

For purposes of this Section "Indemnifiable Losses" shall mean the aggregate of Losses and Litigation Expenses; provided that such indemnification pursuant to this Section shall not apply to Losses or Litigation Expenses resulting because of the sole and active negligence or willful misconduct of any Indemnified Party.

For purposes of this Section "Litigation Expenses" shall mean any court filing fee, court cost, witness fee, any fee associated with any alternative dispute resolution mechanism (such as arbitration or mediation), and each other fee and cost of investigating and defending or asserting a claim, including, without limitation, in each case, attorneys' fees, other professionals' fees and disbursements.

For purposes of this Section "Losses" shall mean any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages (other than punitive damages to the extent they may not, under law, be indemnified), diminution in value, fine, fee and penalty, and other charge or cost, of every conceivable kind, character and nature whatsoever, contingent or otherwise, known or unknown, except Litigation Expenses.

The Agency shall place all costs expected to be incurred and actually incurred in connection with its indemnification obligations, including any amounts in connection with a valid

indemnification claim received from the County or the Authority, on the next ROPS and shall make best efforts at ensuring that such expenditures are approved by the Oversight Board and the DOF. Any unpaid amounts shall constitute a debt and an enforceable obligation of the Agency and shall continue to be carried forward and placed on subsequent ROPS until paid in full. If payable to the County or the Authority, the term "paid in full" in the preceding sentence includes payment of interest in addition to the unpaid amount and the interest rate on the unpaid amount shall increase over time as follows: (a) the rate of return earned by the Riverside County Treasury Pool for the relevant time period ("County Pool Rate") for the first year that payments are overdue to the County or the Authority; (b) the County Pool Rate plus 3 percent for the second year that payments are overdue to the County or the Authority; (c) the County Pool Rate plus 6 percent for the third year the payments are overdue and (d) the County Pool Rate plus 9 percent for the fourth year and any additional years the payments are overdue; provided, however, that in no event shall the interest rate exceed 10 percent in any year. The payment of any Indemnifiable Losses that are reimbursable under this Local Obligation Purchase Contract shall be subordinate to the payment of debt service on the Local Obligations.

6. Notices. Any notice or other communication to be given to the Agency under this Local Obligation Purchase Contract may be given by delivering the same in writing at the Agency's address set forth above, Attention: City Manager, and any such notice or other communications required to be given to the Authority may be given by delivering the same in writing to the Authority at Riverside County Public Financing Authority, 4080 Lemon St. Riverside, California 92501, Attention: Chief Executive Officer. The approval of the Authority when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Authority and delivered to the Agency.

7. Parties In Interest; Governing Law. This Local Obligation Purchase Contract is made solely for the benefit of the Agency, the Authority, the County, the Underwriter[s] and the Authority Trustee and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. This Local Obligation Purchase Contract shall be governed by the laws of the State.

8. Pledge; Assignment. The Agency hereby approves the Authority Indenture and the pledge and assignment of all of the Authority's right, title and interest in this Local Obligation Purchase Contract and the Local Obligations to the Authority Trustee under the Authority Indenture for the benefit of the Owners of the Authority Bonds (as provided in the Authority Indenture).

9. Limitation on Liability. The Authority shall incur no liability hereunder or by reason hereof or arising out of the transactions contemplated hereby, and shall be under no obligation to purchase the Local Obligations hereunder, except from proceeds of the Authority Bonds available therefor held by the Authority Trustee under, and subject to the conditions set forth in, the Authority Indenture. The Agency shall incur no liability hereunder or by reason hereof or arising out of the transactions contemplated hereunder, except as otherwise provided in Sections 3, 4 and 5 hereof, or be obligated to make any payments with respect to the Local Obligations, except from amounts pledged to the payment of the respective Local Obligations pursuant to the terms thereof.

10. Counterparts. This Local Obligation Purchase Contract may be signed in two or more counterparts; all such counterparts, when signed by all parties, shall constitute but one single agreement.

RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY

By _____
Assistant Executive Director

ACCEPTED AND AGREED TO:
SUCCESSOR AGENCY TO THE HEMET
REDEVELOPMENT AGENCY

By _____

Exhibit A

\$ _____ 6,505,000
Successor Agency to the Hemet Redevelopment Agency
Hemet Redevelopment Project
Tax Allocation Refunding Bonds, Series 2014

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Price (%)</u>	<u>Yield (%)</u>
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Exhibit B

[Form of Agency Counsel Opinion]

_____, 2014

Riverside County Public Financing Authority
Riverside, California

Citigroup
Los Angeles, California

Successor Agency to the Hemet Redevelopment
Agency
Hemet, California

[INSURER]

RE: Successor Agency to the Hemet Redevelopment Agency Hemet Redevelopment
Project Tax Allocation Refunding Bonds, Series 2014

Ladies and Gentlemen:

This firm acts as counsel of the Successor Agency to the Hemet Redevelopment Agency (the "Agency"), and in connection with the issuance and delivery of \$_____ principal amount of the Successor Agency to the Hemet Redevelopment Agency Hemet Redevelopment Project Tax Allocation Refunding Bonds, Series 2014 (the "Local Obligations"), we have examined originals (or copies certified or otherwise identified to our satisfaction) of such documents, records and other instruments as we deem necessary or appropriate for the purposes of rendering this opinion, including, without limitation, Resolution No. _____ adopted by the governing board of the Agency on August __, 2014 and Resolution No. _____ adopted by the governing board of the Agency on _____, 2014 (collectively, the "Agency Resolutions"), Resolution OB No. _____ of the Oversight Board for the Successor Agency to the Hemet Redevelopment Agency adopted on _____, 2014, the letter to the Agency from the Department of Finance dated _____, 2014 approving the issuance of the Local Obligations, and the Indenture of Trust, dated as of _____ 1, 2014 (the "Agency Indenture"), between the Agency and MUFG Union Bank, N.A., as trustee (the "Agency Bonds Trustee") Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Local Obligation Purchase Contract, dated _____, 2014, by and between the Riverside County Public Financing Authority (the "Authority") and the Agency.

We have also reviewed such other documents and matters of fact and law as we deem necessary in connection with the following opinions; and all capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Contract.

The opinions expressed herein are based on an analysis of existing statutes, 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 or events are taken or do occur. We express no opinion with respect to any indemnification, contribution, lien priority or choice of law provisions contained in the foregoing documents.

In our examination, we have assumed, without independent investigation, the authenticity of all documents submitted to us as originals, of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents and the accuracy of the statements and representations contained in such documents. In addition, we have assumed the authority of and due execution by each of the parties to the documents other than the Agency.

As used in this opinion, the phrase "to our best knowledge" means knowledge as we have obtained from (i) the incumbency and signature certificate of the Agency, (ii) the representations and warranties contained in each closing certificate of the Agency, and (iii) knowledge of facts or other information currently known to lawyers in our firm who have performed legal services for the Agency.

Based upon the foregoing, we are of the opinion that:

(A) The Agency is duly existing as a successor agency under California Assembly Bill 1484 (Stats 2012 c. 26) ("AB 1484"), with full legal right, power and authority to enter into the Local Obligation Purchase Contract and to issue the Local Obligations and to perform all of its obligations under the Local Obligation Purchase Contract and the Local Obligations;

(B) The Agency Resolutions approving and authorizing the execution and delivery of the Agency Indenture, the Local Obligations, the Letter of Representations, the Continuing Disclosure Agreement, the Refunding Instructions and the Local Obligation Purchase Contract (collectively, the "Agency Documents") and approving the Official Statement has been duly adopted, and the Agency Resolutions are in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(C) The Agency Documents have been duly authorized, executed and delivered by the Agency and constitute valid and binding legal obligations of the Agency enforceable in accordance with their respective terms, provided, that no opinion is expressed with respect to the laws of the State of California relating to indemnification and debt limitations and debt restrictions applicable to public entities, and except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against governmental entities in the State of California;

(D) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending, with process having been served, or to the best knowledge of such counsel after due inquiry, threatened in writing, against the Agency, challenging the creation, organization or existence of the Agency (or the Former RDA) or the validity of the Agency Documents or seeking to restrain or enjoin the repayment of the Authority Bonds or the Local Obligations or in any way contesting or affecting the validity of the Agency Documents or

contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or which, in any manner, questions the right of the Agency to use the Tax Revenues (as defined in the Local Obligations) for repayment of the Local Obligations or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues or the Project Area's plan limits as described in the Official Statement;

(E) Without expressing an opinion with respect to acts of the Department of Finance or the Oversight Board, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Agency, nor any person, board or body, public or private, is required as of the date hereof for the issue and sale of the Local Obligations or the consummation by the Agency of the other transactions described in the Agency Documents; and

(F) Except as otherwise disclosed in the Official Statement, there are no outstanding bonds, notes or other obligations of the Agency which are payable out of Tax Revenues from the Project Area.

Our opinion is further qualified by the following:

(a) We express no opinion with respect to the laws of any state or jurisdiction other than California and the United States regarding the enforceability of any transaction mentioned herein or the interpretation, authorization, execution, validity, enforceability or effect of any of the documents mentioned herein; provided further that we express no opinion with respect to California or federal tax and securities law.

(b) As counsel to the Agency in this matter, we have not rendered financial advice to the Agency and do not represent by this opinion, or otherwise, that we reviewed or made any assessment about, nor do we express any opinion about, the ability of the Agency to pay debt service or amounts due under the Indenture, and accordingly, we offer no opinion whatsoever regarding such financial feasibility or ability to repay the Bonds.

(c) We express no opinion as to the validity and enforceability of any indemnity or liquidated damages provisions.

This letter is furnished by us as counsel to the Agency. Other than the Agency, no attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds.

We bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of a result.

Respectfully submitted,

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

§ _____
**2014 Tax Allocation Revenue Bonds,
(Hemet Refunding Project)**

BOND PURCHASE AGREEMENT

_____, 2014

Riverside County of Public Financing Authority
c/o County of Riverside
Riverside, California

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the "Underwriter") acting in its capacity as principal and not as a fiduciary or agent, offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the Riverside County Public Financing Authority (the "Authority"), which upon acceptance will be binding upon the Underwriter and the Authority. The agreement of the Underwriter to purchase the Bonds (as hereinafter defined) is contingent upon the Authority purchasing the Local Obligations (as hereinafter defined) from the Successor Agency to the Hemet Redevelopment Agency (the "Agency"), upon the Authority satisfying all of the obligations imposed upon it under this Purchase Agreement and upon the delivery of an executed certificate of the Agency in the form substantially set forth in Exhibit B hereto on the date hereof (the "Agency Letter of Representations"). This offer is made subject to the Authority's acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 8:00 p.m., California local time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Indenture (as hereinafter defined).

1. Purchase, Sale and Delivery of the Bonds.

A. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority and the Authority hereby agrees to sell to the Underwriter all (but not less than all) of the \$ _____ aggregate principal amount of the Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project) (the "Bonds").

The Bonds shall be dated the Closing Date (as hereinafter defined). The purchase price, interest rates and maturity dates for the Bonds shall be as shown on Exhibit A hereto.

The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth in Exhibit A attached hereto and incorporated herein by reference, provided, however, that the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to

resell the Bonds to the public on terms consistent with this Purchase Agreement, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriter to the Authority for the Bonds.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Revenues as provided in the Indenture of Trust dated as of _____ 1, 2014, (the "Indenture") by and between the Authority and MUFG Union Bank, N.A., as Trustee (the "Trustee"), the Preliminary Official Statement (as hereinafter defined), Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and Parts 1.8 and 1.85 of Division 24 of the Health and Safety Code of the State of California (the "Bond Law"). The issuance of the Bonds has been duly authorized by the Authority pursuant to a resolution (the "Authority Resolution") adopted by the Board of Directors of the Authority on _____, 2014.

The net proceeds of the Bonds will be used to purchase the \$ _____ aggregate principal amount of the Agency's Hemet Redevelopment Project Tax Allocation Refunding Bonds, Series 2014 (the "Local Obligations").

The Local Obligations shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from tax increment revenues pledged thereto as provided in the Indenture of Trust dated as of _____ 1, 2014, by and between the Agency and MUFG Union Bank, N.A., as trustee (the "Local Obligations Indenture").

The Local Obligations shall be issued in accordance with Parts 1.8 and 1.85 of Division 24 of the Health & Safety Code of the State of California (as amended from time to time, the "Dissolution Act"). The issuance of the Local Obligations has been duly authorized by a resolution adopted by the members of the Agency (the "Agency Resolution") and by a resolution (the "Oversight Board Resolution") of the Oversight Board for the Agency (the "Oversight Board"). The net proceeds of the Local Obligations will be used as indicated in the Local Obligations Indenture. The Local Obligations shall be purchased by the Authority pursuant to the terms of a Local Obligation Purchase Contract (the "Local Obligation Purchase Contract") by and between the Authority and the Agency.

The Local Obligations are being issued to (i) [to acquire a debt secure reserve fund surety policy (a "Surety Policy") from [INSURER] (the "Insurer")], (ii) to pay costs of issuance of the Local Obligations, (iii) [to purchase a municipal bond insurance policy (the "Policy")], and (iv) to refund and defease the bonds or obligations issued by the predecessor in interest to the Agency as set forth in Exhibit D hereto. Such bonds or obligations are referred to collectively or individually herein as the "Refunded Bonds."

B. The Authority hereby acknowledges that the Underwriter is entering into this Purchase Agreement in reliance on the representations, warranties and agreements made by the Authority herein, and the Authority shall take all action necessary to enforce its rights hereunder for

the benefit of the Underwriter and shall immediately notify the Underwriter if it becomes aware that any representation, warranty or agreement made by the Agency in connection herewith is incorrect in any material respect.

The Authority acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority or the County of Riverside (the "County") on other matters); and (iv) the Authority has consulted its own legal, financial and other advisors to the extent that it has deemed appropriate.

C. Pursuant to the authorization of the Authority, the Underwriter has distributed copies of the Preliminary Official Statement dated _____, 2014, relating to the Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the "Preliminary Official Statement." By its acceptance of this Purchase Agreement, the Authority hereby ratifies the use by the Underwriter of the Preliminary Official Statement and the Authority agrees to execute a final official statement relating to the Bonds (the "Official Statement") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Jones Hall, A Professional Law Corporation, the Authority's Bond Counsel (herein called "Bond Counsel"), and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 2(N) hereof. The Authority hereby authorizes and requires the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The Authority further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Indenture, the Local Obligations Indenture, this Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by or on behalf of the Authority or the Agency to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

D. To assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the Agency will undertake pursuant to a Continuing Disclosure Agreement, dated as of _____ 1, 2014 (the "Continuing Disclosure Agreement"), by and among the Agency and the Authority, as dissemination agent (the "Dissemination Agent"), and the Trustee, to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

E. Except as the Underwriter and the Authority may otherwise agree, the Authority will deliver to the Underwriter, at the offices of Bond Counsel in San Francisco, California, or at such other location as may be mutually agreed upon by the Underwriter and the Authority, the documents hereinafter mentioned; and the Authority will deliver to the Underwriter through the facilities of The Depository Trust Company ("DTC") in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the Authority and authenticated by the Trustee in the manner provided for in the Indenture and the Bond Law at

8:00 a.m. California time, on _____, 2014 (the "Closing Date"), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (A) of this Section by wire transfer, payable in federal or other immediately available funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

2. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriter that:

A. The Authority is a joint exercise of powers authority, duly organized and existing under the Constitution and laws of the State of California, and formed pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code (the "JPA Act"), with full right, power and authority: (i) to enter into this Purchase Agreement and the Local Obligation Purchase Contract; (ii) to enter into the Indenture; (iii) to adopt the Authority Resolution authorizing the issuance of the Bonds and entry into this Purchase Agreement and the Indenture and to take all other actions on the part of the Authority relating thereto; (iv) to issue, sell and deliver the Bonds to the Underwriter as provided herein; (v) to purchase the Local Obligations; and (vi) to carry out and consummate the transactions on its part contemplated by this Purchase Agreement, the Indenture, the Local Obligation Purchase Contract, the Continuing Disclosure Agreement and the Official Statement.

The Indenture, the Bonds, this Purchase Agreement, the Continuing Disclosure Agreement and the Local Obligation Purchase Contract are collectively referred to herein as the "Authority Documents."

B. By all necessary official action of the Authority, the Authority has duly authorized and approved the execution and delivery by the Authority of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents, and has approved the use by the Underwriter of the Preliminary Official Statement and the Official Statement and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties thereto, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. To the best of the Authority's knowledge, the Authority has complied, and will at the Closing Date be in compliance in all respects, with the terms of the Authority Documents that are applicable to the Authority.

C. The information in the Preliminary Official Statement and in the Official Statement (other than statements pertaining to the book-entry system and under the captions "SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY," "THE HEMET REDEVELOPMENT PROJECT AREA" and "ESTIMATED REVENUES AND BOND RETIREMENT" and Appendices [B, C, D and E] as to which no view is expressed), is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (D) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any

statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

D. Up to and including 25 days after the End of the Underwriting Period (as defined below), the Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. As used herein, the term "End of the Underwriting Period" means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Authority at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

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

F. To the best knowledge of the Authority, at the time of acceptance, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an "Action") pending (notice of which has been served on the Authority) or to the best knowledge of the Authority threatened, in which any such Action: (i) in any way questions the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Revenues (as defined in the Indenture) or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the

validity of the Authority Documents or the consummation of the transactions on the part of the Authority contemplated thereby; (iii) contests the exclusion of the interest on the Bonds from federal or state income taxation or contests the powers of the Authority which may result in any material adverse change relating to the financial condition of the Authority; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and, as of the time of acceptance hereof, there is not, and as of the Closing Date, there will be no known basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

G. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter and at the expense of the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds, provided; however, that the Authority will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

H. The Authority Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement. The Authority represents that the Bonds, when issued, executed and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Authority, entitled to the benefits of the Indenture pursuant to which such Bonds were issued. The Indenture creates a valid pledge of the moneys in certain funds and accounts established pursuant to such Indenture, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

I. The issuance and sale of the Bonds is not subject to any transfer or other documentary stamp taxes of the State of California or any political subdivision thereof.

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

K. Any certificate signed by any authorized officer of the Authority and delivered to the Underwriter in connection with the issuance and sale of the Bonds shall be deemed to be a representation and covenant by the Authority to the Underwriter as to the statements made therein.

L. The Authority will apply the proceeds of the Bonds in accordance with the Indenture.

M. Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity,

plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the Authority will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture related to the Bonds.

N. The Preliminary Official Statement was deemed final by a duly authorized officer of the Authority prior to its delivery to the Underwriter, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of the Rule. The Authority hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Authority shall cause a final printed form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of the Rule and Rules G-12, G-15, G-32 and G-36 of the Municipal Securities Rulemaking Board.

The Authority hereby approves the preparation and distribution of the Official Statement, consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of Bond Counsel, and the Underwriter, from time to time prior to the Closing Date.

The Authority hereby ratifies any prior use of and authorizes the future use by the Underwriter, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, this Purchase Agreement, the Local Obligation Purchase Contract, the Continuing Disclosure Agreement and all information contained herein, and all other documents, certificates and written statements furnished by the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

The execution and delivery of this Purchase Agreement by the Authority shall constitute a representation to the Underwriter that the representations and warranties contained in this Section 2 are true as of the date hereof.

3. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the Authority contained herein, on the part of the Agency contained in the Agency Letter of Representations, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and the Agency made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date, to the performance of the Agency of its obligations to be performed under the Local Obligation Purchase Contract at or prior to the Closing Date and, to the following additional conditions:

A. At the Closing Date, the Authority Resolution, the Agency Resolution, the Authority Documents, the Local Obligation Indenture, the Continuing Disclosure Agreement and the Irrevocable Refunding Instructions relating to the respective Refunded Bonds, each dated as of _____, 2014 (collectively, the "Irrevocable Refunding Instructions"), shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the Local Obligations, and with the transactions contemplated

thereby, and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

B. At the Closing Date, except as was described in the Preliminary Official Statement, the Authority shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound, and the performance by the Authority of its obligations under the Authority Documents, the Authority Resolution and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the Authority of its obligations under the Authority Documents or the Authority Resolution.

C. At the Closing Date, except as described in the Preliminary Official Statement, the Agency shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which any Agency is a party or is otherwise subject or bound, and the performance by the Agency of its obligations under its Local Obligations, Agency Resolution, Local Obligations Indenture, Local Obligation Purchase Contract, Continuing Disclosure Agreement, Irrevocable Refunding Instructions and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed hereunder, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Agency is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the Agency of its obligations under the Local Obligation Indenture, the Local Obligations issued by the Agency or the performance of the conditions precedent to be performed by Agency under the Local Obligation Purchase Contract, under the Continuing Disclosure Agreement, or under the Irrevocable Refunding Instructions.

D. The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant hereto, true and correct in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto, 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.

E. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the cover page of the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

1. Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States of America, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, 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 Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

2. 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 Bonds or the Local Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture or the Local Obligation Indenture are 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 Bonds or the Local Obligations, 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 laws as amended and then in effect;

3. A general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by federal, State of New York or State of California officials authorized to do so;

4. The introduction, proposal or enactment of any amendment to the United States or California Constitution or any action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Authority or the Agencies, their property, income, securities (or interest thereon), the validity or enforceability of Local Obligations, or the ability of the Authority to purchase any Local Obligations as contemplated by the Local Obligation Indenture, the Local Obligation Purchase Contract and the Official Statement;

5. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material

fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

6. Any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds, the Local Obligations or obligations of the general character of the Bonds or the Local Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

7. There shall have occurred any material outbreak or escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States of America is such as to make it impracticable, in the reasonable judgment of the Underwriter, following consultation with the Authority, to sell the Bonds;

8. Any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the Agency, the County or the Authority;

9. An adverse event has occurred affecting the financial condition or operation of the Agency which, in the opinion of the Underwriter, requires or has required a supplement or amendment to the Official Statement; or

10. Any rating of the securities of the Agency shall have been downgraded, suspended or withdrawn by a national rating service, or there shall have been any official statement by a national rating service as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification), in either case which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

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

F. At or prior to the Closing Date, the Underwriter shall have received a counterpart original or certified copy of the following documents, in each case satisfactory in form and substance to the Underwriter:

1. The Official Statement, executed on behalf of the Authority by its Executive Director or other authorized officer;

2. The Indenture, duly executed and delivered by the Authority and the Trustee, and the Local Obligation Indenture, duly executed and delivered by the Agency and the applicable trustee or fiscal agent;

3. The Authority Resolution, together with a certificate of the Secretary of the Authority, dated as of the Closing Date, to the effect that such resolution is a true, correct and complete copy of the resolution duly adopted by the Board of Directors of the Authority;

4. The Agency Resolution and the Irrevocable Refunding Instructions, together with a certificate dated as of the Closing Date of each agency to the effect that the Agency Resolution is a true, correct and complete copy of the resolution duly adopted by that Agency's Board;

5. The Local Obligation Purchase Contract executed by the Authority and the Agency and the Continuing Disclosure Agreement executed and delivered by the Agency, the Authority and the Trustee;

6. Unqualified approving opinions for the Bonds, dated the Closing Date and addressed to the Authority, of Bond Counsel, to the effect the Bonds are the valid, legal and binding obligations of the Authority and that the interest thereon is excluded from gross income for federal income tax purposes and exempt from personal income taxes of the State of California, in substantially the form included as Appendix F to the Official Statement, together with one or more letters of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion addressed to the Authority may be relied upon by the Underwriter to the same extent as if such opinions were addressed to it;

7. A supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that:

(i) this Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Underwriter, constitutes the legal, valid and binding agreement of the Authority and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on legal remedies against public agencies in the State of California;

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

(iii) the information contained in the Official Statement on the cover and under the captions "INTRODUCTION," "PLAN OF FINANCE," "THE BONDS," "SECURITY FOR THE BONDS AND THE AGENCY BONDS," "OTHER INFORMATION - Tax Matters" in Appendix D and F to the Official Statement, are accurate insofar as such statements purport to summarize certain provisions of the Bonds, the Local Obligations, the Indenture, the Local Obligation Indenture, Bond Counsel's final approving opinion;

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

8. An unqualified opinion of Bond Counsel addressed to the Authority, the Agency and the Underwriter with respect to the Local Obligations that the Local Obligations and the Local Obligation Indenture has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the applicable trustee or fiscal agent, constitute the legal, valid and binding agreements of the Agency and are enforceable in accordance with their terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on legal remedies against public agencies in the State of California.

9. One or more defeasance opinions of Bond Counsel addressed to the Authority, the Underwriter and the Agency to the effect that each of the Refunded Bonds have been legally defeased in accordance with each of the agreements pursuant to which such Refunded Bonds were issued, and the owners of such obligations have ceased to be entitled to the pledge of tax increment revenues thereunder;

10. An opinion of counsel to the Agency, dated the Closing Date and addressed to the Authority and the Underwriter, substantially in the form attached hereto as Exhibit C;

11. A letter, dated the Closing Date and addressed to the Underwriter, of Best Best & Krieger LLP, Disclosure Counsel, to the effect that Disclosure Counsel is not passing upon and has not undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement, and is, therefore, unable to make any representation to the Underwriter in that regard, but on the basis of its participation in conferences with representatives of the Authority, the Agency, the Financial Advisor, representatives of the Underwriter and others, during which conferences the content of the Official Statement and related matters were discussed, and its examination of certain documents, and, in reliance thereon and based on the information made available to it in its role as Disclosure Counsel and its understanding of applicable law, Disclosure Counsel advises the Underwriter as a matter of fact, but not opinion, that no information has come to the attention of the attorneys in the firm working on such matter which has led them to believe that the Official Statement (excluding therefrom information regarding [the Insurer, the Policy,] the Surety Bond, the financial and statistical data, forecasts, charts, numbers, estimates, projections, assumptions and expressions of opinion included in the Official Statement, information regarding DTC and its book entry system, as to all of which no opinion is expressed) as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and advising the Underwriter that, other than reviewing the various certificates and opinions required by this Purchase Agreement regarding the Official Statement, Disclosure Counsel has not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Official Statement;

12. A letter, dated the Closing Date and addressed to the Underwriter, of Stradling Yocca Carlson & Rauth, a Professional Corporation, Underwriter's Counsel, to the effect that Underwriter's Counsel is not passing upon and has not undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement, and is, therefore, unable to make any representation to the Underwriter in that regard, but on the basis of its participation in conferences with representatives of the Authority, the Agency, Bond Counsel,

Disclosure Counsel, the Financial Advisor, representatives of the Underwriter and others, during which conferences the content of the Official Statement and related matters were discussed, and its examination of certain documents, and, in reliance thereon and based on the information made available to it in its role as Underwriter's Counsel and its understanding of applicable law, Underwriter's Counsel advises the Underwriter as a matter of fact, but not opinion, that no information has come to the attention of the attorneys in the firm working on such matter which has led them to believe that the Official Statement (excluding therefrom information regarding [the Insurer, the Policy, the Surety Bond,] the financial and statistical data, forecasts, charts, numbers, estimates, projections, assumptions and expressions of opinion included in the Official Statement, information regarding DTC and its book entry system, as to all of which no opinion is expressed) as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and advising the Underwriter that, other than reviewing the various certificates and opinions required by this Purchase Agreement regarding the Official Statement, Underwriter's Counsel has not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Official Statement;

13. A certificate, dated the Closing Date and signed by the Chairman of the Board of Directors of the Authority or other authorized officer, to the effect that: (i) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Authority Documents and the Authority Resolution at or prior to the Closing Date;

14. A certificate dated the Closing Date and signed by an authorized representative of the Agency to the effect that: (i) the representations and warranties of the Agency in the Agency Letter of Representations are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the Agency has complied with all the agreements and satisfied all the conditions on its part to be satisfied under the Local Obligation Purchase Contract, the Agency Resolution and the Local Obligation Indenture at or prior to the Closing Date; and (iv) all information in the Official Statement under the captions "SECURITY FOR THE BONDS AND THE AGENCY BONDS," "SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY," "THE HEMET REDEVELOPMENT PROJECT AREA," "ESTIMATED REVENUES AND BOND RETIREMENT," "BOND OWNER'S RISKS" and "OTHER INFORMATION — Continuing Disclosure" and in Appendices B and C is true as of the date of the Official Statement and as of the Closing Date does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

15. An opinion of County Counsel, as counsel to the Authority, dated the date of Closing and addressed to the Underwriter, the Authority and the Agency, to the effect that:

(i) The Authority is a public body, corporate and politic, duly organized and validly existing as a joint powers authority under the laws of the State of California;

(ii) The Authority has full legal power and lawful authority to enter into the Authority Documents and to carry out the transactions contemplated under the Authority Documents;

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

(iv) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

(v) To the best knowledge of such counsel, the execution and delivery of the Authority Documents and the Official Statement and compliance with the provisions thereof under the circumstances contemplated thereby: (a) do not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound; and (b) do not and will not in any material respect or constitute on the part of the Authority a violation, breach of or default under any court order or consent decree to which the Authority is subject;

(vi) The Authority Documents and the Official Statement have been duly authorized by the Board of Directors of the Authority and executed on its behalf by an authorized officer of the Authority; and

(vii) Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the Authority) or, to such counsel's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the Authority, or the titles of its members and officers to their respective offices; (b) enjoin or restrain the issuance, sale and delivery of the Bonds, the collection of the Revenues or the pledge thereof; (c) in any way question or affect any of the rights, powers, duties or obligations of the Authority with respect to the Revenues or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Bonds; (d) in any way question or affect any authority for the issuance of the Bonds, or the validity or enforceability of the Bonds; or (e) in any way question or affect the Authority Documents or the transactions contemplated by the Authority Documents, the Official Statement, or any activity regarding the Bonds;

16. A certificate of Urban Analytics, dated the date of the Closing, addressed to the Authority and the Underwriter, in form and substance acceptable to the Underwriter, (i) certifying as to the accuracy of the information contained in APPENDIX [F] —“REPORT OF FISCAL CONSULTANT” and the information in the Official Statement under the captions “SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY,” “THE HEMET REDEVELOPMENT PROJECT AREA,” and “ESTIMATED REVENUES AND BOND RETIREMENT” (ii) consenting to the inclusion of such firm’s Fiscal Consultant’s Report in the Preliminary Official Statement and the Official Statement, and (iii) stating that, to the best of such firm’s knowledge, but without having conducted any investigation with respect thereto, nothing has come to such firm’s attention between the date of such report and the date hereof which would materially alter any of the conclusions set forth in such report;

17. Certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution of the Indenture and the authentication of the Bonds;

18. A Certificate of the Trustee addressed to the Underwriter and the Authority dated the Closing Date, to the effect that: (i) the Trustee is authorized to carry out corporate trust powers, and has full power and authority to perform its duties under the Indenture and the Continuing Disclosure Agreement; (ii) the Trustee is duly authorized to execute and deliver the Indenture and the Continuing Disclosure Agreement, to accept the obligations created by the Indenture and to authenticate the Bonds pursuant to the terms of the Indenture; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Indenture and the Continuing Disclosure Agreement; and (iv) to the best of its knowledge, compliance with the terms of the Indenture will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties;

19. An opinion of counsel to the Trustee, dated the Closing Date, addressed to the Underwriter, the Authority and the Agencies to the effect that the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America having full power and being qualified to enter into, accept and agree to the provisions of the Indenture and the Continuing Disclosure Agreement, and that the Indenture and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Trustee, and, assuming due execution and delivery by the respective other parties thereto, constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors’ rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought;

20. A certificate of the Authority dated the Closing Date, in a form acceptable to Bond Counsel and the Underwriter, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

21. A Certificate of the trustee for the Local Obligations in form and substance acceptable to the Authority, Bond Counsel and the Underwriter;

22. An opinion of counsel to the trustee of the Local Obligations dated the Closing date, addressed to the Agency, the Authority and the Underwriter in form and substance acceptable to the Underwriter;

23. An opinion of Counsel to the fiscal agent for each of the Refunded Bonds, date the Closing Date, and addressed to the Agency, the Authority and the Underwriter in form and substance acceptable to the Underwriter;

24. A letter addressed to the Authority and the Agencies, dated the date of the Closing, from [VERIFICATION AGENT], Certified Public Accountants verifying the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of the government obligations, together with other moneys, if any, to be deposited in the applicable escrow fund to pay when due pursuant to the stated maturity or call for redemption the principal of and interest and premium with respect to the Refunded Bonds;

25. Evidence that the ratings on the Bonds are as described in the Official Statement;

26. Certificates and/or opinions required to issue the Local Obligations on parity with existing bond indebtedness of the Agency;

27. Copies of proposed and final CDIAC Notices;

28. [A copy of the Policy and the Surety Bond;]

29. [A certificate of the Insurer in form and substance satisfactory to the Underwriter;]

30. [An opinion of counsel to the Insurer addressed to the Authority, the Agency and the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that the Policy and the Surety Bond have been duly authorized and are valid, legal and binding obligations of the Insurer;] and

31. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations and warranties of the Authority contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the Agency at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Agency in connection with the transactions contemplated hereby and by the Local Obligation Indenture, the Indenture, the Local Obligation Purchase Contract, the Irrevocable Refunding Instructions, the Continuing Disclosure Agreement and the Official Statement.

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall

terminate and neither the Authority nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Authority and the Underwriter set forth in Section 4 hereof shall continue in full force and effect.

4. Conditions to the Obligations of the Authority.

A. The obligation of the Authority to accept delivery of and pay for the Local Obligations on the Closing Date shall be subject, at the option of the Authority, to the sale of the Bonds, to the accuracy in all material respects of the representations and warranties on the part of the Agency contained in the Local Obligations Purchase Contract, to the accuracy in all material respects of the statements of the officers and other officials of the Agency made in any certificates or other documents furnished pursuant to the provisions hereof and to the performance by the Agency of its obligations to be performed under the Local Obligation Purchase Contract and the conditions precedent to be performed by the Agency pursuant thereto at or prior to the Closing Date. The obligations of the Authority shall be further subject to the satisfaction of the conditions contained in Section 3 of this Purchase Agreement.

B. If the Agency or the Authority shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligations contained in the Local Obligation Purchase Contract, or if the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligations shall be terminated for any reason permitted thereby, this Purchase Agreement shall terminate and neither the Authority nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of Agencies and the Authority set forth in Section 5 hereof shall continue in full force and effect.

5. Expenses. The Authority will pay or cause to be paid the approved expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Bonds, including, but not limited to, (a) the cost of the preparation and printing or other reproduction of the Authority Documents and the Agency Documents (other than this Purchase Agreement); (b) the fees and disbursements of Bond Counsel, Disclosure Counsel, the Financial Advisor, Fiscal Consultant and any other experts or other consultants retained by the Authority or the Agency; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Bonds and the Local Obligations; (e) the cost of providing immediately available funds on the Closing Date; (f) the cost of the printing or other reproduction of the Preliminary Official Statement and Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof; (g) the Underwriter's out-of-pocket expenses incurred with the financing; (h) the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review and (i) expenses (included in the expense component of the spread) incurred on behalf of the Authority's, the County's or the Agency's employees which are incidental to implementing this Purchase Agreement. The Underwriter will pay the expenses of the preparation of this Purchase Agreement and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, and the fee and disbursements of Underwriter's Counsel. The Underwriter is required to pay the fees of the California Debt and Investment Advisory Commission in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the County agrees to reimburse the Underwriter for such fees.

The Underwriter shall pay, and the Authority shall be under no obligation to pay, all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

6. Notices. Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same in writing to the Riverside County Public Financing Authority c/o County of Riverside, P.O. Box 1180, Riverside, California 92502, Attention: Executive Director; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Citigroup Global Markets Inc., 444 S. Flower Street, 27th Floor, Los Angeles, California 90071, Attention: Victor Andrade.

7. Parties In Interest. This Purchase Agreement is made solely for the benefit of the Authority and the Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

8. Survival of Representations and Warranties. The representations and warranties of the Authority under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Authority and regardless of delivery of and payment for the Bonds.

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

10. Effective. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

11. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understanding among the parties hereto in relation to the sale of the Bonds by the Authority.

12. Governing Law. This Purchase Agreement shall be governed by the laws of the State of California.

13. Effective Date. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

CITIGROUP GLOBAL MARKETS, INC.,

By: _____
Its: Authorized Officer

RIVERSIDE COUNTY PUBLIC
FINANCING AUTHORITY

By: _____

Its: _____

EXHIBIT A

Schedule of Bond Maturities, Principal Amounts and Interest Rates

\$ _____
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
2014 TAX ALLOCATION REVENUE BONDS
(HEMET REFUNDING PROJECT)

<i>Maturity Date</i> <i>(September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
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The Purchase Price for the Bonds shall be \$ _____ (being the aggregate principal amount of the Bonds [plus/minus] an original issue [premium/discount] of \$ _____ and less an Underwriter's discount of \$ _____. [In connection with the issuance of the Bonds, and the Underwriter shall wire \$ _____ directly to the Insurer for the costs of the premium on the Policy and the Surety Bond.]

EXHIBIT B

Form of Agency Letter of Representations

Citigroup Global Markets Inc.
Los Angeles, California

[CO-MANAGING UNDERWRITER]
[Los Angeles, California]

Riverside County Public Financing Authority
Riverside, California

The Successor Agency to the Hemet Redevelopment Agency (the "Agency") hereby represents and warrants as follows:

1. The Agency is a public entity validly existing under the laws of the State of California (the "State") with full right, power and authority to adopt the Agency Resolution, to issue its Local Obligations and to execute, deliver and perform its obligations under the Local Obligation Indenture, Local Obligation Purchase Contract, Continuing Disclosure Agreement and Irrevocable Refunding Instructions (collectively, the "Agency Documents") and to carry out and consummate the transactions contemplated by the Agency Documents and the Official Statement.

2. By all necessary official action, the Agency has duly adopted the Resolution No. 2014-__ (the "Agency Resolution") at a meeting properly noticed at which a quorum was present and acting throughout and has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained in, the Agency Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Agency Documents will constitute the legally valid and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against governmental agencies in the State of California. The Agency has complied, and will at the Closing be in compliance in all respects, with the terms of the Agency Documents.

3. The Agency deems the Preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(5) and has approved the distribution of the Preliminary Official Statement pursuant to the Agency Resolution.

4. The information contained in the Preliminary Official Statement under the captions "SECURITY FOR THE BONDS AND THE AGENCY BONDS," "SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY," "THE HEMET REDEVELOPMENT PROJECT AREA," "ESTIMATED REVENUES AND BOND RETIREMENT," "BOND OWNER'S RISKS" and "OTHER INFORMATION — Continuing Disclosure" and in Appendices B and C is true and correct in all material respects, and such information does not contain a misstatement of any material fact and does not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

5. Until the date which is twenty-five (25) days after the "End of the Underwriting Period" (as hereinafter defined), if any event shall occur of which the Agency is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the Agency shall forthwith notify the Authority and the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Agency at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

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

7. Except as disclosed in the Preliminary Official Statement under the caption "OTHER INFORMATION — Litigation," there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened: (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of the Local Obligations, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Local Obligations, or in any way contesting or affecting the validity of the Local Obligations or the Agency Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Local Obligations from taxation or contesting the powers of the Agency or its authority to issue the Local Obligations; (iii) which may result in any material adverse impact on the obligation of the Agency to pay debt service on the Local Obligations when due; (iv) with respect to information relating to the Agency only, contesting the completeness or accuracy of the Preliminary Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) there is no basis for any action,

suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this paragraph.

8. The Agency will refrain from taking any action with regard to which the Agency may exercise control that results in the inclusion in gross income for federal or State of California income tax purposes of the interest on the Local Obligations which are designated as "tax-exempt."

9. Except as disclosed in the Preliminary Official Statement, the Agency has not defaulted under any prior continuing disclosure undertaking.

10. The Oversight Board has duly approved the issuance of the Local Obligations and no further Oversight Board approval or consent is required for the issuing of the Local Obligations.

11. No further Department of Finance approval or consent is required for the issuance of the Local Obligations or the consummation of the transactions described in the Preliminary Official Statement. Except as disclosed in the Preliminary Official Statement, the Agency is not aware of the Department of Finance directing or having any basis to direct the County Auditor-Controller to deduct unpaid unencumbered funds from future allocations of property tax to the Agency pursuant to Section 34183 of the Dissolution Act.

All terms not otherwise defined herein shall have the meaning ascribed to them in the Bond Purchase Agreement, dated _____, 2014 (the "Purchase Agreement"), by and between the Riverside County Public Financing Authority (the "Authority") and Citigroup Global Markets Inc. (the "Representative"), on behalf of itself and [CO-MANAGING UNDERWRITER].

SUCCESSOR AGENCY TO THE HEMET
REDEVELOPMENT AGENCY

By: _____
Its: _____

EXHIBIT C

Form of Agency Counsel Opinion

(A) The Agency is a public entity validly existing under the laws of the State of California;

(B) The Agency Resolution approving and authorizing the execution and delivery of the Agency Documents defined below and approving the Official Statement has been duly adopted, and the Agency Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(C) The Local Obligation Indenture, Local Obligation Purchase Contract, Irrevocable Refunding Instructions and the Continuing Disclosure Agreement (collectively, the "Agency Documents") have been duly authorized, executed and delivered by the Agency and constitute valid and binding legal obligations of the Agency enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against governmental entities in the State of California;

(D) Except as otherwise disclosed in the Official Statement under the caption "OTHER INFORMATION — Litigation," there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending (and notice of which has been served on the Agency) or to the best knowledge of such counsel after due inquiry threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Agency Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or which, in any manner, questions the right of the Agency to use the Tax Revenues (defined in the Local Obligation Indenture) for repayment of the Local Obligations or affects in any manner the right or ability of the Agency to collect or pledge the tax revenues or the plan limits of the redevelopment project area as described in the Official Statement; and

(F) Except as otherwise disclosed in the Official Statement, there are no outstanding bonds, notes or other obligations of the Agency which are payable out of tax increment of any of the redevelopment project areas.

EXHIBIT D

Refunded Bonds

1. Redevelopment Agency of the City of Hemet, Hemet Redevelopment Project Subordinate Tax Allocation Bonds, 1999 Series A, originally issued in the aggregate principal amount of \$9,510,000.
2. Redevelopment Agency of the City of Hemet, Hemet Redevelopment Project Tax Allocation Bonds, 2002 Series A, originally issued in the aggregate principal amount of \$7,500,000.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

NEW ISSUE
BOOK ENTRY ONLY

INSURED RATINGS: S&P:
UNDERLYING RATING: S&P:

In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. Interest on the Bonds is exempt from California personal income taxes. See "OTHER INFORMATION - Tax Matters" herein.

\$ _____

**Riverside County Public Financing Authority
2014 Tax Allocation Revenue Bonds
(Hemet Refunding Project)**

Dated: Date of Delivery

Due: September 1, as shown below

The Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project) 2014 Tax Allocation Revenue Bonds (the "Bonds") are being issued by the Riverside County Public Financing Authority (the "Authority") to provide funds to purchase separate bonds (the "Agency Bonds") being issued by the Successor Agency to the Hemet Redevelopment Agency (the "Agency" or "Successor Agency") to assist in refinancing certain redevelopment activities with respect to the Hemet Redevelopment Project of the Agency (the "Project Area"), as further described herein.

The Bonds will be secured under an Indenture of Trust (the "Indenture"), dated as of _____, 2014, by and between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee"). The Bonds are secured by a pledge of, security interest in and lien on the Revenues (as defined in the Indenture), which consist principally of payments to be made by the Agency to the Authority as debt service on the Agency Bonds. The Agency Bonds are secured under an Indenture of Trust, dated as of _____, 2014, by and between the Agency and the Trustee (the "Agency Bonds Indenture"). The payments due under the Agency Bonds Indenture are secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Agency Bonds Indenture and described herein) allocated as described herein and subject to certain Pass-Through Agreements of the Agency. The Agency has covenanted not to issue any obligations payable from Tax Revenues, described herein, on a senior basis to the Agency Bonds. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS" herein.

The Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of interests in the Bonds will not receive certificates from the Authority or the Trustee representing their interest in the Bonds purchased. Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2015. Payments of principal, premium, if any, and interest on the Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS — Redemption of the Bonds" herein.

The scheduled payment of principal of and interest on the Bonds, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by _____.

[Insurer to come]

The Agency Bonds are secured by a Municipal Bond Debt Service Reserve Insurance Policy issued by _____.

The Bonds are a special obligation of the Authority payable solely from certain payments from the Agency and certain other funds. Neither the County of Riverside, the State of California nor the Authority shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the Agency, the County, the State of California nor any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the County, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriations for their payment. Neither the Authority nor the Agency has taxing power.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings set forth herein.

For a discussion of some of the risks associated with a purchase of the Bonds, see "RISK FACTORS" herein.

**MATURITY SCHEDULE
See inside front cover**

The Bonds are offered when, as and if issued, subject to the approval of their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain disclosure matters will be passed upon for the Authority by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. Certain matters will be passed upon for the Authority by the Office of the County of Riverside County Counsel, for the Agency by Best Best & Krieger LLP, and for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery in definitive form on or about _____, 2014.

Citigroup

Dated: _____, 2014

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 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 or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____
Riverside County Public Financing Authority
2014 Tax Allocation Revenue Bonds
(Hemet Refunding Project)

MATURITY SCHEDULES

(Base CUSIP[†]: _____)

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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[†] Copyright 2014, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Underwriters nor the Authority assumes any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority or the Successor Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful.

The information set forth herein has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Authority or the Successor Agency. Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Successor Agency since the date hereof. The information and expressions of opinion stated herein are subject to change without notice.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking" statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the Authority or the Successor Agency in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The Authority or the Successor Agency disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Authority or the Successor Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All summaries of the Indenture (as defined herein) or Agency Bonds Indenture (as defined herein), and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement, including any amendment or supplement hereto, is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the Authority or the Successor Agency.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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

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

**RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
AUTHORITY/COUNTY BOARD OF SUPERVISORS**

Kevin Jeffries, District 1
John F. Tavaglione, District 2
Jeff Stone, District 3
John J. Benoit, District 4
Marion Ashley, District 5

AUTHORITY STAFF

Jay Orr, Executive Director
Don Kent, Treasurer
Kecia Harper-Ihem, Secretary
Pamela Walls, County Counsel

**HEMET SUCCESSOR AGENCY
CITY COUNCIL**

Larry Smith, Mayor
Shellie Milne, Mayor Pro-Tem
Robert Youssef, Council Member
Linda Krupa, Council Member
Bonnie Wright, Council Member

SUCCESSOR AGENCY/CITY STAFF

Wally Hill, City Manager
Jessica Hurst, Deputy City Manager/Administrative Services Director

SPECIAL SERVICES

Trustee

MUFG Union Bank, N.A.
Los Angeles, California

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Best Best & Krieger LLP
Riverside, California

Financial Advisor

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

Fiscal Consultant

Urban Analytics, LLC
San Francisco, California

Verification Agent

Barthe & Wahrman PA CPA's
Minneapolis, Minnesota

TABLE OF CONTENTS

<p>INTRODUCTION..... 1</p> <p style="padding-left: 20px;">General..... 1</p> <p style="padding-left: 20px;">Purpose 1</p> <p style="padding-left: 20px;">The County 1</p> <p style="padding-left: 20px;">The Authority..... 1</p> <p style="padding-left: 20px;">The Successor Agency 1</p> <p style="padding-left: 20px;">The Project Area 2</p> <p style="padding-left: 20px;">Authority for Issuance of the Bonds and the Agency Bonds..... 2</p> <p style="padding-left: 20px;">Terms of the Bonds 3</p> <p style="padding-left: 20px;">Security for the Bonds and the Agency Bonds..... 3</p> <p style="padding-left: 20px;">Municipal Bond Insurance 4</p> <p style="padding-left: 20px;">Professionals Involved in the Offering..... 4</p> <p style="padding-left: 20px;">Continuing Disclosure..... 5</p> <p style="padding-left: 20px;">Reference to Underlying Documents 5</p> <p>PLAN OF FINANCE 6</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 7</p> <p>ANNUAL DEBT SERVICE REQUIREMENTS OF THE BONDS 8</p> <p>THE BONDS 9</p> <p style="padding-left: 20px;">General..... 9</p> <p style="padding-left: 20px;">Redemption of the Bonds..... 9</p> <p style="padding-left: 20px;">Notice of Redemption; Rescission 10</p> <p style="padding-left: 20px;">Effect of Redemption 10</p> <p>SECURITY FOR THE BONDS AND THE AGENCY BONDS 11</p> <p style="padding-left: 20px;">Special Obligations 11</p> <p style="padding-left: 20px;">Tax Revenues..... 11</p> <p style="padding-left: 20px;">Low and Moderate Income Housing Set-Aside 12</p> <p style="padding-left: 20px;">Tax Increment Financing Generally..... 12</p> <p style="padding-left: 20px;">Assembly Bill 1290..... 12</p> <p style="padding-left: 20px;">Redevelopment Property Tax Trust Fund 13</p> <p style="padding-left: 20px;">Allocation of Taxes Subsequent to the Dissolution Act..... 13</p> <p style="padding-left: 20px;">Recognized Obligation Payment Schedule 14</p> <p style="padding-left: 20px;">Security for the Bonds..... 16</p> <p style="padding-left: 20px;">Security for the Agency Bonds 17</p> <p>MUNICIPAL BOND INSURANCE..... 22</p> <p>SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY..... 23</p> <p style="padding-left: 20px;">The Agency..... 23</p> <p style="padding-left: 20px;">General..... 23</p> <p style="padding-left: 20px;">Agency Staff 23</p> <p style="padding-left: 20px;">Oversight Board..... 24</p> <p style="padding-left: 20px;">Department of Finance Finding of Completion..... 24</p> <p style="padding-left: 20px;">State Controller Asset Transfer Review 24</p> <p>THE HEMET REDEVELOPMENT PROJECT 25</p> <p style="padding-left: 20px;">The Redevelopment Plan 25</p> <p style="padding-left: 20px;">The Project Area 25</p> <p style="padding-left: 20px;">Pass-Through Agreements 27</p> <p style="padding-left: 20px;">Statutory Tax Sharing 28</p> <p style="padding-left: 20px;">Ten Largest Assesseees 29</p> <p style="padding-left: 20px;">Property Tax Delinquencies..... 30</p> <p style="padding-left: 20px;">Property Value by Land Use..... 31</p> <p style="padding-left: 20px;">Plan Limitations 31</p> <p style="padding-left: 20px;">Annual Tax Increment Cap..... 31</p> <p style="padding-left: 20px;">Assessment Appeals..... 32</p> <p>ESTIMATED REVENUES AND BOND RETIREMENT 34</p> <p>BOND OWNERS' RISKS 37</p> <p style="padding-left: 20px;">Limited Special Obligations..... 37</p>	<p>Recognized Obligation Payment Schedule..... 37</p> <p>Challenges to Dissolution Act..... 38</p> <p>Mandatory Redemption on Acceleration of Agency Bonds on Default..... 39</p> <p>Reduction in Taxable Value..... 39</p> <p>Bond Insurance Risk Factors..... 39</p> <p>Risks of Real Estate Secured Investments Generally 40</p> <p>Reduction in Inflationary Rate and Changes in Legislation 41</p> <p>Change in Law 41</p> <p>Development and Economic Risks..... 41</p> <p>Bankruptcy of Landowners 41</p> <p>Seismic Factors and Flooding 41</p> <p>Levy and Collection of Taxes 42</p> <p>Estimated Revenues 42</p> <p>Hazardous Substances 42</p> <p>Direct and Overlapping Indebtedness..... 42</p> <p>Future Legislation and Initiatives..... 42</p> <p>Assessment Appeals..... 43</p> <p>Economic Risks..... 43</p> <p>Investment Risk..... 43</p> <p>Secondary Market 43</p> <p>Bankruptcy 43</p> <p>LIMITATIONS ON TAX REVENUES..... 44</p> <p style="padding-left: 20px;">Property Tax Limitations - Article XIII A..... 44</p> <p style="padding-left: 20px;">Implementing Legislation 45</p> <p style="padding-left: 20px;">Redevelopment Plan Limits 45</p> <p style="padding-left: 20px;">Unitary Property..... 45</p> <p style="padding-left: 20px;">Tax Increment Limitation; Senate Bill 211 46</p> <p style="padding-left: 20px;">Property Taxes; Teeter Plan 46</p> <p style="padding-left: 20px;">Tax Collection Fees..... 47</p> <p style="padding-left: 20px;">Future Initiatives 47</p> <p>OTHER INFORMATION..... 48</p> <p style="padding-left: 20px;">Continuing Disclosure..... 48</p> <p style="padding-left: 20px;">Litigation..... 48</p> <p style="padding-left: 20px;">Tax Matters 48</p> <p style="padding-left: 20px;">Legal Opinion 49</p> <p style="padding-left: 20px;">Ratings 49</p> <p style="padding-left: 20px;">Underwriting..... 49</p> <p style="padding-left: 20px;">Miscellaneous..... 50</p> <p>APPENDIX A - Report of Fiscal Consultant A-1</p> <p>APPENDIX B - General Information Concerning the City of Hemet..... B-1</p> <p>APPENDIX C - Audited Financial Statements of the City of Hemet for Fiscal Year Ended June 30, 2013 C-1</p> <p>APPENDIX D - Summary of Certain Provisions of the Legal Documents D-1</p> <p>APPENDIX E - DTC and the Book-Entry System..... E-1</p> <p>APPENDIX F - Forms of Opinions of Bond Counsel F-1</p> <p>APPENDIX G - Form of Continuing Disclosure Agreement..... G-1</p> <p>APPENDIX H - Specimen Municipal Bond Insurance Policy..... H-1</p> <p>APPENDIX I - State Department of Finance Determination Letter Approving the Bonds..... I-1</p>
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§ _____
Riverside County Public Financing Authority
2014 Tax Allocation Revenue Bonds
(Hemet Refunding Project)

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

General

This Official Statement, including the cover page and appendices hereto, provides information in connection with the issuance by the Riverside County Public Financing Authority (the "Authority") of \$ _____ Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project) (the "Bonds").

Purpose

The Bonds are being issued to provide funds to purchase the bonds of the Successor Agency to the Hemet Redevelopment Agency (the "Agency" or the "Successor Agency") further described herein (the "Agency Bonds"). The Agency Bonds are being issued (i) to refinance certain outstanding obligations of the Project Area, (ii) to fund the premium for a debt service reserve surety bond for the reserve account for the Agency Bonds, and (iii) to pay costs of issuance of the Bonds and the Agency Bonds, including the financial guaranty insurance premium for the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The County

The County, which encompasses 7,177 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside 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 Los Angeles Counties. There are 28 incorporated cities in Riverside County.

The Authority

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of March 20, 1990, by and between the County of Riverside (the County') and the Redevelopment Agency for the County of Riverside, pursuant to Chapter 5, Division 7, Title 1 of the California Government Code (the "Act"). The Authority has the power under the Act to acquire the bonds and other obligations of local agencies (as such term is defined in the Act). The Board of Supervisors of the County (the "Board") serves as the Board of Directors of the Authority.

The Successor Agency

As described below, the Successor Agency has succeeded to certain rights of the Hemet Redevelopment Agency (the "Former Agency"). The Former Agency was activated by the City Council (the "City Council") of the City of Hemet (the "City") in 1972, to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code) (the "Redevelopment Law").

Pursuant to California legislation enacted in 2011 and 2012 (as more fully described herein, the "Dissolution Act"), redevelopment agencies in California, including the Former Agency, were dissolved, and with certain exceptions, could no longer conduct redevelopment activities. The Successor Agency, however, is authorized to continue to refinance existing bonds in order to achieve a savings in debt service. See "The Project Area" below. See also "SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY" for a discussion of the Dissolution Act, the formation of the Successor Agency and the current powers, and limitations thereon, of the Successor Agency.

The Project Area

The Redevelopment Plan for the Project Area was adopted by the City Council on July 13, 1982 and amended in July and December of 1999, to add Sub-Areas. In 1994, the plan was amended to conform limitations of the plan with AB 1290. Tax Revenues (defined herein) are generated from approximately 2,550 acres of the Project Area. See "THE HEMET PROJECT AREA."

Under the Dissolution Act, the Agency Bonds are secured by a pledge of, and payable from moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held and administered by the Office of the Auditor Controller of the County of Riverside (the "County Auditor-Controller") with respect to the Successor Agency (the "Redevelopment Property Tax Trust Fund"). DISCUSSIONS HEREIN REGARDING TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE COUNTY AUDITOR-CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND EQUAL TO SUCH TAX REVENUES. The Dissolution Act authorizes the issuance of bonds by a successor agency to make payments under certain enforceable obligations, which bonds may be secured by a pledge of property tax increment with the same legal effect as if the Bonds had been issued prior to the Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS – Tax Revenues Allocable to the Successor Agency."

Authority for Issuance of the Bonds and the Agency Bonds

The Bonds are being issued by the Authority pursuant to the provisions of the Act. The Agency Bonds are being issued by the Successor Agency pursuant to the provisions of the Dissolution Act and Article 11 (commencing with Section 53588) of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California.

The County of Riverside (the "County") has developed a program with the Authority to assist successor agencies within the County to refund tax increment obligations pursuant to AB 1484 in order to provide debt service savings to such successor agencies and to increase property tax revenues available for distribution to affected taxing entities.

Concurrently with the issuance of the Bonds, the Successor Agency will issue its tax allocation refunding bonds designated as \$_____ Hemet Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2014 (the "Series 2014 Bonds") (the "Agency Bonds") pursuant to an Indenture of Trust dated as of _____ 1, 2014 (the "Agency Bonds Indenture"), by and between the Successor Agency and MUFJ Union Bank, N.A. (the "Agency Trustee"), the proceeds of which will be used to refund all or a portion of certain bonds and indebtedness of the Successor Agency as more fully described herein. Proceeds of the Bonds will be used to purchase the Agency Bonds.

The Bonds will be special, limited obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority, consisting primarily of payments on the Agency Bonds received by the Authority from the Successor Agency. The Agency Bonds will be payable from and secured by, designated property tax (formerly tax increment revenues) related to the Hemet Redevelopment Project, which will include, moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund ("RPTTF") as provided in the California Health and Safety Code as more fully described herein. Collectively, such tax increment revenues subject to a pledge under the Agency Bonds Indenture are referred to herein as "Tax Revenues." Payments under the Agency Bonds are calculated to be sufficient to permit the Authority to pay the principal of, premium,

if any, and interest on the Bonds when due. The Agency Bonds will be registered in the name of the Trustee and Agency Bond payments will be paid to the Trustee as assignee of the Authority. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS."

The issuance of the Agency Bonds was subject to approvals under the Dissolution Act, of the Successor Agency's Oversight Board, as described below, and the Department of Finance of the State of California (the "State Department of Finance"). All such approvals have been obtained. See "SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY."

The Oversight Board for the Successor Agency approved the issuance of the Agency Bonds by the Successor Agency by resolution adopted on August 27, 2014. The Department of Finance of the State of California released its letter approving the Oversight Board Resolution approving the issuance of the Bonds on October 30, 2014. See Appendix I – "STATE DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING THE BONDS."

Terms of the Bonds

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated their date of delivery and are payable with respect to interest semiannually each March 1 and September 1, commencing on March 1, 2015.

The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Bonds are subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption of the Bonds" herein.

Security for the Bonds and the Agency Bonds

The Bonds are secured by a lien on and pledge of Revenues made in the Indenture. Under the Indenture, "Revenues" is defined to mean all amounts received by the Trustee as the payment of interest or redemption premium on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, the Agency Bonds, whether as a result of scheduled payments or prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the Funds or accounts established under the Indenture, except the Rebate Fund.

The Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from Revenues. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the

effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. Tax Revenues (as defined under the caption "SECURITY FOR THE BONDS AND THE AGENCY BONDS – Tax Revenues") consist of a portion of such incremental tax revenues.

The Agency Bonds will be special obligations of the Successor Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues under the Agency Bonds Indenture, and the Agency is not obligated to pay them except from such Tax Revenues. The Agency Bonds shall be also equally secured by the pledge and lien created with respect to the Agency Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. The Agency Bonds are payable as set forth in the Agency Bonds Indenture, are not a debt of the City of Hemet (the "City"), the County, the State of California or any other political subdivision of the State, and neither the City, the State, the County nor any of the State's other political subdivisions is liable therefor, nor in any event shall the Agency Bonds be payable out of any funds or properties other than those of the Agency pledged therefor as provided in the Agency Bonds Indenture. The Agency Bonds have their own payment schedule which has been sized to pay debt service on the Bonds. APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS" attached hereto.

Additional Debt. The Authority may not issue or incur any obligations payable from Revenues. As more fully described under "SECURITY FOR THE BONDS AND THE AGENCY BONDS," the Agency may issue or incur additional obligations on a parity with the pledge of the Tax Revenues securing the applicable Agency Bonds if certain debt service coverage tests are met under the Agency Bonds Indenture. The Successor Agency will not be permitted to issue any obligations with a lien on Tax Revenues senior to the lien of the Agency Bonds.

Municipal Bond Insurance

Concurrently with the issuance of the Bonds, _____ will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

In order to further secure the payment of the principal of and interest on the Agency Bonds, a Reserve Account in the Debt Service Fund is established by the Agency Bonds Indenture. The Reserve Account will initially be funded by the purchase of a Municipal Bonds Debt Service Reserve Fund Insurance Policy (the "Reserve Policy") issued by _____ in an amount equal to the Reserve Requirement as defined in the Agency Bonds Indenture (the "Reserve Requirement"). The Reserve Policy secures the Agency Bonds. The initial Reserve Requirement for the Agency Bonds is the amount of \$ _____. See "SECURITY FOR THE BONDS – Security for the Agency Bonds – *Municipal Bond Debt Service Reserve Insurance Policy.*"

Professionals Involved in the Offering

MUFG Union Bank, N.A., Los Angeles, California, will act as trustee with respect to the Bonds and the Agency Bonds under the Indenture and the Agency Bonds Indenture.

C. M. de Crinis & Co., Inc., Glendale, California, has acted as Financial Advisor to the Authority and the Agency in the structuring and presentation of the financing.

Urban Analytics, LLC, San Francisco, California, has acted as Fiscal Consultant to the Agency and has prepared an analysis of taxable values and tax increment revenues in the Project Areas. See APPENDIX A – "REPORT OF FISCAL CONSULTANT" herein.

All proceedings in connection with the issuance of the Bonds and the Agency Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Best Best & Krieger LLP is acting as Disclosure Counsel. Certain legal matters will be passed on for the Authority by the Office of the County of Riverside County Counsel, and for the Agency by Best Best & Krieger LLP. Stradling Yocca Carlson & Rauth, a Professional Corporation, will be acting as counsel to the Underwriters. The fees and expenses of the Financial Advisor, Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

With respect to continuing disclosure, the Successor Agency will prepare and provide annual updates of the information contained in the tables included in this Official Statement with respect to property tax revenues, collections, any material delinquencies, principal taxpayers, and plan limit calculations and notices of enumerated events required under the Continuing Disclosure Agreement. The Authority will act as Dissemination Agent and will ensure that the annual reports and notices are filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"). See the caption "OTHER INFORMATION – Continuing Disclosure" and APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT." Other than as described in the Official Statement under the heading "OTHER INFORMATION-Continuing Disclosure," the Authority and the Agency have not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events in the last five years, except as discussed under the caption "OTHER INFORMATION – Continuing Disclosure."

Reference to Underlying Documents

Brief descriptions of the Bonds, the Indenture, the Agency Bonds Indenture, the Agency, the Authority, the County, the Successor Agency, the Project Area and other related information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of and references to all documents, statutes, reports and other instruments referred to herein is qualified in its entirety by reference to such document, statute, report or instrument, copies of which are all available for inspection at the offices of the Successor Agency. Certain capitalized terms used and not defined herein shall have the meaning given to those terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" attached hereto.

PLAN OF FINANCE

The Bonds are being issued to provide funds to purchase the Agency Bonds. The Agency Bonds are being issued (i) to refinance redevelopment activities with respect to the Project Area, (ii) to fund the premium for a debt service reserve fund surety bond for the reserve account for the Agency Bonds, and (iii) to pay costs of issuance of the Bonds and the Agency Bonds, including the cost of financial guaranty insurance premium for the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Former Agency previously issued its \$9,510,000 principal amount of Hemet Redevelopment Project Tax Allocation Bonds, 1999 Series A (the "1999 Bonds") and its \$7,500,000 principal amount of Hemet Redevelopment Project Tax Allocation Bonds, 2002 Series A (the "2002 Bonds," and together with the 1999 Bonds, the "Prior Bonds"), currently outstanding in the amount of \$_____ and \$_____, respectively. The Prior Bonds were issued pursuant to an Indenture of Trust (the "1999 Indenture") dated as of April 1, 1999, as supplemented by a First Supplement to Indenture (the "First Supplement"), dated as of May 1, 2002, between the Former Agency and U.S. Bank, N.A., as prior trustee (the "Prior Trustee").

On the date of issuance of the Agency Bonds, a portion of the proceeds will be transferred to the Prior Trustee for deposit into the redemption fund established for each series of the Prior Bonds, under certain Refunding Instructions dated as of _____ (the "Refunding Instructions") delivered by the Successor Agency to the Fiscal Agent. The amount deposited in the redemption fund for the Prior Bonds, together with other available moneys, will be held uninvested, or invested in certain federal securities and irrevocably pledged for the payment of the related Prior Bonds on _____, as applicable.

The amounts held and invested by the Fiscal Agent for the respective Prior Bonds in the Redemption Fund are pledged solely to the payment of amounts due and payable by the Agency under the 1999 Indenture and the First Supplement. Neither the funds deposited in the Redemption Fund for the Prior Bonds nor the interest on the invested funds will be available for the payment of debt service on the Agency Bonds or the Bonds.

See "ESTIMATED SOURCES AND USES OF FUNDS" below. See also "VERIFICATION OF MATHEMATICAL ACCURACY" below.

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of proceeds of the Authority Bonds.

Sources:

Par Amount of Bonds
Net Original Issue Premium (Discount)
TOTAL SOURCES

Uses:

Deposit to Bond Purchase Fund:
Costs of Issuance⁽¹⁾
TOTAL USES:

Set forth below are the estimated sources and uses of proceeds of the Agency Bonds.

Sources:

Par Amount of Agency Bonds
Net Original Issue Premium (Discount)
Less: Costs of Issuance
TOTAL SOURCES:

Uses:

Deposit to Redemption Fund
TOTAL USES:

⁽¹⁾ Includes Underwriters' Discount, legal fees, printing, rating agency fees and expenses, fees of the Financial Advisor, fees of the Fiscal Consultant, municipal bond insurance premiums, Reserve Policy premiums and other issuance costs of the Bonds and the Agency Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS OF THE BONDS

The following table provides the annual debt service requirements of the Bonds.

<u>Year Ending</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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THE BONDS

General

The Bonds will be dated as of the date of original delivery (the "Closing Date"), will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2015 (each an "Interest Payment Date"). Principal of and premium, if any, on the Bonds is payable upon the surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the "Record Date"). At the written request of an Owner of the Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on the applicable Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request (any such written request shall remain in effect until rescinded in writing by the Owner). The principal of and premium (if any) on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Notwithstanding the foregoing, while the Bonds are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Bonds, for subsequent disbursement to Participants and beneficial owners. See APPENDIX E – "DTC AND THE BOOK-ENTRY SYSTEM."

Redemption of the Bonds

Optional Redemption. The Bonds maturing on or after September 1, [2025]* may be called before maturity and redeemed at the option of the Authority, in whole or in part, from any source of funds, on any date on or after September 1, [2024]*, among maturities at the discretion of the Authority and by lot within a maturity. Bonds called for redemption will be redeemed at a redemption price equal to the principle amount of Bonds to be redeemed plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, _____ (the "Term Bonds"), are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and on September 1, in the respective years as set forth in the following tables; provided, however, that in lieu of mandatory sinking fund redemption thereof such Bonds may be purchased by the Authority pursuant to the Indenture:

Bonds Maturing September 1, _____

Redemption Date
(September 1)

Amount

(maturity)

In the event that the Term Bonds have been optionally redeemed in part, the total amount of all future sinking account payments set forth for the above Term Bonds will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among each sinking account payment for the Term Bonds on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency. In lieu of depositing cash

* Preliminary, subject to change.

with the Trustee as a mandatory sinking account payment, the Authority shall have the option to tender to the Trustee for cancellation at least 60 days prior to a sinking account redemption date any amount of Term Bonds purchased by the Authority which Term Bonds may be purchased by the Agency at public or private sale as and when and at such prices as the Authority may in its discretion determine. The par amount of any Term bonds so purchased by the Authority and tendered to the Trustee in any twelve month period ending on July 1, in any calendar year shall be credited towards and shall reduce the next mandatory sinking account payments required to be made in the order in which they are required to be made, as shown above.

Mandatory Redemption Upon Acceleration of Agency Bonds. The Bonds shall also be subject to mandatory redemption in whole or in part among maturities on a pro rata basis and by lot within a maturity, on any date, from amounts credited towards the payment of principal of any Agency Bonds coming due and payable solely by reason of acceleration of such Agency Bonds pursuant to the Agency Bonds Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest thereon to the redemption date. The Bonds shall be subject to such redemption solely from amounts credited towards the payment of principal of any Agency Bonds which has become due and payable by reason of acceleration upon an Event of Default (as defined in the applicable Agency Bonds Indenture), and shall not be subject to redemption from any amounts credited towards the payment of matured principal which has become due and payable.

Notice of Redemption; Rescission

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the Insurer and to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories (as defined under the Indenture) and to one or more Information Services (as defined under the Indenture), at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture, other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed or purchased pursuant to the Indenture shall be canceled by the Trustee.

SECURITY FOR THE BONDS AND THE AGENCY BONDS

Special Obligations

The Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture, solely from Revenues and funds on deposit in certain funds and accounts established under the Indenture. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from the Revenues. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

The Agency Bonds will be special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues, and funds on deposit in certain funds and account established under the Agency Bonds Indenture, and the Agency is not obligated to pay such principal and interest except from such Tax Revenues. The Agency Bonds shall be also equally secured by the pledge and lien created with respect to the Agency Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. The Agency Bonds are payable as set forth in the Agency Bonds Indenture, are not a debt of the City, the County, the State of California or any other political subdivision of the State, and neither the City, the State, the County nor any of the State's other political subdivisions are liable therefor, nor in any event shall the Agency Bonds be payable out of any funds or properties other than those of the Agency pledged therefor as provided in the Agency Bonds Indenture. The Agency Bonds have their own payment schedule which have been sized to pay debt service on the Bonds.

Tax Revenues

The term "Tax Revenues," as defined in the Agency Bonds Indenture, means all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, exclusive of amounts required to pay or otherwise provide for the Pass-Through Agreements.

"Pass-Through Agreements" means;

(i) that certain "Settlement and General Release and Cooperative Agreement Between the County of Riverside, the Redevelopment Agency of the City of Hemet and the City of Hemet," dated November 16, 1983, as amended by that certain "First Amendment to Settlement and General Release and Cooperative Agreement Between the County of Riverside, the Redevelopment Agency of the City of Hemet and the City of Hemet," dated as of July 28, 1999;

(ii) an agreement between the Former Agency, the County of Riverside and the Riverside County Flood Control and Water Conservation District, dated November 16, 1983;

(iii) that certain "Agreement For Cooperation Between the Hemet Unified School District, the Redevelopment Agency of the City of Hemet and the City of Hemet," dated October 12, 1982, as amended by that certain "First Amended Agreement For Cooperation Between the Hemet Unified School District, the Redevelopment Agency of the City of Hemet and the City of Hemet," dated May 28, 1985 and that certain

“Memorandum of Understanding,” dated as of October 23, 1990, by and between the Former Agency and the Hemet Unified School District; and

(iv) an agreement between the Former Agency, the City of Hemet and the Eastern Municipal Water District, dated February 2, 1984, as such agreements may be amended from time to time.

Low and Moderate Income Housing Set-Aside

Prior to the Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund not less than 20% of all tax revenues allocated to such agencies. This 20% set-aside requirement was eliminated by the Dissolution Act. Upon the refunding of the Prior Bonds, there will be no obligations outstanding which will have a prior lien on the Low and Moderate Housing Fund. Accordingly, Tax Revenues are not subject to the former set aside requirement for such purposes and the former set aside requirement is included in Tax Revenues pledged to the payment of debt service on the Agency Bonds.

Tax Increment Financing Generally

Prior to the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax revenues. This financing mechanism provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Thereafter, the increase in taxable valuation becomes the increment upon which taxes are levied and allocated to the applicable agency. Redevelopment agencies have no authority to levy property taxes, but must instead look to this allocation of tax revenues to finance their activities.

Under the Redevelopment Law and Section 16 of Article XVI of the State Constitution, taxes on all taxable property in a project area levied by or for the benefit of the State, any city, county, city and county, district or other public corporation (the “Taxing Agencies”) when collected are divided as follows:

(i) An amount each year equal to the amount that would have been produced by the then current tax rates applied to the assessed valuation of such property within the project area last equalized prior to the effective date of the ordinance approving the redevelopment plan, plus the portion of the levied taxes in excess of the foregoing amount sufficient to pay debt service on any voter-approved bonded indebtedness of the respective Taxing Agencies incurred for the acquisition or improvement of real property and approved on or after January 1, 1989, is paid into the funds of the respective Taxing Agencies; and

(ii) That portion of the levied taxes in excess of the amount described in paragraph (i) is deposited into a special fund of the applicable redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness incurred by, such agency to finance or refinance activities in or related to such project area.

That portion of the levied taxes described in paragraph (ii) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the “on and after January 1, 1989” reference from paragraph (i) above.

Assembly Bill 1290

Assembly Bill 1290 (being Chapter 942, Statutes of 1993) (“AB 1290”) was adopted by the California Legislature and became law on January 1, 1994. The enactment of AB 1290 created several significant changes in the Redevelopment Law, including time limitations for redevelopment agencies to incur and repay loans,

advances and indebtedness that are repayable from tax increment revenues. See "THE HEMET PROJECT AREA" for a discussion of the time limitations.

AB 1290 also established a statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after the establishment of the project area or the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the 11th year of collecting tax increment, an additional 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the 30th year must be so paid. See "THE HEMET PROJECT AREA – Pass-Through Agreements."

The tax sharing payments described above are required to be made prior to payment of debt service on bonds or loans secured by tax increment from project areas which are subject to AB 1290. However, the provisions of Section 33607.5(e) of the Redevelopment Law set forth a process pursuant to which such payments may be subordinated to debt service on newly-issued bonds or loans. The Former Agency did not take any action to subordinate the tax-sharing payments with respect to debt service on the Former Agency Bonds. Per Section 34177.5(c) the Successor Agency will subordinate the Tax-Sharing Agreement with the County.

Redevelopment Property Tax Trust Fund

The Dissolution Act authorizes bonds, including the Agency Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the "Redevelopment Property Tax Trust Fund"), which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

Allocation of Taxes Subsequent to the Dissolution Act

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the Agency Bonds. Pursuant to the Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the Agency Bonds will be included in the Successor Agency's Recognized Obligation Payment Schedules as prepared from time to time under the Dissolution Act. See "*-Recognized Obligation Payment Schedules*" below.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll within the Project Area, to the extent they constitute Tax Revenues, less administrative costs, [and certain tax-sharing payments], as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund established pursuant to the Dissolution Act on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency's

Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See “Recognized Obligation Payment Schedule” below.

Recognized Obligation Payment Schedule

The Dissolution Act requires that, not less than 90 days prior to each January 2 and June 1, successor agencies prepare, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency’s low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following six-month period.

In the Agency Bonds Indenture, the Successor Agency has covenanted to comply with all requirements of the Redevelopment Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Agency Bonds Indenture. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Agency Bonds and any Parity Debt, or required under the Agency Bonds Indenture to replenish the Reserve Accounts, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Agency Bonds coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Agency Bonds Indenture.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Successor Agency may request additional review by the State Department of Finance and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. The State Department of Finance has on occasion rejected items on the Successor Agency’s Recognized Obligation Payment Schedule. However, none of the rejected items related to bond debt service or enforceable obligations related to the repayment of bonds.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the State Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the Department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the State Department of Finance, then the State Department of Finance's review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation. The Agency does not have any enforceable obligations which require the issuance of additional bonds.

The Successor Agency's collection of Tax Revenues in the Project Area is also subject to limitations of the annual tax increment collected by the Successor Agency over the life of the Redevelopment Plan. See "THE HEMET PROJECT AREA-Plan Limitations."

The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Agency Bonds and, consequently, the principal of, and interest on, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BOND OWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES."

Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency (see below), (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for statutory tax sharing amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the tax increment revenues and the statutory tax sharing amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the Agency Bonds when due. See "--

Recognized Obligation Payment Schedule.” See also “Estimated Revenues and Debt Service” for additional information regarding the [Statutory Pass-Through Amounts] applicable to the Successor Agency and the revenues derived from the Project Area. The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Agency Bonds. See “BOND OWNERS’ RISKS.”

The Agency Bonds are not a debt of the City, the County, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State or any of its political subdivisions (except the Successor Agency) is liable therefor. The Agency Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Security for the Bonds

Pledge Under the Indenture. Pursuant to the Indenture, the Revenues are pledged to the payment of the debt service on the Bonds, together with funds on deposit in the funds and accounts established by the Indenture. The Indenture defines “Revenues” to mean (a) all amounts payable by the Agency to the Authority or the Trustee pursuant to the Agency Bonds, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) arbitrage rebate amounts payable to the United States of America; (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established thereunder; (c) investment income with respect to any moneys held by the Trustee in funds and accounts established thereunder; and (d) any other investment income received under the Indenture. Upon a default of the Bonds, the Trustee may be paid its expenses from Revenues on a basis prior to the payment of debt service on the Bonds. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

Subject to the provisions of the Indenture, the Bonds shall be secured by a first lien on and pledge of all of the Revenues and a pledge of all of the moneys in the Revenue Fund, the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Agency Bonds. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall, with the consent or at the direction of the Insurer and subject to the provisions of the Indenture, be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Successor Agency under the Agency Bonds.

All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Trustee shall establish, maintain and hold in trust under the Indenture.

Three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Agency Bonds, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to

make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Agency Bonds, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Successor Agency to be used for any lawful purpose of the Successor Agency.

Principal Account. Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives debt service on the Successor Agency Bonds, on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, or the redemption price of the Bonds required to be redeemed on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Serial Bonds at the maturity thereof, (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof or upon the maturity thereof, or (iii) paying the redemption price of Bonds upon the redemption thereof. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Successor Agency to be used for any lawful purpose of the Successor Agency.

Security for the Agency Bonds

Tax Revenues. The following is a discussion of the flow of funds under the Agency Bonds Indenture after payments of debt service for the entire year, plus any required replenishment of the reserve funds, is set aside.

Under the Agency Bonds Indenture, the Tax Revenues (as defined below) allocated and paid to the Agency are pledged to the payment of debt service on the Agency Bonds and Parity Debt (subject to the lien of the Pass-through Agreements) together with moneys in the funds and accounts. See Table 5 herein showing the projected Tax Revenues, and debt service coverage on the Agency Bonds. The Agency Bonds shall be also equally secured by the pledge and lien created with respect to the Agency Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund.

“Tax Revenues” means all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, exclusive of amounts required to pay or otherwise provide for the Pass-Through Agreements

Tax Sharing Agreements and Statutory Tax Sharing. The Agency has entered into tax-sharing agreements with taxing entities and school districts with respect to the portions of the Project Area that were adopted prior to 1994 and described above (the “Pass Through Agreements”) which are senior to the payment of debt service on the Agency Bonds, except for the Tax Sharing Agreement with the County which has been subordinated pursuant to a resolution of each of the County and the Successor Agency. Additionally the

Successor Agency is subject to statutory passthrough obligations which are senior to the payment of debt service on the Agency Bonds. See "THE HEMET REDEVELOPMENT PROJECT – Pass Through Agreements," "Statutory Tax Sharing," and APPENDIX A – "Report of Fiscal Consultant – Fiscal Agreements."

Debt Service Fund. The Agency Bonds Indenture establishes a special trust fund known as the "Debt Service Fund" and the accounts therein which shall be held by the Trustee in accordance with the Agency Bonds Indenture. The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year from the RPTTF in accordance with the Dissolution Act for the purpose of paying debt service on the Agency Bonds and any Parity Debt in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established and held under the Agency Bonds Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to the Agency Bonds Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

In the event that the amount of Tax Revenues is not sufficient to pay debt service on the Agency Bonds and any Parity Debt outstanding, any such insufficiency shall be allocated among the Agency Bonds and any Parity Debt on a pro rata basis (based on the amount of debt service coming due during any such period of insufficiency).

Moneys in the Debt Service Fund shall be transferred in the following amounts at the following times, in the following respective special accounts within the Debt Service Fund, which accounts are held by the Trustee to pay debt service on the Agency Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the Agency Bonds and any such Parity Debt becomes due and payable, the Trustee shall withdraw from the Debt Service Fund and transfer to the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Agency Bonds and any such Parity Debt on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Agency Bonds and any such Parity Debt. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Agency Bonds as it shall become due and payable (including accrued interest on any Agency Bonds and any such Parity Debt purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Bonds and any such Parity Debt becomes due and payable at maturity, the Trustee shall withdraw from the Debt Service Fund and transfer to the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Agency Bonds and any such Parity Debt. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Agency Bonds and any such Parity Debt upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each date on which any Outstanding Agency Bonds become subject to mandatory Sinking Account redemption, the Successor Agency shall withdraw from the Debt Service Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Agency Bonds required subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Agency Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues on deposit in the Redevelopment Obligation Retirement Fund to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available in the Redevelopment Obligation Retirement Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before four (4) Business Days preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Agency Indenture or, (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Agency Indenture, then, at the Written Request of the Successor Agency, such amount shall be transferred as directed by the Successor Agency.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of securing separate series of Bonds or Parity Debt (to the extent secured by the Reserve Account) or for holding the proceeds of separate issues of the Bonds and any Parity Debt (to the extent secured by the Reserve Account) in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee. Additionally, the Successor Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

The Reserve Requirement with respect to the Agency Bonds shall be satisfied by the delivery of the Reserve Policy, described below, to the Trustee. The Trustee shall credit the Reserve Policy to the Series 2014 Subaccount of the Reserve Account, which subaccount is created under the Agency Bonds Indenture. Under the terms and conditions of the Reserve Policy, the Trustee shall deliver to [the Insurer] a demand for payment under the Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in the Agency Bonds Indenture. The Trustee shall comply with all of the terms and provisions of the Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Series 2014 Subaccount of the Reserve Account and applied for the purposes thereof.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Agency Bonds, the Trustee shall withdraw from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Agency Bonds or other Parity Debt to be so redeemed on such date. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the

Agency Bonds or other Parity Debt upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

(f) Equal Rights. It is the intention of the Successor Agency that the Agency Bonds and Parity Debt shall be secured by and payable from all moneys deposited in the Redevelopment Obligation Retirement Fund on an equal basis. To the extent that moneys deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the Agency Bonds and Parity Debt as it becomes due, the Agency Bonds and Parity Debt shall be payable on a pro-rata basis from all available moneys deposited in the Redevelopment Obligation Retirement Fund.

In the event that the Successor Agency fails to make the deposits required pursuant to (a), (b) or (c) above, the Trustee shall immediately notify the trustee for the Authority Bonds.

Reserve Requirement. The "Reserve Requirement" is defined in the Agency Bonds Indenture to mean the lesser of (i) Maximum Annual Debt Service with respect to the Agency Bonds or any Parity Debt, as applicable, or (ii) 125% of average Annual Debt Service on the Agency Bonds or Parity Debt, as applicable, provided, that in no event shall the Successor Agency, in connection with the issuance of Parity Debt pursuant to a Supplemental Indenture be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Tax Code, as defined in the Indenture, to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit as permitted by the Tax Code; and, provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Agency Bonds Indenture.

"Maximum Annual Debt Service" is defined in the Agency Bonds Indenture to mean, as of the date of calculation, the largest amount of Annual Debt Service for the current or any future Bond Year on the Agency Bonds or any Parity Debt. For purposes of such calculation, there is excluded a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the applicable Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the coverage requirement for the issuance of Parity Debt.

If the Agency at any time in the future has cash on deposit in a Reserve Account, the Agency, with the consent of [the Insurer], has the right at any time to request the release of funds by the Trustee from such Reserve Account, in whole or in part, by tendering the following to the Trustee:

- (i) a Qualified Reserve Account Credit Instrument (as defined in APPENDIX D), and
- (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation.

Municipal Bond Debt Service Reserve Insurance Policy. [To Come]

Issuance of Additional Agency Parity Debt. The Agency will not incur any additional obligations which are senior to the lien of Tax Revenues under the Agency Bonds Indenture. In addition to the Series 2014 Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency. The Successor Agency may issue and deliver any Parity Debt; provided that (i) in the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) shall be increased to the Reserve Requirement taking into account the additional Bonds to be issued, and (ii) in the case of Parity Debt not issued as additional Bonds under a Supplemental Indenture, the Parity Debt Instrument shall state whether there shall be a reserve

account established with respect to such Parity Debt, and shall also set forth the amount, if any, to be deposited in such reserve account as well as the reserve requirement with respect to such Parity Debt. Further, principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable.

Issuance of Agency Subordinate Debt. The Agency Bonds Indenture provides that the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency.

SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY

The Agency

As described below, the Successor Agency was established by the City Council following dissolution of the Former Agency pursuant to the Dissolution Act. Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Dissolution Act, and the limitations thereon.

General

The City, acting pursuant to the Redevelopment Law, activated the Agency by Ordinance No. 651 of the City adopted on July 7, 1972. Under the terms of this Ordinance the City Council declared itself to be the governing body of the Agency.

AB 26 and AB 27. As a result of AB 1X 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agency all under the supervision of a new oversight board, the State Department of the Finance and the State Controller.

The present members of the City Council acting as the Successor Agency are as follows:

Larry Smith, Chairperson
Shellie Milne, Vice Chairperson
Robert Youssef, Member
Linda Krupa, Member
Bonnie Wright, Member

The Successor Agency is a component unit of the City for financial reporting purposes and does not have separate audited financial statements. The audited financial statements of the City for year ending June 30, 2013, are included herein as Appendix C.

Agency Staff

The City Manager also serves as the Executive Director of the Successor Agency. The City Finance Director maintains the Successor Agency’s financial records and serves as the Successor Agency’s Treasurer. The City Attorney also serves as the Successor Agency’s counsel. Brief résumés of the key staff at the City and Successor Agency are set forth below:

Wally Hill, City Manager, has twenty eight years of local government management experience in North Carolina, Arizona, Florida, and California. That includes nine years as a city or county manager in communities ranging in population from 82,000 to 1,800,000, and 13 years as an assistant manager in communities ranging in population from 550,000 to 1,200,000. He has a Master’s in Public Administration degree and is a credentialed manager by the International City-County Management Association (ICMA).

Jessica Hurst, DCM/Administrative Services, has fifteen years of municipal government experience, including finance, budgeting, accounting, program supervision, and contract and facility management with the cities of Colton and Rancho Cucamonga, and San Bernardino County. She has a Bachelor of Science degree in Administration with an Accounting concentration, a Master of Public Administration and is a Certified Government Financial Manager through the Association of Government Accounts (AGA).

Pursuant to Sections 34171(j) and 34173 of the Dissolution Act, the City Council appointed itself as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by AB 1484, which

clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

As discussed below, many actions of the Successor Agency are subject to approval by an “oversight board” and the review or approval by the State Department of Finance, including the issuance of bonds such as the Agency Bonds.

Oversight Board

The Oversight Board was formed pursuant to Establishing Resolution adopted by the City Council. The Oversight Board is governed by a seven-member governing board, with two members appointed by the County, one member appointed by Hemet Unified School District, one member appointed by Mt. San Jacinto Community College District, one member appointed by Eastern Municipal Water District, and two members appointed by the City.

The issuance of bonds, such as the Agency Bonds, is subject to the approval of the Oversight Board. All actions of the Oversight Board are subject to review by the California State Department of Finance (the “State Department of Finance” or the “DOF”). Certain Successor Agency matters are also subject to review by the County Auditor-Controller and the State Controller.

The Dissolution Act provides that, starting July 1, 2016, the current Oversight Board will be replaced, such that there will be only one oversight board for all of the successor agencies in the County. The Board will be comprised of seven members to be appointed to represent the different categories of taxing entities, the public and employees of successor agencies.

Department of Finance Finding of Completion

Pursuant to the Dissolution Act, the Successor Agency was required to retain independent accountants to conduct two reviews, known as due diligence reviews (each, a “DDR”): one for the Low and Moderate Income Housing Fund (the “Housing Fund”) and the other for all of the other funds and accounts (the “Other Funds”). The purpose of the DDRs was to determine the unobligated balance (the “Unobligated Balance”), if any, of the Housing Fund and the Other Funds, as of June 30, 2012, so that such Unobligated Balance would be distributed to the taxing agencies. Pursuant to the general procedure for determining the Unobligated Balance set forth in the Dissolution Act, legally restricted funds (including bond proceeds), value of assets that are not cash or cash equivalents (such as land and equipment) and amounts that are needed to satisfy obligations listed an approved ROPS were excluded from the Unobligated Balance. The Successor Agency has remitted such sums to the County Auditor-Controller.

Because the Successor Agency has made the remittances required by the DOF’s final determination concerning the DDRs, as well as certain other amounts previously required to be remitted pursuant to the Dissolution Act, the DOF issued a “Finding of Completion” to the Successor Agency on April 23, 2013. Upon receipt of such Finding of Completion, the Successor Agency is authorized to proceed with actions permitted under certain provisions of the Dissolution Act, such as the submission of a Long Range Property Management Plan relating to the disposition of Agency-owned real properties. The Successor Agency submitted its Long Range Property Management Plan to DOF on October 25, 2013. Currently, there are no material disagreements between the Successor Agency and the County Auditor Controller’s Office or the State Department of Finance.

State Controller Asset Transfer Review

The Dissolution Act requires that any asset of a former redevelopment agency transferred to a city, county or other local agency after January 1, 2011, be sent back to the successor agency. The State Controller reviewed and approved all transfers.

THE HEMET REDEVELOPMENT PROJECT

The Redevelopment Plan

The City Council adopted Ordinance No. 906 on July 13, 1982, establishing a redevelopment plan for the Hemet Redevelopment Project (the "Plan"). The Plan was designed to enable the Former Agency to eliminate blight and encourage new development in the Project Area. The plan was amended on December 27, 1994 by Ordinance No. 1510. The 1994 amendment brought the Plan into conformance with the limitations of Section 33333.6 of the Redevelopment Law (AB 1290) which went into effect on January 1, 1994. See "Plan Limitations" below

The Project Area

General. The Project Area consists of four non-contiguous areas located within the City, which were originally selected due to distinct developmental problems. These problems included inadequate flood control facilities, incompatible mixed land uses, deteriorating structures, lack of adequate land for on-site expansion and circulation inadequacies. Below is a brief description of the four areas.

Hospital Area. The "Hospital Area" includes approximately 66 acres and is located in the northeast portion of the City and is the site of the Hemet Valley Hospital District facilities, Hemet Unified School District's junior high school, residences, medical professional offices and a convalescence hospital. Circulation difficulties within the Hospital Area include the lack of through vehicular access and congestion due to lack of hospital parking facilities.

Stock Farm Area. The "Stock Farm Area," originally the site of an approximately 36-acre stock farm known as the Hemet Stock Farm, was included in the Project Area because its use as a stock farm did not conform to the existing surrounding residential neighborhood and commercial use area.

Southwest Area. The "Southwest Area" consists of approximately 2,448 acres and includes the area known as Page Ranch, the Seven Hills Condominiums (53 units), a 169-space mobile home park known as Golden Coach of Hemet, Terra Linda, a planned, primarily residential development, a 144-lot single-family subdivision known as Bel Air Estates, an industrial plant, a recreational vehicle park, and various other parcels. Because over 60% of the Southwest Area lies in a 100-year flood plain, the lack of flood control facilities had created a major detriment to development. The Former Agency has contributed to the construction of flood control facilities for the purpose of allowing additional development.

Development in the Southwest Area located west of Warren Road remains restricted by the existence of substantial vernal pool and alkali playa wetlands in the Southwest Area. According to a study prepared by RECON, Regional Environmental Consultants, dated June 15, 1995, "vernal pools are considered those areas which pond reliably year-to-year as evidenced by the presence of standing water durations adequate to support vegetation characteristic of vernal pool habitat in most years. In contrast, alkaline vernal playas are physical situations (large, shallow dry lakes) which are subject to seasonal flooding and seasonal ponding on a less reliable basis, but which possess characteristic soils and vegetation developed in response to the periodic flooding and low permeabilities." Vernal pool and alkali playa wetlands are environmentally sensitive habitats with respect to which development of any kind may be restricted.

The Agency has four additional project areas that are not included in this analysis. These are the Hemet Farmers Fair Project Area, the Hemet Weston Park Project Area, the Hemet Downtown Project Area and the Combined Commercial Project Area. All four areas generate tax increment that is deposited into the RPTTF after passthrough payments to other taxing agencies. For Fiscal Year 2013-14 the other project areas produced approximately \$2.2 million in net tax increment. There are no bonds or other obligations issued with respect to the other project areas.

Pass-Through Agreements

Under redevelopment law existing at the time of the Agency's plan adoption, taxing jurisdictions that would experience a fiscal burden due to the existence of the redevelopment plan could enter into fiscal agreements with redevelopment agencies to alleviate that burden. Such agreements, known as Section 33401 fiscal, or pass-through, agreements, generally provide for redevelopment agencies to pay to a taxing entity some or all of that entity's share of the tax increment received by the agency. Taxing entities could separately receive their share of the growth in valuation due to inflation, known as Section 33676 or the 2% payments.

The Agency has agreements with four taxing entities under Section 33401: the County of Riverside, the Hemet Unified School District, the County Flood Control District, and the Eastern Municipal Water District. The terms of each agreement vary, as described below.

County Agreement The agreement with the County was approved on November 8, 1983 and has been amended twice, once on July 28, 1998 and again on April 1, 2002. The County Agreement, as amended, requires the Agency to pay a specific percentage of the County's share of tax increment to the County in each of three sub-areas of the Project Area and allows the Agency to retain the remainder of the County's share of tax increment to carry out flood control and other projects in those areas. The County Agreement set a limit of \$14.5 million (referred to as the "County Cap") on the cumulative amount of the County's share that could be retained by the Agency over the life of the Project Area, reduced by a formula tied to the amount of outside funding for the improvements obtained by the County. Once the limit is reached, the County is to receive its full share of tax increment.

The percentages used to determine the County's passthrough are 10% in the sub-area known as the Hospital Area, 10% in the sub-area known as the Stock Farm Area, and 30% in the sub-area known as the Southwest Area. According to calculations used by the County Auditor-Controller's office to calculate the County's passthrough in FY 2013-14, the Hospital Area and the Stock Farm Area accounted for 10.77% of the Project Area tax increment and the Southwest Area accounted for 89.23%. The percentages are applied to the County's share of tax increment from the one percent levy, net of the 20% deposit formerly required to be made to a low- and moderate- income housing fund. Although the low- and moderate- income housing fund deposit is no longer required under redevelopment law, the 20% deduction to tax increment is still applied by the County Auditor-Controller's office for purposes of calculating the County passthrough. The County's share of tax increment is approximately 28.70%.

The first amendment to the County Agreement allowed the County Board of Supervisors to consider increasing the County Cap should the Agency find such an increase necessary to pay debt service on bonds issued for construction of a library.

The second amendment to the County Agreement provided for the subordination of the County's passthrough to the tax allocation bonds issued in 2002 that are to be refunded by the Bonds. As the subordination applies to the 2002 Bonds, the Successor Agency is proceeding with the County to approve a third amendment to the Agreement, which will subordinate the County passthrough payments to the payment of debt service on the Agency Bonds. The calculations included in the Fiscal Consultant's report assume that the passthrough payments are subordinate to the payment of debt service on the Agency Bonds.

The County Auditor-Controller is reviewing the cumulative amount of the County's share of tax increment retained by Agency to determine in what year the County Cap was reached. While the Auditor-Controller has not yet determined when that occurred, a review based on tax increment receipts indicates that it may have occurred during FY 2009-10 or FY 2010-11. As the Agency and, following Dissolution, the County Auditor-Controller, continued to pay the County after that point using the pre-threshold formula, the County may be owed some or all, depending on statutory limitations, of that portion of the County's passthrough that was retained by the Agency since the threshold was reached. Although the exact amount has not yet been determined, if the threshold was reached in FY 2009-10 and the full amount of retained County share were to be paid to the County, the amount of prior-year payments is estimated to be approximately \$6.5 million. The prior-

year payments, were they to occur, are also assumed to be a subordinate obligation of the Agency. [STILL UNDER REVIEW]

Hemet Unified School District Agreement The Agency's agreement with the Hemet Unified School District, effective May 29, 1985, requires the Agency to pay 100% of the District's share of tax increment from the one percent levy, net of the former 20% housing set aside. The District's passthrough payment is senior to debt service on the Bonds. The District's share of tax increment is currently 35.07%.

The District recently reached an agreement with the Agency regarding payment of prior-year amounts under Section 33676, which would entitle the District to receive an annual amount equal to its share of the land and improvements portion of the base year assessed valuation, increased by the annual Proposition 13 inflation factor in certain years. The County Auditor-Controller currently deducts the 33676 2% payment in the Agency's three project areas that were adopted after 1984 and before 1994, excluding the Project Area and another project area adopted after 1993. Under the agreement, the Agency will include \$29,579 on each of its ROPS from January 2015 through June 2017 to reimburse the District for the unpaid prior-year amounts. The agreement has been adopted by the Oversight Board but has not yet been reviewed by the Department of Finance. Since the statutory 33676 payments did not apply to the Project Area, the prior-year payments are expected to be a subordinate obligation to the Bonds.

Eastern Municipal Water District Agreement The fiscal agreement with the Eastern Municipal Water District requires the Agency to pay to the District 80% of its share of tax increment from the one percent levy with no deduction for the former housing set-aside. The District's share of tax increment is currently 6.97%.

Flood Control District The Agency has an agreement with the Riverside County Flood Control and Water Conservation District under which the Agency pays to the District 50% of the District's share of tax increment from the one percent levy with no deduction for the former housing set aside. The District's share of tax increment is currently 4.76%.

Statutory Tax Sharing

In addition, certain sub-areas of the Project Areas are subject to the tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Law (added by AB 1290), any territory added to a project area after 1994 is required to share in tax increment revenues generated by such territory pursuant to a statutory formula ("Statutory Tax Sharing"). See APPENDIX A – "Report of Fiscal Consultant – Fiscal Agreements" for a description of the Agency's obligation to make statutory tax sharing payments.

The Statutory Tax Sharing payments, specified in redevelopment law established by AB1290, provide taxing entities with their share of twenty-five percent of incremental tax revenues above certain thresholds; in this case the initial threshold is the tax increment received from assessed valuation in 2003-04. Tax increment above that amount is distributed to the four taxing entities identified above that did not already have Section 33401 fiscal agreements in effect with the Agency. New thresholds are established ten and thirty years behind the initial threshold date and a portion of tax increment above these new thresholds are also paid to taxing entities.

The Agency amended its plan to delete the limitation on incurring indebtedness by Ordinance 1705, adopted on November 25, 2003. That amendment triggered statutory passthrough payments for taxing entities that did not already have contractual tax-sharing agreements. The new statutory passthrough payments begin in the fiscal year after the year in which the original limitation on incurring indebtedness would have taken effect, which was July 13, 2002, and are based on increases in tax increment over a base established in the year the original limitation would have taken effect.

Tax increment above these threshold amounts is distributed to those taxing entities that do not have existing Section 33401 fiscal agreements in effect with the Agency. These taxing entities are the Mount San Jacinto Community College District, the County Office of Education, the San Jacinto Valley Cemetery District, the Valley-Wide Recreation and Park District and the San Jacinto Basin Resource Conservation District. In

order for the City to receive its share of statutory passthrough payments, it would have needed to adopt a resolution, and did not do so. Thus, the City is not be entitled to receive SB211 payments.

Although the SB211 payments were triggered by the removal of the debt incurrence limit on July 13, 2002, neither the Agency nor, following Dissolution, the County Auditor-Controller made the statutory payments to the five taxing entities entitled to receive them. The County Office of Education reached an agreement with the Agency under which it would be paid \$28,599 in six semi-annual payments starting with the June 2, 2015 ROPS for its share of unpaid prior-year SB211 passthrough payments; the agreement has not yet been approved by DOF. The exact amount owed to the remaining four taxing entities eligible to have received the prior-year SB211 passthrough payments has not been determined, and may be subject to statutory limitations. Assuming all four entities were to receive their share of SB211 payments for each year since 2002, the estimated lump-sum payment is \$525,000. This estimated amount is deducted from the tax increment calculated for FY 2014-15 as a senior obligation of the Agency.

Projections used in the fiscal consultant's report incorporate the passthrough payments made under the AB1290 Statutory Tax Sharing provisions as well as under the passthrough agreements.

The Agency has not taken any action under the Dissolution Act to subordinate the statutory tax sharing payments.

Ten Largest Assesseees

Table 1 sets forth the ten largest assesseees in the Project Area whose property in the aggregate comprises approximately 5.78% of the total taxable value in the Project Area.

TABLE 1
Hemet Redevelopment Project
Ten Largest Fiscal Year 2014-15 Assesseees

<u>Property Owner</u>	<u>Secured and Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Pct. of Total</u>	<u>Land Use</u>
PHH REAL ESTATE	\$ 36,161,259	-	\$ 36,161,259	4.00%	Hospital
WAL MART STORES INC	22,519,160	\$ 2,800,696	25,319,856	2.80	Retail
RICH ALVARADO ⁽¹⁾	13,827,016	-	13,827,016	1.53	Commercial
MCCROMETER INC	7,608,580	-	7,608,580	0.84	Industrial
RIVERDALE CONDOMINIUMS HEMET ⁽¹⁾	7,282,000	-	7,282,000	0.81	Residential
RIVER OAKS RIDGE	7,018,000	-	7,018,000	0.78	Vacant Land
HSRE MRED I	6,393,246	-	6,393,246	0.71	Medical Offices
PULTE HOMES	5,993,230	106,678	6,099,908	0.67	Residential
HILLHAVEN INC LSE	4,936,964	-	4,936,964	0.55	Medical Offices
<u>PAGE STRATA BP⁽¹⁾</u>	<u>\$ 4,698,872</u>	<u>-</u>	<u>4,698,872</u>	<u>0.52</u>	<u>Vacant Land</u>
Total, Top Ten:	\$116,438,327	\$ 2,907,374	\$119,345,701	13.20%	
Total, Top Twenty:	\$147,866,891	\$ 2,907,374	\$150,774,265	16.67%	
Total, Top Hundred:	\$200,033,147	\$ 5,726,208	\$205,759,355	22.75%	
Totals for the Area:	\$893,297,429	\$11,012,063	\$904,309,492	100.00%	

⁽¹⁾ Owner has appeals pending.

Source: Riverside County Office of the Assessor; Urban Analytics.

Property Tax Delinquencies

As of July 17, 2013, the delinquency rate on FY 2012-13 secured property taxes in the Project Area was 1.2%. For FY 2011-12 secured property taxes the delinquency rate had been 2.4% on September 19, 2012 while the FY 2010-11 secured property taxes posted a delinquency rate of 1.2% as of September 30, 2011. As noted previously, 100% of the Successor Agency's tax increments are paid by the County and are consequently not affected by tax delinquencies.

The County utilizes a mechanism for the distribution of tax increment revenue to the former redevelopment agencies that has a similar effect on the Agency's tax increment revenues as the device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code). The Teeter Plan allows counties to distribute secured property tax revenue to participating jurisdictions without regard to delinquencies by maintaining a reserve fund to cover delinquencies and allocating revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Under the mechanism used by the County to distribute tax increment revenue to the former redevelopment agencies, the County pays one-half of the taxes from the net taxable assessed valuation appearing on the equalized roll to each agency's RPTTF on January 2 and the other one-half on June 1; delinquencies are not deducted from the RPTTF revenue, and delinquent tax payments and defaulted tax redemptions, penalties and interest are not added to RPTTF revenue. Consequently, the Agency is not affected by delinquent tax payments. The overall delinquency rate for the 2012-13 fiscal year for all secured properties in the Project Area was 1.2% as of July 17, 2013.

Property Value by Land Use

Table 2 sets forth the distribution of property value located in the Project Area by principal purpose for which the land is used.

TABLE 2
Hemet Redevelopment Project
Property Value by Land Use⁽¹⁾
Fiscal Year 2014-15

<u>Land Use</u>	<u>Secured AV</u>	<u>Percent of AV</u>	<u>Number of Parcels</u>	<u>Percent of Parcels</u>	<u>Acres</u>	<u>Percent of Acres</u>
Agricultural	\$ 458,000	0.1%	2	0.0%	47	1.9%
Commercial	120,287,008	13.5	57	1.1	500	19.6
Industrial	7,608,580	0.9	1	0.0	7	0.3
Single-Family Residential	698,310,731	78.2	4,157	77.7	364	14.3
Condominiums	13,937,617	1.6	144	2.7	7	0.3
Other Residential	22,684,103	2.5	535	10.0	30	1.2
Vacant	30,011,390	3.4	434	8.1	1,544	60.5
Other	-	0.0	18	0.3	50	2.0
Total	\$893,297,429	100.0%	5,348	100.0%	2,550	100.0%

⁽¹⁾ Valuations include homeowner's exemptions, restored by the Auditor prior to the calculation of tax increment. Acreage is estimated using tax roll data and information provided by the Agency.

Source: Riverside County Assessor; Urban Analytics.

Plan Limitations

Under the provisions of Redevelopment Law, the following limitations are imposed upon the redevelopment plan for the Project Area: (1) the time limit on the effectiveness of the Redevelopment Plan is July 13, 2022, (2) the time limit for the repayment of indebtedness is July 13, 2032, and (3) the number of tax increment dollars that may be allocated to the Successor Agency shall not exceed \$10 million annually. Originally, the Agency had a bonded indebtedness cap on \$100,000,000 outstanding at any one time, however, this cap was eliminated in 2003.

Annual Tax Increment Cap

Under the provisions of the redevelopment plan and redevelopment law in effect prior to January 1, 1994, redevelopment project areas generally contained a tax increment cap, or a limitation on the amount of tax increment that may be collected within that redevelopment project area.

The tax increment cap in effect in the Project Area is an annual cap, with a limit of \$10,000,000 in tax increment that may be collected in any one year.

The tax increment cap is incorporated into the projections used in preparing this report. The Agency is expected to collect 9,011,832 in tax increment in FY 2014-15; as the projections shown in Table 5 illustrate, the annual tax increment cap is expected to be reached in FY 2020-21 assuming a 2% annual rate of growth. Under higher assumed rates of growth the annual limit will be reached earlier: a five percent annual growth rate brings the tax increment to the annual limit in FY 2017-18 and under a seven percent annual growth rate the annual limit is reached in FY 2016-17.

The state Department of Finance has indicated that it considers that tax increment caps not reached prior to the dissolution of redevelopment agencies in 2012 should not be used to prevent payment of enforceable obligations, and that they advise county auditor-controllers to not apply tax increment caps in cases where doing so would prevent payment of enforceable obligations. It is not clear whether this advice will be followed by

county auditor-controllers, or that it would withstand any legal challenges. For the purposes of this Official Statement it is assumed that tax increment caps will remain in effect.

Assessment Appeals

Property owners can appeal the assessment of their property to the county assessment appeals board. See “BOND OWNERS’ RISKS—Assessment Appeals” and APPENDIX A—“FISCAL CONSULTANT REPORT.” The Fiscal Consultant conducted a review of pending and recently resolved assessment appeals in order to determine potential impact on current and future Project Area value and tax increment revenue. The results of this review are described in the Fiscal Consultant’s Report attached as Appendix A, portions of which are summarized below.

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent annually unless and until another change in ownership and/or additional new construction activity occurs.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year’s assessment based on the current economic value of the property. The assessor may also adjust valuations based on Proposition 8 criteria. Reductions in valuation made under Proposition 8 are temporary, with valuations restored to their full assessments once the economic reason for the reduction no longer applies. Such reductions can affect the Agency’s tax increment while they are in effect.

The County Assessor annually reports on the number of assessments by City subject to Proposition 8 reductions, and the amount of Proposition 8 reductions. The Assessor reports 9,531 properties reduced through Proposition 8 in FY 2014-15 in the tax rate district including the Project Area with \$743,799,874 in reduced valuation. This compares to 13,244 properties and \$1,081,674,241 in Proposition 8 reductions in FY 2013-14 and 15,771 properties and \$1,308,913,641 in Proposition 8 reductions in FY 2012-13. While these figures include properties outside of the Project Area, they indicate that Proposition 8 reductions have decreased by approximately 43% between FY 2012-13 and FY 2014-15. The assessor does not indicate on the rolls which parcels are subject to Proposition 8.

With respect to direct property owner appeals, the County experienced a high level of assessment appeals in the late 1990’s and again in 2007 and 2008. Within the Project Area, the primary cause of such appeals was declining market value of improved and unimproved residential property. Further significant appeals to assessed values in the Project Area may be filed from time to time in the future. The Agency cannot predict the extent of any such appeals or their likelihood of success.

There are currently 78 appeal requests on record with the County, with the amount of assessed value in dispute of \$42.9 million. The potential exposure of the Agency’s tax increment revenue to appeals, were either (i) the County Auditor-Controller to change its policy of deducting appeal-related tax refunds solely from supplemental revenue and not from tax increment or (ii) the County Assessor to continue Proposition 8 reductions on future rolls for properties granted prior year reductions, may be seen by applying the retention rate to the amount of valuation in dispute in pending appeals.

Overall, the 738 appeals settled in the Project Area during the FY 2005-06 to FY 2013-14 period resulted in reductions in valuation of \$6.9 million out of \$288.7 million in enrolled valuation subject to appeals, or around 1%. The overall retention rate has thus been approximately 98% of the original valuation.

A number of appeals have been filed by large property owners in the Project Area. Page Strata BP, a developer owning twenty vacant lots in the Project Area, has appealed the valuations for each of the past four years; the appealed valuations for this owner have not been reduced on prior resolved appeals. Rich Alvarado,

owner of a retail center on South Sanderson Avenue, and Riverdale Condominiums Hemet have also had appeals in prior years that have not resulted in reduced valuations.

An indicator of the potential exposure of Agency tax increment revenue to appeals – were the Auditor-Controller either to change its policy of deducting appeal-related tax refunds solely from supplemental revenue and not from regular tax increment or were the Assessor to continue Proposition 8 reductions on future rolls for properties granted prior-year reductions – may be seen by applying the retention rate to the amount of valuation in dispute in pending appeals.

Applying the 99% retention rate for resolved appeals to the \$85.8 million in total valuation for parcels with appeals pending indicates a potential valuation reduction of \$2.0 million or approximately \$20,000 in tax revenue. If the full amount of disputed valuation were granted, the reduction in valuation would be \$42.9 million or approximately \$429,000 in tax revenue. No assumptions are made regarding any potential appeal-related adjustments to Project Area valuation.

The following table illustrates the pending and resolved assessment appeals in the Project Area, and a projection of the estimated impact of pending appeals on assessed value.

**TABLE 3
HEMET REDEVELOPMENT AGENCY
HEMET REDEVELOPMENT PROJECT
ASSESSMENT APPEALS⁽¹⁾**

<u>Roll Year</u>	<u>Status</u>	<u>Number of Appeals</u>	<u>County Valuation</u>	<u>Applicant Opinion of Value</u>	<u>Valuation After Appeal</u>	<u>Retention Rate⁽¹⁾</u>
2013-14	Resolved	2	505,220	299,778	505,220	100%
2013-14	Pending	35	31,765,224	16,861,379	TBD	TBD
2012-13	Resolved	29	26,040,573	14,307,421	25,408,604	98%
2012-13	Pending	36	35,303,256	15,470,194	TBD	TBD
2011-12	Resolved	68	37,321,078	16,465,798	37,321,078	100%
2011-12	Pending	6	13,230,046	6,999,000	TBD	TBD
2010-11	Resolved	210	68,174,883	36,105,085	65,344,761	96%
2010-11	Pending	-	-	-	-	-
2009-10	Resolved	263	58,430,753	31,713,973	56,182,452	96%
2009-10	Pending	1	5,461,740	3,500,000	-	TBD
2008-09	Resolved	139	63,496,096	40,637,006	62,515,941	98%
2008-09	Pending	-	-	-	-	-
2007-08	Resolved	22	10,103,000	7,409,298	9,916,384	98%
2007-08	Pending	-	-	-	-	-
2006-07	Resolved	1	2,325,151	1,395,000	2,325,151	100%
2006-07	Pending	-	-	-	-	-
2005-06	Resolved	4	22,314,939	14,476,075	22,314,939	100%
2005-06	Pending	-	-	-	-	-
All Years	Resolved	738	288,711,693	162,809,434	281,834,530	98%
All Years	Pending	78	85,760,266	42,830,573	TBD	TBD

⁽¹⁾ Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the “Valuation After Appeal” into the “County Valuation.” For withdrawn and denied appeals, the “Valuation After Appeal” is the original County valuation. Data is current as of 6/30/2014.

Source: Riverside County Assessor; Urban Analytics

ESTIMATED REVENUES AND BOND RETIREMENT

The Authority has retained Urban Analytics, LLC, San Francisco, California (the "Fiscal Consultant"), to analyze the Project Area and to project future Tax Revenues for the Project Area. The Fiscal Consultant's report is included as Appendix A and should be read in its entirety.

The Project Area base year 1983-84 assessed valuation is \$26,050,088. The assessed valuation for fiscal year 2014-15 is \$904,309,492 plus the homeowner's exempt assessed valuation of \$14,938,000, which produces a total incremental value of \$893,197,404. The total tax increment for fiscal year 2014-15 are estimated to be approximately \$8,931,974 and total Tax Revenues are estimated to be approximately \$5,014,935 after reductions for senior passthrough payments and the SB211 prior year reduction adjustment of \$525,000. Table 5 sets forth estimated fiscal year 2014-15 Tax Revenues forecasts growth in Tax Revenues through fiscal year 2031/32, based upon a two percent annual increase in secured real property value beginning in 2014/15. These projections do not reflect changes to assessed valuation due to new construction, property sales, Proposition 8 reductions, assessment appeals or other factors. The actual growth rate may be less than the projected in the Project Area. Table 5 also projects annual debt service coverage based on the forecasts of Tax Revenues. See the Fiscal Consultant's Report attached hereto as Appendix A.

The Tax Rate calculated by the City is 1.000% for the secured roll and the unsecured roll for the Successor Agency. In accordance with Health and Safety Code Section 33670(e) the Successor Agency Tax Rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Successor Agency does not receive, on an annual basis, all Tax Revenues, unless required to pay debt service. See the tables for the Project Area under the caption "ESTIMATED REVENUES AND BOND RETIREMENT."

Additional assumptions used by the Fiscal Consultant include:

1. The County will charge an administrative fee of 1.15% of the tax increment revenue of the Project Area,
2. The Project Area receives approximately \$79,858 in unitary revenue from the one percent levy,
3. The County passthrough payments are subordinate to the payment of debt service on the Agency Bonds, however all other passthrough payments of the Agency are senior to the payment of debt service on the Bonds, and
4. Annual assessed valuation increased by 2% in each year.
5. In addition to the tax increment revenue shown in Table 5 from the Hemet Redevelopment Project Area, tax increment from four additional project areas is also deposited into the RPTTF and is available for debt service on the Agency Bonds. These project areas, and the tax increment after passthrough payments generated by each in Fiscal Year 2013-14, are the Famer's Fair Project Area (\$0.2 million), the Weston Park Project Area (\$0.2 million), the Downtown Project Area (\$0.1 million) and the Combined Commercial Project Area (\$1.7 million). Together these four project areas generated approximately \$2.2 million in tax increment after passthrough payments in Fiscal Year 2013-14. These tax increment revenues are not included in Table 5.

Actual levels of future Tax Revenues will depend upon the rate of growth in tax increment resulting from new development, change of ownership and inflation, and changes in tax rates, and may differ from the projections presented herein.

TABLE 4
Hemet Redevelopment Project
Historical Assessed Valuation and Tax Increment Verification
Fiscal Year 2005-06 through 2014-15

<u>Roll</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Secured										
- Land	\$ 214,731,803	\$260,213,635	\$307,276,941	\$ 360,910,083	\$225,739,107	\$212,131,185	\$216,915,404	\$218,618,715	\$226,009,422	\$236,849,394
- Improvements	485,304,320	704,964,910	845,841,507	719,971,088	607,059,771	550,773,749	586,923,173	597,935,851	632,375,548	718,126,102
- Personal Property	1,055,672	1,150,922	1,294,622	1,414,345	1,919,773	1,252,822	1,626,210	1,524,249	1,892,659	1,889,901
- Exemptions	(18,985,826)	(18,777,413)	(19,472,912)	(19,858,263)	(20,025,070)	(53,113,906)	(54,962,210)	(61,225,214)	(61,838,630)	(63,567,968)
Secured Total	\$682,105,969	\$947,552,054	\$1,134,940,158	\$1,062,437,253	\$814,693,581	\$711,043,850	\$750,502,577	\$756,853,601	\$798,438,999	\$893,297,429
Unsecured										
- Land	\$ 500	\$ 500	\$ 510	\$ 510	\$ 520	\$ 520	\$ 6,344	\$ 520	\$ 520	\$ 15,469
- Improvements	1,742,271	2,447,005	2,864,667	3,892,521	4,268,803	4,116,435	6,050,720	4,754,971	4,670,875	4,062,371
- Personal Property	7,613,999	10,336,705	6,331,318	7,461,845	8,192,311	8,879,455	10,327,841	7,449,943	7,950,044	6,927,223
- Exemptions	0	0	0	0	0	0	7,000	0	0	7,000
Unsecured Total	\$ 9,356,770	\$ 12,784,210	\$ 9,196,495	\$ 11,354,876	\$ 12,461,634	\$ 12,996,410	\$ 16,391,905	\$ 12,205,434	\$ 12,621,439	\$ 11,012,063
Utility										
- Land	\$ 30,689	\$ 28,744	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
- Improvements	25,479	23,864	0	0	0	0	0	0	0	0
- Personal Property	13,295	12,453	0	0	0	0	0	0	0	0
- Exemptions	0	0	0	0	0	0	0	0	0	0
Utility Total	69,463	65,061	0	0	0	0	0	0	0	0
Totals:	\$691,532,202	\$960,401,325	\$1,144,136,653	\$1,073,792,129	\$827,155,215	\$724,040,260	\$766,894,482	\$769,059,035	\$811,060,438	\$904,309,492
Percent Change	24.81%	38.88%	19.13%	-6.15%	-22.97%	-12.47%	5.92%	0.28%	5.46%	11.50%
Plus: HOPTR AV ⁽¹⁾	\$ 15,143,800	\$ 14,842,800	\$ 15,666,000	\$ 15,880,200	\$ 15,758,400	\$ 16,199,400	\$ 16,135,000	\$ 15,863,400	\$ 15,332,800	\$ 14,938,000
Less: Base AV	26,050,088	26,050,088	26,050,088	26,050,088	26,050,088	26,050,088	26,050,088	26,050,088	26,050,088	26,050,088
Incremental AV:	680,625,914	949,194,037	1,133,752,565	1,063,622,241	816,863,527	714,189,572	756,979,394	758,872,347	800,343,150	893,197,404
Incremental Revenue (1%)	\$ 6,806,259	\$ 9,491,940	\$ 11,337,526	\$ 10,636,222	\$ 8,168,635	\$ 7,141,896	\$ 7,569,794	\$ 7,588,723	\$ 8,003,432	\$ 8,931,974

⁽¹⁾ The Homeowner's Property Tax Relief exemption, reimbursed by the state.
⁽²⁾ Revenue from unitary and supplemental rolls, prior-year adjustments and other sources. Fiscal Year 2013-14 unitary revenue is estimated to be \$400,000.
Source: Urban Analytics; County of Riverside, the Agency.

TABLE 5
Hemet Redevelopment Project⁽¹⁾
Projected Tax Revenue and
Estimated Debt Service Coverage
Fiscal Years 2013/14 – 2034/35

Year	Gross Tax Increment Revenues	County Admin. Fee	Senior Pass-Through Payments	Net Tax Revenues	Debt Service on the Bonds	Excess Tax Increment	Coverage Ratio
2014/15	\$ 9,011,832	\$ (102,400)	\$(3,369,498)	\$5,014,935			
2015/16	9,193,102	(104,459)	(3,441,721)	5,646,922			
2016/17	9,377,998	(106,560)	(3,515,389)	5,756,049			
2017/18	9,566,592	(108,703)	(3,590,530)	5,867,359			
2018/19	9,758,958	(110,889)	(3,667,174)	5,980,895			
2019/20	9,955,171	(113,118)	(3,745,351)	6,096,701			
2020/21	10,000,000	(113,628)	(3,761,495)	6,124,878			
2021/22	10,000,000	(113,628)	(3,761,495)	6,124,878			
2022/23	10,000,000	(113,628)	(3,761,495)	6,124,878			
2023/24	10,000,000	(113,628)	(3,761,495)	6,124,878			
2024/25	10,000,000	(113,628)	(3,761,495)	6,124,878			
2025/26	10,000,000	(113,628)	(3,761,495)	6,124,878			
2026/27	10,000,000	(113,628)	(3,761,495)	6,124,878			
2027/28	10,000,000	(113,628)	(3,761,495)	6,124,878			
2028/29	10,000,000	(113,628)	(3,761,495)	6,124,878			
2029/30	10,000,000	(113,628)	(3,761,495)	6,124,878			
2030/31	10,000,000	(113,628)	(3,761,495)	6,124,878			
2031/32	10,000,000	(113,628)	(3,761,495)	6,124,878			

⁽¹⁾ See "ESTIMATED REVENUES AND BOND RETIREMENT," for assumption regarding tax increment projections.
Source: Riverside County Office of the Assessor; Urban Analytics.

BOND OWNERS' RISKS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds and the credit quality of the Agency Bonds. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For a discussion of certain matters that will or could cause reductions in the Tax Revenues available in future years, see "LIMITATIONS ON TAX REVENUES" of this Official Statement.

Limited Special Obligations

The Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from the Revenues. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires the Successor Agency to prepare and submit to the Successor Agency's Oversight Board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a Recognized Obligation Payment Schedule approved by the State Department of Finance. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule." If the Successor Agency were to fail to complete an approved Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

If a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to

the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS-Security for the Bonds") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011; (ii) second, on each January 2 and June 1, to a successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to a successor agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in its Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Successor Agency does not submit an Oversight-Board approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Successor Agency has covenanted in the Agency Bonds Indenture to take all actions required under the Dissolution Act to include scheduled debt service on the Agency Bonds or required under the Agency Bonds Indenture to replenish the Reserve Fund, in Recognized Obligation Payment Schedules for each six-month period to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Agency Bonds Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period.

AB 1484 also added new provisions to the Dissolution Act implementing certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

Challenges to Dissolution Act

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance.

Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora’s constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora’s takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency’s ability to timely pay debt service on the Agency Bonds.

Mandatory Redemption on Acceleration of Agency Bonds on Default

The Bonds are subject to mandatory redemption upon the acceleration of the Agency Bonds upon the occurrence of an Event of Default under the Agency Bonds Indenture. As a practical matter in the event of a payment default by the Successor Agency, it is unlikely the Successor Agency would have the financial resources to meet accelerated obligations. No real or personal property in the Project Area is pledged to secure the Agency Bonds, and it is not anticipated that the Successor Agency will have available moneys sufficient to pay the amount of principal and interest due upon acceleration of the Agency Bonds, and correspondingly to redeem all of the Bonds in the event of a default. Additionally, if the Bonds are insured, then the bond insurer will retain the right to control remedies on the Bonds and the Agency Bonds in the Event of Default, possibly in conflict with the Owners of the Bonds. See “SECURITY FOR THE BONDS AND THE AGENCY BONDS – Security for the Agency Bonds,” herein.

Reduction in Taxable Value

Tax Revenues allocated to the Successor Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Successor Agency’s control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, appeals to value under Proposition 8 or other assessment appeals, or the discovery of hazardous substances on a property within the Project Area (see “Hazardous Substances,” below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see “Earthquake,” below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Agency Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See APPENDIX A – “Report of Fiscal Consultant - Assessment Appeals.”

Bond Insurance Risk Factors

The Authority has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. The Authority has yet to determine whether an insurance policy

will be purchased with the Bonds from a municipal bond insurance company (the "Bond Insurer"). If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any Owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Authority which is recovered by the Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the Authority unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "OTHER INFORMATION – Ratings" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the Authority, the Agency or the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Risks of Real Estate Secured Investments Generally

The Owners and Beneficial Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (a) adverse changes in local market conditions, such as changes in the market value of real property within and in the vicinity of the respective project areas, the supply of or demand for competitive properties in such project areas, and the market value of competitive properties in the event of sale or foreclosure, (b) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies, and (c) natural disasters (including, without limitation, earthquakes, fires, droughts and floods), which may result in uninsured losses.

Reduction in Inflationary Rate and Changes in Legislation

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2% and there have been several years in which taxable values were adjusted by an actual inflationary rate that was less than 2%. The adjusted inflationary rate for Fiscal Year 2014-15 is 0.454%. The Successor Agency is unable to predict whether future annual inflationary adjustments to the taxable value base of real property within the Project Area will be in the amount of the full 2% permitted under Article XIII A or will be in an amount less than 2%.

Change in Law

In addition to the other limitations on Tax Revenues, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Successor Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the Agency Bonds.

Development and Economic Risks

Development within the Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including policies that restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected, potentially causing a reduction of the Tax Revenues available to repay the Agency Bonds and consequently the Bonds. In addition, if there is a general decline in the economy of the Project Area, the owners of property in the Project Area may be less able or willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency.

Bankruptcy of Landowners

The bankruptcy of a major assessee in the Project Area could delay and/or impair the collection of property taxes by the County with respect to properties in the bankruptcy estate. Although the Successor Agency is not aware of any major property owners in the Project Area that are in bankruptcy or threatening to declare bankruptcy, the Successor Agency cannot predict the effects on the collections of Tax Revenues if such an event were to occur.

Seismic Factors and Flooding

The occurrence of severe seismic activity and/or flooding in the Project Area could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction could result in a decrease in Tax Revenue collected by the Agency.

The Public Health and Safety element of the City's August 25, 1992 General Plan identifies several "active" and "potentially active" traces of the San Jacinto fault zone within the northeastern portion of the City. As a result, the General Plan concludes, primary hazards, such as ground ruptures, and secondary hazards, such as rockfalls, subsidence in the valley floor, dam overtopping or failure, and seiches in local water tanks and reservoirs, related to potential seismic activity remain a significant concern.

The General Plan notes that the City's flood control master plan identifies a need for substantial flood control improvements over the following 25-year period. The area of greatest flood concern encompasses three major drainage areas, the majority of which are within the Salt Creek and San Jacinto River watersheds, with a small portion being in the Santa Margarita watershed. Within the area, a number of area-wide flooding hazards existed in 1992. The City has recently completed the most significant of these needed improvements with the completion of Salt Creek Channel. Also see the discussion of the vernal pool and alkali playa wetlands in the Southwest Area of the Project Area under the caption "THE HEMET REDEVELOPMENT PROJECT," herein.

Levy and Collection of Taxes

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Successor Agency to make debt service payments on the Agency Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency's ability to make timely debt service payments on the Agency Bonds. The County currently allocates 100% of the Tax Revenues collected on the secured property tax roll to the Successor Agency, regardless of the actual amount of payments made by taxpayers (see "Property Taxes; Teeter Plan," below). The County currently allocates Tax Revenues collected with respect to unsecured property to the Agency based upon the tax increment actually collected.

Estimated Revenues

In estimating that Tax Revenues will be sufficient to pay debt service on the Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues available to pay debt service on the Bonds will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Direct and Overlapping Indebtedness

The ability of land owners within the respective project area to pay property tax installments as they come due could be affected by the existence of other taxes and assessments, imposed upon the land. In addition, other public agencies whose boundaries overlap those of the respective project area could, without consent of the Successor Agency, and in certain cases without the consent of the owners of the land within the Project Area, impose additional taxes or assessment liens on the property to finance public improvements.

Future Legislation and Initiatives

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Successor Agency or the Successor Agency's ability to expend revenues. In addition, there are currently a number of proposed legislative changes to the Dissolution Act which, if adopted,

would also affect revenues of the Successor Agency or the Successor Agency ability to expend revenues. The nature and impact of these measures cannot currently be anticipated.

Assessment Appeals

Property taxable values may be reduced as a result of Proposition 8, which reduces the assessed value of property, or of a successful appeal of the taxable value determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. A reduction in taxable values within the respective project area and the refund of taxes which may arise out of successful appeals by property owners will affect the amount of Tax Revenues and, potentially, Revenues under the Indenture. The Successor Agency has in the past experienced reductions in its Tax Revenues as a result of assessment appeals. The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. For a discussion of historical assessment appeals in the Project Area and summary information regarding pending and resolved assessment appeals for the Successor Agency, see "Appendix A - Fiscal Consultant's Report."

Economic Risks

The Agency's ability to make payments on the respective Agency Bonds will be partially dependent upon the economic strength of the Project Area. If there is a decline in the general economy of the Project Area, the owners of property may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of Tax Revenues. In the event of decreased values, Tax Revenues and, potentially, Revenues may decline even if property owners make timely payment of taxes.

Investment Risk

Funds held under the Agency Bonds Indenture are required to be invested in Permitted Investments as provided under the Agency Bonds Indenture. See "APPENDIX A" attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Successor Agency, into which a portion of the proceeds of the Agency Bonds will be deposited and into which Tax Revenues are deposited, may be invested by the Successor Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Successor Agency cannot predict the effects on the receipt of Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See "BOND OWNERS' RISKS - Bankruptcy."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

Bankruptcy

The rights of the Owners of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX F - "Forms of Opinions of Bond Counsel."

LIMITATIONS ON TAX REVENUES

Property Tax Limitations - Article XIII A

Article XIII A of the California Constitution. Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. Section 2 of 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the California Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In the general elections of 1986, 1988, and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment will reduce the tax increment of the Successor Agency. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

In the June 1990 election, the voters of the State approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the California Supreme Court and the United States Supreme Court have upheld the constitutionality of Article XIII A.

Article XIII B of the California Constitution. On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. 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, population and services rendered by the government entity.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof, including Section 33678 of the Law. The constitutionality of Section 33678 has been

upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely and Brown v. Community Redevelopment Agency of the City of Santa Ana*. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of the public agencies to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIC removes limitations on the initiative power in matters of local taxes, special taxes, assessments, fees and charges. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the levy of property taxes or to materially affect the collection and pledge of Tax Revenues.

The interpretation and application of the initiative provisions of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and while it is not possible at this time to predict with certainty the outcome of such determination, the Successor Agency does not believe that Proposition 218 will materially affect its ability to pay principal of or interest on the Agency Bonds.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value is shown at 100% of assessed value and all general tax rates reflect the \$1.00 per \$100 of taxable value. Tax rates for bond debt service and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. Neither the Authority nor the Successor Agency is able to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Redevelopment Plan Limits

There is a question on the applicability of tax increment limits as to time and amounts established under redevelopment plans after the adoption of AB 26 and AB 1484. The matter remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Official Statement and in the Fiscal Consultant's Report appearing in Appendix A, it is assumed that all redevelopment plan limits will be enforced.

Unitary Property

Assembly Bill 2890 (Statutes of 1986, Chapter 1457), which added Section 98.9 to the California Revenue and Taxation Code, provided that, commencing with the Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) was to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was changed from March 1 to January 1.

Assembly Bill 454 (Statutes of 1987, Chapter 921) further modified the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provided for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provided for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 was to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

The Successor Agency has projected the amount of unitary revenues to be allocated for 2013-14 within the Project Area. Neither the Authority nor the Successor Agency can predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received nor the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies.

Tax Increment Limitation; Senate Bill 211

Assembly Bill 1290 ("AB 1290") was signed into law by the Governor in December 1993 and amends various provisions of the Law. AB 1290 provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after 10 years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, will pay indebtedness or receive property taxes in connection therewith. In addition, in connection with the shift of tax increment revenues, (i) SB 1045 allowed the Former Agency to extend the effective date of the related redevelopment plan, and the date to receive Tax Revenues in the Project Area, by one year, and (ii) SB 1096 allowed the Former Agency to extend the effective date of the related redevelopment plan, and the date to receive Tax Revenues, by two years subject to compliance with major housing requirements. The Former Agency has taken such action with respect to SB 1045, and the projections of Tax Revenues reflect such extensions. Pursuant to the related redevelopment plan, the expiration date of the related redevelopment plan is as described in "THE HEMET REDEVELOPMENT PROJECT," herein.

On October 10, 2001 the Governor of the State signed into law Senate Bill 211 ("SB 211"), which allows redevelopment agencies to eliminate the time limits on their ability to incur debt for project areas established prior to January 1, 1994. Additionally, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain findings of blight in the applicable project areas. Additionally, if a redevelopment agency elects to extend the time limits on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain additional statutory pass-throughs to other taxing entities. The Former Agency did not extend any of the related redevelopment plan limitations with respect to the respective project area pursuant to SB 211.

Property Taxes; Teeter Plan

The County utilized a mechanism for the distribution of tax increment revenue to the former redevelopment agencies that has a similar effect on the Successor Agency's tax increment revenues as the

device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code). The Teeter Plan allows counties to distribute secured property tax revenue to participating jurisdictions without regard to delinquencies by maintaining a reserve fund to cover delinquencies and allocating revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Under the mechanism used by the County to distribute tax increment revenue to the former redevelopment agencies, the County pays one-half of the taxes from the net taxable assessed valuation appearing on the equalized roll to each agency's RPTTF on January 2 and the other one-half on June 1; delinquencies are not deducted from the RPTTF revenue, and delinquent tax payments and defaulted tax redemptions, penalties and interest are not added to RPTTF revenue. Consequently, the Agency is not affected by delinquent tax payments. The overall delinquency rate for the 2012-13 fiscal year for all secured properties in the Project Area was 1.2% as of July 17, 2013.

Tax Collection Fees

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The County administration fee amounts to approximately 2% of the tax increment revenues from a Project Area. The calculations of Tax Revenues take such administrative costs into account.

Future Initiatives

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

OTHER INFORMATION

Continuing Disclosure

The Successor Agency will undertake all responsibilities for continuing disclosure to Owners of the Bonds pursuant to the Continuing Disclosure Agreement to prepare and deliver certain other information as described in the Continuing Disclosure Agreement. The Authority will act as dissemination agent under the Continuing Disclosure Agreement. See APPENDIX G – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The Agency and Successor Agency have timely filed all of the annual reports in the last five years, however, the reports for fiscal years 2011 and 2012 failed to include requested tables, such as debt service coverage (2011 and 2012), summary of property tax levies and collections (2011), and information relating to the amounts due under the County Tax-Sharing Agreement (2012). [The Successor Agency has taken action to correct these errors].

Other than as described above, the Agency has not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports, semi-annual reports or notices of material events in the last five years.

Litigation

At the time of delivery of and payment for the Bonds, the Authority and the Successor Agency, respectively, will certify that, except as disclosed herein, to their respective best knowledge there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or body, pending against or threatened against the Authority or the Successor Agency in any way affecting the existence of the Authority or the Successor Agency or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the Agency Bonds, the application of the proceeds thereof in accordance with the Indenture or the Agency Bonds Indenture, or the collection or application of Tax Revenues to be pledged to pay the principal of and interest on the Bonds or the Agency Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Agency Bonds, the Indenture, the Agency Bonds Indenture, or any action of the Authority or the Successor Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or the Successor Agency or its authority with respect to the Indenture or the Agency Bonds Indenture or any action of the Authority or the Agency contemplated by said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or the Agency or its authority with respect to the Indenture or the Agency Bonds Indenture or any action of the Authority or the Agency contemplated by said documents, or which would adversely affect the exclusion of interest paid on the 2014 Series A Bonds from gross income for Federal income tax purposes or the exemption of interest paid on the Bonds from California personal income taxation, nor, to the knowledge of the Authority or the Successor Agency, is there any basis therefor.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. The opinions described herein are subject to the condition that the Successor Agency and the Authority comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the

inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Legal Opinion

Jones Hall, A Professional Law Corporation, San Francisco, California, will render opinions with respect to the validity of the Bonds and the Authority Bonds in substantially the forms set forth in Appendix F hereto. Copies of such approving opinions will be available at the time of delivery of the Bonds.

In addition, Best Best & Krieger LLP, as Disclosure Counsel, will deliver to the Authority and to the Underwriters a letter in customary form concerning the information set forth in this Official Statement.

Ratings

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, a part of McGraw Hill Financial ("Standard & Poor's") has assigned to the Bonds its municipal bond rating of "___" with the understanding that the Policy insuring the payment when due of the principal of and interest on the Bonds will be issued concurrently with the delivery of the Bonds by the Authority. Standard and Poor's has assigned an underlying rating to the Bonds without regard to the issuance of the Policy the rating of "___." Such ratings reflect only the views of Standard & Poor's, and do not constitute a recommendation to buy, sell or hold any of the Bonds. Explanation of the significance of such ratings may be obtained only from Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041.

The ratings issued reflect only the view of such rating agency, and any explanation of the significance of such ratings should be obtained from such rating agency. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

Underwriting

Citigroup Global Markets Inc. (the "Underwriter") has agreed to purchase the Bonds at a price of \$_____ (being the principal amount of the Bonds, plus a net original issue premium of \$_____, less an underwriters' discount of \$_____) under a Bond Purchase Contract between the Authority and the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

Miscellaneous

All quotations from and summaries and explanations of the Indenture and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority. The information contained herein should not be construed as representing all conditions affecting the Authority, the Agency or the Bonds.

RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY

By: _____
Executive Director

APPENDIX B

GENERAL INFORMATION CONCERNING THE CITY OF HEMET

The following information is presented as general background data. The Bonds are payable solely from Tax Revenues and other sources as described herein. The taxing power of the City of Hemet, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds.

General

The City of Hemet (the "City"), which covers an area of 25.97 square miles, is located in Riverside County (the "County") approximately 35 miles southeast of the City of Riverside, 85 miles southeast of Los Angeles and 83 miles north of San Diego. The yearly temperature average for the City is 62 degrees with a minimum of 34 degrees Fahrenheit and a maximum of 98 degrees Fahrenheit. The City is predominantly a retirement community, made up largely from relocated individuals who desire the warm winter climate available in the city. The Diamond Valley Reservoir, located in south Hemet, is the largest reservoir in Southern California. Recreational areas and activities include: camping, boating, cycling, bird watching, fishing, picnic areas, equestrian trails, hiking, golf, and a sports complex.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF HEMET Population Estimates

<u>Year</u>	<u>City of Hemet</u>	<u>County of Riverside</u>	<u>State of California</u>
2010	78,335	2,179,692	37,223,900
2011	79,309	2,205,731	37,510,766
2012	80,329	2,234,193	37,668,804
2013	80,899	2,255,653	37,984,138
2014	81,537	2,279,967	38,340,074

Source: State Department of Finance estimates (as of January 1)

Municipal Government

The City was incorporated on January 20, 1910, and operates as a general law city under a council-manager form of government. The five City Council members, including the Mayor, are elected at large to four year terms in alternate slates every two years, with the Mayor being elected every four years.

The City Council appoints the City Manager who heads the executive branch of the government, implements City Council directives and policies, and manages the administrative and operational functions through the department directors. The City Manager appoints the department directors with the exception of the City Clerk and City Treasurer, who are elected officials, and the City Attorney who is appointed by the City Council.

The current City Council members and the expiration dates of their terms are as follows:

Larry Smith	Mayor	December 2014
Shellie Milne	Mayor Pro-Tem	December 2016
Robert Youssef	Council Member	December 2016
Linda Krupa	Council Member	December 2014
Bonnie Wright	Council Member	December 2016

Industry And Employment

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

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

<u>INDUSTRY</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
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	419.9	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	14.1	14.0	12.1	11.5	11.3
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 table below show the largest employers in the City.

CITY OF HEMET Largest Employers 2013

<u>Name of Employer</u>	<u>No. of Employees</u>
Hemet Unified School District	2,798
Valley Health System	950
TE Connectivity	561
County of Riverside	469
Walmart Supercenter	391
Gosch Ford, Toyota, Hyundai & Inland Chevrolet	320
City of Hemet	290
Manorcare Health Services	278
Village Healthcare Retirement	225
Stater Bros	210
McCrometer Inc	199
Home Depot	150
Inland Empire Home Health & Hospice	134
Target	120
Lowe’s	125
Winco Foods	115

Source: Valley Economic Development.

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>June 2014</u>
County ⁽¹⁾	13.4%	14.5%	13.7%	2.1%	10.3%	8.4%
California ⁽¹⁾	11.3	12.4	11.8	10.4	8.9	7.3
United States ⁽²⁾	9.3	9.6	8.9	8.1	7.4	6.3

⁽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: City of Hemet Telephone Survey, California Labor Market Info Data Library.

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 most recent year for which data is currently available:

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

	<u>2008⁽¹⁾</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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	<u>2,340,554</u>	<u>2,266,853</u>	<u>2,317,486</u>	<u>2,473,339</u>	<u>2,668,324</u>
Total Retail and Food Services	<u>\$19,734,952</u>	<u>\$16,057,488</u>	<u>\$16,919,500</u>	<u>\$18,576,285</u>	<u>\$20,016,668</u>
All Other Outlets	<u>6,268,632</u>	<u>6,170,390</u>	<u>6,233,280</u>	<u>7,065,212</u>	<u>8,079,341</u>
Total All Outlets	<u>\$26,003,595</u>	<u>\$22,227,877</u>	<u>\$23,152,780</u>	<u>\$25,641,497</u>	<u>\$28,096,009</u>

⁽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 are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2009.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
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	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>	<u>84,517</u>	<u>94,422</u>
Total Residential	\$1,053,690	\$1,079,639	\$ 886,495	\$1,038,963	\$1,365,081
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	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>	<u>154,325</u>	<u>364,616</u>
Total Nonresidential	\$ 376,822	\$ 539,380	\$ 559,415	\$ 583,559	\$ 770,598
TOTAL ALL BUILDING	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>	<u>\$1,602,522</u>	<u>\$2,135,679</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.

CITY OF HEMET BUILDING PERMIT VALUATIONS (In Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
RESIDENTIAL					
New Single-Family	\$48,105	\$39,915	\$16,720	\$ 6,656	\$27,202
New Multi-Family	5,800	16,956	29,740		
Alterations and Adjustments	<u>5,971</u>	<u>5,919</u>	<u>7,058</u>	<u>6,509</u>	<u>8,992</u>
Total Residential	\$59,876	\$62,790	\$53,518	\$13,165	\$36,194
NON-RESIDENTIAL					
New Commercial	\$13,081	\$ 4,234	\$ 2,510	\$ 3,802	\$ 1,895
New Industry ⁽¹⁾					
New Other					
Alterations & Adjustments	<u>6,550</u>	<u>6,334</u>	<u>6,069</u>	<u>9,004</u>	<u>6,068</u>
Total Nonresidential	\$19,631	\$10,568	\$ 8,579	\$12,806	\$ 7,963
TOTAL ALL BUILDING	<u>\$79,507</u>	<u>\$73,358</u>	<u>\$62,097</u>	<u>\$25,971</u>	<u>\$44,157</u>

⁽¹⁾ Data for this category is included in the New Commercial category.
Source: City of Hemet – Community Development Department.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Single Family	3,424	4,031	2,676	3,455	4,671
Multi-Family	784	526	1,073	829	1,415
TOTAL	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>	<u>4,284</u>	<u>7,886</u>

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

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California⁽¹⁾</u>
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 a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California⁽¹⁾</u>
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 remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

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

The value of agricultural production in the County for 2008 through 2012 is presented in the following table:

COUNTY OF RIVERSIDE VALUE OF AGRICULTURAL PRODUCTION

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Citrus Fruits	\$ 135,759,800	\$ 101,652,000	\$ 140,501,000	\$ 119,942,513	\$ 125,684,390
Trees and Vines	173,678,000	191,682,600	164,994,000	232,649,262	217,073,170
Vegetables, Melons, Misc.	266,414,900	221,286,700	292,002,200	278,628,295	286,172,478
Field and Seed Crops	123,545,400	69,699,800	81,328,300	149,198,052	147,185,665
Nursery	230,416,200	206,499,900	169,341,300	200,154,964	190,878,100
Apiculture	5,637,000	5,017,600	4,631,700	4,844,400	4,983,400
Aquaculture Products	<u>12,077,700</u>	<u>5,243,900</u>	<u>4,921,700</u>	<u>4,808,250</u>	<u>4,204,750</u>
Total Crop Valuation	\$ 947,529,000	\$ 801,082,500	\$ 857,720,200	\$ 990,225,736	\$ 976,181,953
Livestock and Poultry Valuation	<u>321,060,900</u>	<u>214,672,800</u>	<u>235,926,300</u>	<u>292,030,380</u>	<u>276,548,118</u>
Grand Total	<u>\$1,268,589,900</u>	<u>\$1,015,755,300</u>	<u>\$1,093,646,500</u>	<u>\$1,282,256,116</u>	<u>\$1,252,730,071</u>

Source: Riverside County Agricultural Commissioner.

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Los Angeles World Airports, a proprietary department of the City of Los Angeles. Four major airlines schedule commercial flight service at Palm Springs

Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona, and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE CITY OF HEMET
FOR FISCAL YEAR ENDED JUNE 30, 2013**

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

THE AUTHORITY INDENTURE

APPENDIX E

DTC AND THE BOOK ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Authority believes to be reliable, but the Authority does not take responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity (and each individual yield in the case of bifurcated maturities) of the Bonds, in the aggregate principal amount of such issue, 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; provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit will agree to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority. The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The Authority undertakes no obligation to investigate matters that would enable the Authority to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE AUTHORITY AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER 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 AUTHORITY AND THE UNDERWRITERS ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority deems reliable, but the Authority takes no responsibility for the accuracy thereof.

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

BOND COUNSEL OPINION FOR AUTHORITY BONDS

[Closing Date]

Riverside County Public Financing Authority
Riverside, California

OPINION \$ _____ Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds A (Hemet Refunding Project)

Members of the Board of Directors:

We have acted as bond counsel to the Riverside County Public Financing Authority (the "Authority") in connection with the issuance by the Authority of its \$ _____ aggregate principal amount of Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds, Series A (Hemet Refunding Project) (the "Bonds"), pursuant to provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and an Indenture of Trust, dated as of _____ 1, 2014 (the "Indenture"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"). The Bonds have been issued by the Authority to provide funds to purchase two series of bonds (the "Successor Agency Bonds") of the Successor Agency to the Hemet Redevelopment Agency (the "Successor Agency"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Successor Agency contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the power to enter into the Indenture, to perform the agreements on its part contained therein, to issue the Bonds and to purchase the Successor Agency Bonds.
2. The Indenture has been duly approved by the Authority and constitutes the valid and binding special obligation of the Authority enforceable against the Authority in accordance with its terms.
3. The Indenture creates a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture, subject to no prior lien granted under the Act.
4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the

alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Successor Agency Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

BOND COUNSEL OPINION FOR AGENCY BONDS

[Closing Date]

Riverside County Public Financing Authority
Riverside, California

Successor Agency to the Redevelopment Agency of the
City of Hemet
Hemet, California

OPINION: \$ _____ Successor Agency to the Hemet Redevelopment Agency HEMET
Redevelopment Project Area Tax Allocation Refunding, Series 2014A

Members of the Successor Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Hemet Redevelopment Agency (the "Successor Agency") of its \$ _____ Successor Agency to the Hemet Redevelopment Agency Hemet Redevelopment Project Area Tax Allocation Refunding Bonds, Series 2014A (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and Section 34177.5 of the California Health and Safety Code (collectively, the "Law"), resolutions of the Successor Agency adopted on _____, 2014 and _____, 2014, a resolution of the Oversight Board for the Successor Agency adopted on _____, 2014, and an Indenture of Trust dated as of _____ 1, 2014 (the "Indenture"), between Union Bank, N.A., as trustee. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Successor Agency and the former Redevelopment Agency of the City of Hemet contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Successor Agency is validly existing as a public entity, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and to issue the Bonds.
2. The Indenture has been duly executed and delivered by the Successor Agency and constitutes a valid and binding obligation of the Successor Agency enforceable upon the Successor Agency.
3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Successor Agency and are valid and binding special obligations of the Successor Agency payable solely from the sources provided therefor in the Indenture.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of _____ 1, 2014, (this "Disclosure Agreement"), is by and between the RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority"), and the SUCCESSOR AGENCY TO THE HEMET REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California (as successor agency to the Hemet Redevelopment Agency, the "Agency"), in connection with the issuance of the Authority's 2014 Tax Allocation Revenue Bonds, Series 2014 A (the "Authority Bonds") (the "Authority Series B Bonds" and together with the Authority Series A Bonds, the "Authority Bonds") pursuant to an Indenture of Trust, dated as of _____ 1, 2014 (the "Indenture"), between the Authority and Union Bank, N.A., as trustee (the "Authority Trustee").

WITNESSETH:

WHEREAS, the County of Riverside (the "County") has developed a program (the "Refunding Program") to assist the successor agencies to former community redevelopment agencies within the County to refund tax increment obligations pursuant to California Assembly Bill 1484 (Stats 2012 c. 26) ("AB 1484") in order to provide debt service savings to successor agencies and to increase property tax revenues available for distribution to affected taxing entities, including the County; and

WHEREAS, the Authority is empowered under the provisions of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code to issue its bonds for the purpose of purchasing certain local obligations issued by certain local agencies, including tax allocation refunding bonds issued by said successor agencies, as described in Section 34177.5(a)(1) of the California Health and Safety Code; and

WHEREAS, the Authority has determined to issue the Authority Bonds in order to provide funds to acquire bonds issued by the Agency, in order to assist the Agency in refunding certain of its outstanding bonds pursuant to AB 1484; and

WHEREAS, the Agency has issued its Hemet Redevelopment Project Area Tax Allocation Refunding, Series 2014 A (the "Series A Bonds") (the "Refunding Bonds") pursuant to an Indenture of Trust, dated as of _____ 1, 2014 (the "Indenture"), by and between the Agency and Union Bank, N.A., as trustee (the "Agency Trustee"), as amended or supplemented from time to time in accordance with its terms; and

WHEREAS, such Refunding Bonds will be secured by a pledge of, and lien on, and shall be repaid from Tax Revenues deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the California Health and Safety Code; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Authority and the Agency for the benefit of the holders and beneficial owners of the Authority Bonds and in order to assist the underwriters of the Authority Bonds in complying with Securities and Exchange Commission Rule 15c-12(b)(5);

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

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

"Annual Report" means any Annual Report provided by the Agency pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the ninth month after the end of the Agency’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“Agency” means the Successor Agency to the Hemet Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

“Agency Trustee” means MUFG Union Bank, N.A., as trustee under the Indenture, or any successor thereto as trustee thereunder, substituted in its place as provided therein.

“Authority” means the Riverside Public Financing Authority duly organized and existing under and pursuant to the laws of the State of California and a Joint Exercise of Powers Agreement, dated as of March 20, 1990, between the County and the Redevelopment Agency for the County of Riverside.

“Authority Trustee” means MUFG Union Bank, N.A., as trustee under the Indenture, or any successor trustee substituted in its place as provided therein.

“Bonds” means, collectively, the Authority Bonds and the Refunding Bonds. **“City”** means the City of Hemet, California.

“County” means the County of Riverside, a political subdivision of the State of California.

“County Auditor-Controller” means the Auditor-Controller of the County of Riverside.

“Disclosure Representative” means or other as shall designate in writing to the Authority and the Dissemination Agent (if other than the Authority) from time to time.

“Dissemination Agent” means the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor dissemination agent designated in writing by the Authority and which has filed with the Authority and the Agency a written acceptance of such designation.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated May 8, 2014, relating to the Authority Bonds.

“Participating Underwriter” means any of the original underwriters of the Authority Bonds required to comply with the Rule in connection with the offering of the Authority Bonds.

“Project Area” shall have the meaning specified in the Official Statement.

“Rule” means 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 2. Provision of Annual Reports. (a) The Agency shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2013-14 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Agency, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of

such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Authority Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency and the Dissemination Agent to determine if the Agency is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Authority and the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The Annual Report shall be prepared by the Agency and shall contain or include by reference the following:

(a) The Agency's separate audited financial statements, or the City's audited financial statements including Agency operations as a trust fund, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency, substantially similar to that provided in the corresponding tables relating to the Agency and the Project Area in the Official Statement (and where not specified by date or period for the preceding fiscal year):

(i) Taxable assessed values for the most recent fiscal year in substantially the format of Table 4 of the Official Statement;

(ii) Tax Revenues for the most recent fiscal year;

(iii) An update of the ten largest assessees in substantially the format of Table 1 of the Official Statement for the most recent fiscal year;

(iv) An update of Debt Service Coverage for the Bond Year ending on the immediately preceding September 1 in substantially the format of Table 5 of the Official Statement;

(v) If the Agency is not in a County Teeter Plan, tax levy, percentage of current year levy collected, percentage of current levy delinquent, total collections and total collections as a percentage of the most recent year's tax levy;

(vi) Information related to Project Area assessed valuation appeals.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b) of this Section, the Agency shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

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

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Agency shall give, or cause to be given with respect to the Refunding Bonds, and hereby authorizes the Authority to give, or cause to be given, with respect to the Authority Bonds, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Redemptions and Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the Agency shall give, or cause to be given with respect to the Refunding Bonds, and hereby authorizes the Authority to give, or cause to be given, with respect to the Authority Bonds, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.

(ii) Modifications to rights of holders of the Bonds.

(iii) Optional, unscheduled or contingent Bond calls.

(iv) Release, substitution, or sale of property securing repayment of the Bonds.

(v) Non-payment related defaults.

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

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Authority shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and the Dissemination Agent and inform such persons of the event.

(d) Whenever the Agency or the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Agency or the Authority, as applicable shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the Agency or the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that the occurrence of a Listed Event described in subsection (b) of this Section is material under subsection (d) of this Section, the Agency or the Authority, as applicable shall, or shall cause the Dissemination Agent (if the Authority is not the Dissemination Agent) to, file a notice of the occurrence of such Listed Event with the MSRB within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (a) of this Section and in paragraph (vii) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Authority Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Authority and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Authority Bonds relating to the Refunding Bonds or the legal defeasance, prior prepayment or payment in full of all of the Refunding Bonds, if earlier. If such termination occurs prior to the final principal payment date of the Authority Bonds, the Authority shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent (if the Authority is not the Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent (if other than the Authority or the Authority Trustee), with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Agency may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsections (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Authority Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Authority Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Authority Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of holders or beneficial owners of the Authority Bonds.

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

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

Section 10. Default. The parties hereto acknowledge that in the event of a failure of the Authority, the Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Authority Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate amount of principal evidenced by Outstanding Authority Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Authority Trustee), or any holder or beneficial owner of the Authority Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall (so long as the Authority is the Dissemination Agent) be entitled to the protections and limitations from liability afforded to the Authority under the Indenture. The Dissemination Agent shall be not responsible for the form or content of financial statements made part of any Annual Report or notice of Listed Event or for

information sourced to the Agency. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Authority or the Authority acting in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Agency shall indemnify and save the Dissemination Agent (if other than the Authority) and the Authority harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Authority Bonds and the Refunding Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Agency, the Dissemination Agent, the Participating Underwriter and the holder and beneficial owners from time to time of the Authority Bonds, and shall create no rights in any other person or entity.

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

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IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY**

By: _____
Treasurer

**SUCCESSOR AGENCY TO THE HEMET
REDEVELOPMENT AGENCY**

By: _____
City Manager

ACCEPTED AND AGREED:

**RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY, as Dissemination Agent**

By: _____
Authorized Officer

ACKNOWLEDGED AND AGREED:

**MUFG UNION BANK, N.A., as Authority
Trustee**

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Riverside County Public Financing Authority
Name of Issue: Riverside County Public Financing Authority
2014 Tax Allocation Revenue Bonds, Series A
(Hemet Refunding Project)
Obligated Person: Successor Agency to the Hemet Redevelopment Agency
Date of Issuance: _____ 2014

NOTICE IS HEREBY GIVEN that the Successor Agency to the Hemet Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2014, by and between the Riverside County Public Financing Authority and the Agency. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

**RIVERSIDE COUNTY PUBLIC FINANCING
AUTHORITY, as Dissemination Agent, on
behalf of the Successor Agency to the HEMET
REDEVELOPMENT AGENCY**

cc: Successor Agency to the Hemet Redevelopment Agency

APPENDIX H

SPECIMEN BOND INSURANCE POLICY

APPENDIX I

**STATE DEPARTMENT OF FINANCE
DETERMINATION LETTER APPROVING THE BONDS**