

prior to the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 70% of the interest rate on 30 -day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined by the Remarketing Agent.

***Adjustment to an Alternate Interest Rate Period.*** The Corporation may elect at any time to adjust the Interest Rate Period on the Series 2008A Bonds to an alternate Interest Rate Period, subject to certain conditions specified in the Indenture, including delivery of an opinion of bond counsel nationally recognized in the field of municipal finance law to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2008A Bonds (an "Opinion of Bond Counsel").

If the Corporation elects to adjust the Series 2008A Bonds to an alternate Interest Rate Period, all of the Series 2008A Bonds will be subject to such alternate Interest Rate Period. The written direction by which the Corporation makes such election must specify (i) in the case of an adjustment to a Long Term Interest Rate Period, the duration of such Long Term Interest Rate Period; and (ii) the effective date of the adjustment to any alternate Interest Rate Period, which effective date must be a Business Day not earlier than the thirtieth day following the second Business Day after receipt by the Trustee of such direction from the Corporation. A change to an alternate Interest Rate Period may not take place unless an Opinion of Bond Counsel is delivered to the Trustee on the effective date of such change.

The Trustee is required to give notice to the Depository Trust Company ("DTC") of any adjustment to a new Interest Rate Period not less than 30 days prior to the effective date of such new Interest Rate Period. DTC is expected to in turn give such notice to the participants of DTC (the "Participants") for distribution to the beneficial owners. Such notice will state (i) that the interest rate on the Series 2008A Bonds will be adjusted to a Daily Interest Rate, a Long Term Interest Rate or a Weekly Interest Rate, as appropriate, unless (a) Bond Counsel fails to deliver an Opinion of Bond Counsel on the effective date of such adjustment, or (b) in the case of an adjustment to a, or establishment of another, Long Term Interest Rate Period, the Corporation elects, on or prior to the date of determination of such Long Term Interest Rate, to rescind its election to cause such adjustment, in which case the Series 2008A Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect prior to such proposed adjustment in the Interest Rate Period, or, if being adjusted from a Long Term Interest Rate Period, shall bear interest at a Weekly Interest Rate, provided that Series 2008A Bonds that were to continue in a Long Term Interest Rate Period shall bear interest at a Weekly Interest Rate; (ii) the effective date of such alternate Interest Rate Period, and in the case of an adjustment to a Long Term Interest Rate Period, the day on which such Long Term Interest Rate Period shall end; and (iii) that the Series 2008A Bonds are subject to mandatory tender for purchase on the effective date of the new Interest Rate Period and the purchase price applicable thereto.

Upon the failure of an adjustment to an alternate Interest Rate Period, the Series 2008A Bonds will bear interest as provided in clause (i) of the notice described above. If notice of such adjustment has been mailed as provided in the Indenture and Bond Counsel fails to deliver an Opinion of Bond Counsel on the effective date as therein described, the Series 2008A Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such adjustment. If the Corporation has not made a timely election prior to the end of any Long Term Interest Rate Period that, during the next succeeding Interest Rate Period, the Series 2008A Bonds shall bear interest at a specified interest rate, the next succeeding Interest Rate Period for the Series 2008A Bonds will be a Weekly Interest Rate Period until properly adjusted otherwise.

In connection with an adjustment to any Interest Rate Period that would require the mandatory tender for purchase of the Series 2008A Bonds at a purchase price greater than the principal amount thereof under the circumstances described under "Mandatory Tender for Purchase on First Day of Each Interest Rate Period," the Corporation must deliver to the Trustee, prior to the Trustee's mailing of notice to DTC of such adjustment, Available Moneys to pay the portion of such purchase price corresponding to the premium, unless the Credit Facility then in effect provides for payment of the premium.

***Rescinding Election to Adjust to Long Term Interest Rate.*** If the Corporation elects to rescind its election to adjust the interest rate on the Series 2008A Bonds to a Long Term Interest Rate, then the Series 2008A Bonds will bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect prior to such election, or if the Series 2008A Bonds were to be adjusted from another Long Term Interest Rate, then the Series 2008A Bonds will bear interest at a Weekly Interest Rate for the period commencing on the date which would have been the effective date of such Long Term Interest Rate Period. In either such case, the Series 2008A Bonds will continue to be subject to mandatory tender for purchase on the day that would have been the effective date of such Long Term Interest Rate Period.

#### Optional and Mandatory Purchase

***Optional Tender for Purchase During Daily Interest Rate Period.*** During any Daily Interest Rate Period, any Series 2008A Bond (other than a Purchased Bond) shall be purchased (in whole) at the option of the holder on any Business Day at a purchase price equal to the principal amount thereof, plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of notices, by no later than 11:00 a.m. New York City time on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by tested telex, telecopy or other writing, which states the principal amount of such 2008A Bonds and the date of purchase. For payment of such purchase price on the date specified in such notice, such Bond must be delivered, at or prior to 12:00 noon New York City time on such Business Day, to the Tender Agent for such 2008A Bonds at the Delivery Office of the Tender Agent, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Registered Owner thereof or his duly-authorized attorney, with such signature guaranteed by an eligible guarantor institution.

***Optional Tender for Purchase During Weekly Interest Rate Period.*** During any Weekly Interest Rate Period, any Series 2008A Bond (other than a Purchased Bond) shall be purchased (in whole) from the holder thereof at the option of such holder on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of notices and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such 2008A Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m. New York City time shall be deemed to have been received on the next succeeding Business Day. The purchase price of any 2008A Bond so purchased shall be payable only upon surrender of such 2008A Bond to the Tender Agent at its Principal Office for delivery of 2008A Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Registered Owner thereof or his duly authorized attorney, with such signature

guaranteed by an eligible guarantor institution. Purchased Bonds may not be tendered for purchase at the option of the holder thereof.

***Notice of Election Deemed To Be Irrevocable Tender.*** The giving of notice by an owner of its election to have its Series 2008A Bond purchased during a Weekly Interest Rate Period or Daily Interest Rate Period constitutes an irrevocable tender for purchase of such Series 2008A Bond. From and after the relevant purchase date, no interest shall accrue on the Series 2008A Bonds and the holder shall have no right except to receive the purchase price of such Series 2008A Bonds.

***Mandatory Tender for Purchase on First Day of Each Interest Rate Period.*** The Series 2008A Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event that resulted in the interest rate on the Series 2008A Bonds not being adjusted), at a purchase price equal to the principal amount of the Series 2008A Bonds or, in the case of a purchase on the first day of an Interest Rate Period which shall be preceded by a Long Term Interest Rate Period and which shall commence prior to the day originally established as the last day of such preceding Long Term Interest Rate Period, at a purchase price equal to the principal amount thereof, plus accrued interest, if any.

***Mandatory Tender for Purchase Upon Occurrence of Certain Events Under the Credit Facility.*** If at any time the Trustee shall give notice that any Series 2008A Bond or Series 2008A Bonds which, at such time, are subject to purchase under the Credit Facility as then in effect, shall on the date specified in such notice cease to be subject to purchase from the Credit Facility as a result of (i)(A) the termination or expiration of the term of such Credit Facility or (B) such Credit Facility being replaced with the effect that the purchase price of such Series 2008A Bond or Series 2008A Bonds is no longer payable from such Credit Facility (in each case, whether or not any Alternate Credit Facility has been obtained), or (ii)(A) the Credit Provider notifying the Trustee that it is requesting a mandatory tender as a consequence of an "Event of Default" having occurred under the Credit Facility and instructing the Trustee to make its final drawing under the Credit Facility or (B) the Credit Provider notifying the Trustee that it is not reinstating the interest component under the Credit Facility; then (x) on the second Business Day preceding any such termination, expiration or replacement of the Credit Facility or (y) no later than the fifth calendar day following its receipt from the Credit Provider of its notice of an "Event of Default" under the Credit Facility or of a nonreinstatement of the interest component under the Credit Facility, each such Series 2008A Bond shall be purchased or deemed purchased as provided in the Indenture and in the Credit Facility. See "THE CREDIT FACILITY AND THE CREDIT AGREEMENT."

***[Mandatory Tender for Purchase Upon Cancellation of Bond Insurance Policy.*** As a condition to the issuance of the Credit Facility, the County, the Corporation, the Trustee, the Credit Provider and the Bond Insurer have entered into an Insurance Policy Cancellation Agreement, dated as of December 1, 2013 (the "Bond Insurance Cancellation Agreement"). Pursuant to the Bond Insurance Cancellation Agreement, under certain circumstances including a default by or a credit rating downgrade of the Bond Insurer, the Credit Provider can direct, or the Bond Insurer may require, the cancellation of the Bond Insurance Policy (which will also cancel the Swap Insurance Policy). In the event of such cancellation, the Series 2008A Bonds will be subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, the proceeds of which will be derived from a drawing under the Credit Facility.][to be updated as needed]

***Delivery of Tender Notices.*** Notices in respect of tenders for purchase at the election of owners during a Daily Interest Rate Period or Weekly Interest Rate Period and Series 2008A Bonds subject to mandatory tender for purchase as described above must be delivered to the Tender Agent.

***Mandatory Tender for Purchase of 2008A Bonds at Direction of Corporation.*** In addition to the provisions relating to the mandatory tender for purchase of 2008A Bonds described above, the Series 2008A Bonds, or any of them, shall be subject to mandatory tender for purchase by the Corporation, with the prior written consent of the Bond Insurer, in whole or in part (such that the portion that is subject to such mandatory tender for purchase and the portion not subject to such mandatory tender shall each be in an Authorized Denomination), at the applicable Optional Purchase Price on each Optional Purchase Date. In the event that the Corporation determines to purchase any 2008A Bonds on any Optional Purchase Date, the Corporation shall provide the Trustee and the Remarketing Agent with written notice of such determination at least thirty-five (35) days prior to the Optional Purchase Date, which notice shall specify the Series of 2008A Bonds and the principal amount of such 2008A Bonds of each maturity that are to be purchased and the Optional Purchase Date on which such purchase is to occur. Under certain circumstances, the Credit Provider may instruct the Corporation to cause a mandatory tender of the Series 2008A Bonds. If the Credit Provider directs the Corporation to cause a mandatory tender of the Series 2008A Bonds, the purchase price thereof will be derived from a drawing under the Credit Facility.

When the Trustee receives such notice from the Corporation, the Trustee shall give notice of the mandatory tender for purchase of such 2008A Bonds, which notice will be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Optional Purchase Date to the Owners of any 2008A Bonds or portions of 2008A Bonds to be purchased at their addresses appearing in the Bond Register, with a copy to the Remarketing Agent. Such notice shall specify the maturities of such 2008A Bonds to be purchased, the Optional Purchase Date, the Optional Purchase Price and the place or places where the Optional Purchase Price due upon such tender for purchase shall be payable and, if less than all of the Series 2008A Bonds of like maturity are to be purchased, the letters and numbers or other distinguishing marks of such 2008A Bonds so to be purchased, and, in the case of 2008A Bonds to be purchased in part only, such notice shall also specify the respective portions of the principal amount thereof to be purchased.

If at the time the Trustee sends any such notice of mandatory tender for purchase of the Series 2008A Bonds, the Corporation has not deposited with the Trustee an amount sufficient to pay the full Optional Purchase Price of the Series 2008A Bonds, or the portions thereof, to be purchased, such notice must state that such mandatory tender for purchase is conditional upon the receipt by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such 2008A Bonds, or the portions thereof to be purchased, and that if such moneys have not been so received said notice will be of no force and effect and the Corporation shall not be required to purchase such 2008A Bonds. In the event that such notice of mandatory tender for purchase contains such a condition and such moneys are not so received, no purchase of the Series 2008A Bonds identified in the notice of mandatory tender for purchase will be made and the Trustee shall, within a reasonable time thereafter, give notice, to the Remarketing Agent and to the persons and in the manner in which the notice of tender was given, that such moneys were not so received and that there will be no purchase of 2008A Bonds pursuant to the notice of mandatory tender for purchase.

#### Redemption

***Extraordinary Redemption of Bonds.*** The Series 2008A Bonds are subject to extraordinary redemption prior to maturity, in whole or in part on any date, upon notification from the County to the Corporation that insurance proceeds and other legally available moneys are sufficient to provide for the redemption of (i) all Outstanding Bonds or (ii) the Outstanding Bonds relating to the portion of the Leased Premises damaged, destroyed or taken by eminent domain, provided that the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Series 2008A Bonds Outstanding after such redemption, in which case the Series 2008A Bonds shall be so redeemed.

**Optional Redemption of Series 2008A Bonds.** On any Business Day during a Weekly Interest Rate Period or a Daily Interest Rate Period, the Series 2008A Bonds will be subject to optional redemption by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof.

During any Long Term Interest Rate Period, the Series 2008A Bonds shall be subject to optional redemption by the Corporation from Available Money on the dates and at the redemption prices set forth in the Indenture.

**Mandatory Sinking Fund Redemption of Series 2008A Bonds.** The Series 2008A Bonds are subject to mandatory sinking fund redemption, on the first Wednesday of November in the years and principal amounts shown below, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption (the final amount to be paid rather than redeemed):

<i>Year</i>	<i>Principal</i>
2017	\$2,895,000
2018	3,000,000
2019	3,205,000
2020	3,410,000
2021	3,620,000
2022	3,825,000
2023	4,035,000
2024	4,135,000
2025	4,445,000
2026	4,655,000
2027	4,965,000
2028	5,170,000
2029	5,480,000
2030	5,790,000
2031	6,100,000
2032*	6,410,000

---

\* Maturity.

The principal amount of the Series 2008A Bonds required to be redeemed on each mandatory sinking fund redemption date may be reduced by the principal amount of the Series 2008A Bonds theretofore redeemed (otherwise than by mandatory sinking fund redemption) or delivered to the Trustee for cancellation, and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Any such reduction shall be applied as a credit against the mandatory sinking fund obligation for the year or years selected by the Corporation.

**Selection of Bonds for Redemption.** If less than all of the Series 2008A Bonds are to be redeemed, other than mandatory sinking fund redemption, the Trustee shall select Bonds for redemption among series and maturities of such Bonds in a manner provided by the Corporation at the direction of the County; provided that Debt Service in any given year shall not exceed the fair rental value of the Leased Premises in such year. If less than all of the Series 2008A Bonds of like maturity are to be redeemed, the particular Bond or portions of such Bond to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its sole discretion shall deem appropriate and fair.

**Notice of Redemption.** Notice of redemption of Bonds will be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the respective Owners of Bonds designated for redemption, to the Bond Insurer and to one or more Information Services. From and after the date fixed for redemption interest will cease to accrue. Failure by the Trustee to give notice to any one or more of the Information Services or failure of DTC to receive notice or any defect in any notice will not affect the sufficiency of the proceedings for redemption.

#### CERTAIN CONSIDERATIONS RELATING TO THE Series 2008A BONDS

##### **[remarketing agent's counsel to update as needed]**

##### The Remarketing Agent is Paid by the County

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008A Bonds that are optionally or mandatorily tendered by the owners thereof (subject to the terms of the Remarketing Agreement), as described above in this Remarketing Memorandum. The Remarketing Agent is appointed by the County and is paid by the County for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2008A Bonds.

##### The Remarketing Agent May Purchase Series 2008A Bonds for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, has routinely purchased such obligations for its own account in order to achieve a successful remarketing of such obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008A Bonds for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2008A Bonds by routinely purchasing and selling Series 2008A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008A Bonds. The Remarketing Agent may also sell any Series 2008A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008A Bonds. The purchase of Series 2008A Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Series 2008A Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008A Bonds being tendered in a remarketing.

##### The Series 2008A Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008A Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Series 2008A Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2008A Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party

buyers for all of the Series 2008A Bonds at the remarketing price. In the event a Remarketing Agent owns any Series 2008A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2008A Bonds on any date, including an interest rate determination date, at a discount to par to some investors.

#### The Ability to Sell the Series 2008A Bonds other than through Tender Process May Be Limited

The Remarketing Agent may buy and sell Series 2008A Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2008A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008A Bonds other than by tendering the Series 2008A Bonds in accordance with the tender process.

#### Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2008A Bonds, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

### SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2008A BONDS

#### Special Obligation of Corporation

The Series 2008A Bonds are special obligations of the Corporation payable from and secured by a pledge of the Revenues derived by the Corporation from the Facilities Lease and Leased Premises and from moneys deposited in certain funds and accounts pledged under the Indenture. Neither the County nor any public agency (other than the Corporation to the extent of Base Rental payments received from the County) shall be obligated to pay the principal or redemption price of the Series 2008A Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the County or any public agency is pledged to the payment of the principal, premium, if any, or interest on the Series 2008A Bonds. The Corporation has no taxing power.

#### The Credit Facility; Provision of Alternate Credit Facilities

Following this remarketing, the payment of principal of, interest on and purchase price of the Series 2008A Bonds tendered for purchase and not remarketed will be made by the Credit Provider through the Credit Facility issued pursuant to the provisions of the Credit Agreement.

So long as the Credit Facility or an Alternate Credit Facility is in place and the Credit Provider is honoring timely draws made thereunder, the Trustee will draw upon the Credit Facility and apply the moneys therefrom to the payment of each installment of principal of and interest on the Series 2008A Bonds, including upon any redemption thereof, and to the payment of the Purchase Price of each tendered Series 2008A Bond not timely remarketed. Funds provided to the Trustee constituting (i) Base Rental payments by the County, including the proceeds from rental interruption insurance, (ii) the net proceeds of any insurance or condemnation award, (iii) remarketing proceeds and (iv) amounts held in the Debt Service Reserve Fund, shall be applied timely by the Trustee to the reimbursement of the Credit Provider pursuant to the terms of the Credit Agreement so long as the Credit Provider is honoring timely draws made on the Credit Facility. To the extent the Credit Provider is not honoring timely draws made on the Credit Facility, the Trustee shall pay such funds as otherwise set forth in the Indenture to the payment of

each installment of principal of and interest on the Series 2008A Bonds, including upon any redemption thereof.

The Trustee is required to make a demand for payment under the Credit Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the Series 2008A Bonds on the following dates in the following amounts:

(i) On each Interest Payment Date, in an amount which will be sufficient to pay all interest due and payable on the Outstanding Series 2008A Bonds on such Interest Payment Date;

(ii) On any date fixed for payment or redemption of the Series 2008A Bonds in an amount which, together with amounts demanded for payment pursuant to paragraph (i) above, will be sufficient to pay the amount due on the Series 2008A Bonds, including accrued interest and premium, if any (if a demand for payment is permitted for premium under the terms the Credit Facility); and

(iii) On each Purchase Date, in an amount sufficient to pay the Purchase Price of any Series 2008A Bonds tendered or deemed tendered pursuant to the Indenture and which have not been remarketed in accordance with the Indenture, or for which sufficient remarketing proceeds have not been received as provided in the Indenture.

Each such demand for payment will be made not later than the time required by the Credit Facility in order to receive payment thereunder not later than the time payment is required to be made to the Holders of the Series 2008A Bonds pursuant to the Indenture. The proceeds of each such demand will be deposited in the Credit Facility Revenue Account in the Revenue Fund or the Purchase Account in the 2008A Bond Purchase Fund, as appropriate, and used in the order of priority established by the Indenture. At the time of the receipt of proceeds of any demand under a Credit Facility pursuant to (i) or (ii) above, the Trustee will deposit the proceeds of such demand directly in the Credit Facility Revenue Account in the Revenue Fund. At the time of the receipt of proceeds of any demand under a Credit Facility pursuant to (iii) above, the Trustee will deposit the proceeds of such demand directly in the Purchase Account in the 2008A Bond Purchase Fund. The Trustee will comply with all provisions of each Credit Facility in order to realize upon any demand for payment thereunder, and will not demand payment under any Credit Facility of any amounts for payment of: (A) Purchased Bonds (unless for any reason a separate CUSIP number has not been assigned to the Purchased Bonds); or (B) Series 2008A Bonds held by the [County] or the Corporation or actually known by the Trustee to be held by any affiliate of the Corporation or any nominee of the [County] unless the Credit Facility specifically permits such demand.

The Credit Agreement will expire on [\_\_\_\_\_. 20\_\_] and, unless extended or replaced, the Series 2008A Bonds will be subject to mandatory tender and purchase on the second Business Day preceding such expiration.

Under the Indenture, the Corporation has the right to cause an Alternate Credit Facility to be delivered to the Trustee for the Series 2008A Bonds. In such event, the Series 2008A Bonds would be subject to mandatory tender and purchase on the effective date of the Alternate Credit Facility.

See "THE CREDIT PROVIDER" and "THE CREDIT FACILITY AND THE CREDIT AGREEMENT" herein.



## Source of Payment

**Generally.** The Series 2008A Bonds are payable solely from Revenues and all funds and accounts established by the Indenture (other than the Excess Earnings Fund) including the investment earnings, if any, thereon. "Revenues" is defined in the Indenture as (i) all revenues, issues, income, rents, royalties, profits and receipts derived or to be derived by the Corporation from or attributable to its leasehold interest in the Leased Premises, including all revenues attributable to the Leased Premises or to the payment of the costs thereof received or to be received by the Corporation under the Leases or any part thereof or any contractual arrangement with respect to the use of the Leased Premises, including payments of Base Rental; (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering loss relating to the Leased Premises; (iii) interest received or to be received on any moneys or securities held pursuant to the Indenture and required or permitted to be paid and which are paid into the Revenue Fund (except for amounts required to be on deposit in the Excess Earnings Fund); (iv) all damage payments received from the County; and (v) all proceeds of rental interruption insurance policies carried with respect to the Leased Premises pursuant to the Facilities Lease or in accordance with the Indenture.

**Rental Payments.** The Base Rental payments paid by the County under the Facilities Lease are the Corporation's primary source of Revenues and secure all Series 2008A Bonds on parity. Base Rental payments are made from amounts included in the County's annual budget and appropriated therefor the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Debt Service Reserve Fund established under the Indenture.

The County is required under the Facilities Lease to make monthly Base Rental payments from legally available funds, and Base Rental payments are scheduled to be sufficient to pay, when due, principal and interest on the Series 2008A Bonds. Additional Rental payments due from the County under the Facilities Lease include amounts sufficient to pay certain taxes and assessments, insurance premiums and certain administrative costs.

Except to the extent of (i) amounts received in respect of rental interruption insurance or title insurance; and (ii) amounts, if any, otherwise legally available to the Trustee for payments on the Series 2008A Bonds, Base Rental and Additional Rental payments will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Leased Premises, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement must be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere with the use and right of possession by the County. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

The County has covenanted in the Facilities Lease to take such action as may be necessary to include all rental payments for the Leased Premises in its annual budget and to make the necessary annual appropriations therefor. So long as the County has the use and occupancy of the Leased Premises, the obligation of the County to make Base Rental payments, Additional Rental payments and all other amounts provided for in the Facilities Lease, and to perform its obligations thereunder will be absolute and unconditional, except for the right of abatement under certain circumstances as described therein, and such Base Rental payments and other amounts will not be subject to setoff, counterclaim or recoupment.

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

the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in the Facilities Lease.

Should the County default under the Facilities Lease, the Trustee may exercise any and all remedies available at law or in equity or granted pursuant to the Facilities Lease and may elect, without terminating the County's rights under the Facilities Lease, to continue the Facilities Lease in effect and enforce all of its rights and remedies thereunder, including the right to recover Base Rental payments as they become due. In no event will the Corporation have the right to accelerate the payment of Base Rental. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

The obligation of the County to make Base Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the Series 2008A Bonds nor the obligation of the County to make base rental payments under the Facilities Lease constitutes a debt of the County, the State of California (the "State") or any political subdivision thereof within the meaning of the Constitution of the State.

#### Debt Service Reserve Fund

The Indenture requires maintenance of a Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement. Debt Service Reserve Requirement is defined in the Indenture as \$6,750,520 constituting the maximum amount of principal and interest payable on the aggregate amount of Outstanding Series 2008A Bonds in any Fiscal Year. For purposes of this definition, interest payable on the Series 2008A Bonds is calculated at the Swap Fixed Rate.

At the option of the Corporation as directed by the County, a Credit Facility in the amount of all or a portion of the Debt Service Reserve Requirement may be substituted for the funds held by the Trustee in the Debt Service Reserve Fund provided that:

(i) at the time of issuance of the Reserve Fund Credit Facility, the Reserve Fund Credit Facility is issued by a bank or other financial institution and the issuer of the Reserve Fund Credit Facility has long-term obligations rated "A" or higher by Fitch, S&P and Moody's or, if issued by an insurance company, such company is rated at least A+ by Alfred M. Best in Best's Insurance Reports and its claims paying rating or obligations insured by such insurance company are rated within the two highest rating categories by S&P and Moody's;

(ii) such Reserve Fund Credit Facility is renewable or extendable on an annual basis and such Reserve Fund Credit Facility unconditionally permits the Trustee to draw funds thereunder in an amount equal to not less than the Debt Service Reserve Requirement not less than 10 days prior to the expiration of the Reserve Fund Credit Facility in the event the term of the Reserve Fund Credit Facility (not including any optional renewals thereof) is less than the final maturity date of the Outstanding Bonds;

(iii) such Reserve Fund Credit Facility is issued for at least an initial five-year term;  
and

(iv) such Reserve Fund Credit Facility provides for a reimbursement term of not less than three years from the date of any draw thereunder.

## Debt Service Reserve Fund Surety Bond

At the time of issuance of the Series 2008A Bonds, the Bond Insurer issued a financial guaranty insurance policy for the reserve fund with respect to the Series 2008A Bonds (the "Reserve Fund Insurance Policy"), effective as of the date of issuance of the Series 2008A Bonds. Under the terms of the Reserve Fund Insurance Policy, the Bond Insurer unconditionally and irrevocably guarantees to pay that portion of the scheduled principal and interest on the Series 2008A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Corporation (the "Insured Payments").

The Bond Insurer will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Corporation to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the Series 2008A Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which the Bond Insurer receives a demand for payment therefor in accordance with the terms of the Reserve Fund Insurance Policy.

No payment shall be made under the Reserve Fund Insurance Policy in excess of \$6,750,520 (the "Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by the Bond Insurer under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to the Bond Insurer, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## Bond Insurance

Payment of scheduled principal of and interest on the Series 2008A Bonds is also guaranteed by the Bond Insurer in accordance with the terms of the Bond Insurance Policy and the Indenture. See "BOND INSURANCE."

## Rental Interruption and Casualty Insurance

The Facilities Lease requires the County to maintain rental interruption insurance to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the "all risk" insurance described below in an amount sufficient at all times to pay the total rent payable under the Facilities Lease for a period adequate to cover the period of repair or reconstruction. Such policy provides that the amount payable thereunder shall not be less than an amount equal to two years' maximum Base Rental and Additional Rental.

The Facilities Lease also requires the County to maintain insurance on the Leased Premises against loss or damage to the Leased Premises known as "all risk" insurance, including earthquake and flood. Such insurance is required to be maintained with respect to the Leased Premises at all times, and in an amount not less than the lesser of the full replacement value of the Leased Premises or the aggregate principal amount of Bonds at such time Outstanding. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (a) \$50,000, in the case of all risk insurance;

(b) \$200,000, in the case of flood insurance; and (c) 5% of the loss per unit and per occurrence subject to a \$500,000 maximum for earthquake insurance. However, if such insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Leased Premises in accordance with the provisions of the Facilities Lease. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

#### Additional Bonds

The Corporation may at any time, by Supplemental Indenture, provide for the issuance of Additional Bonds subject to satisfaction of certain provisions contained in the Indenture. Additional Bonds will be payable from Base Rental payments and other Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Series 2008A Bonds therefore issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE."

#### THE credit provider

*The information under this heading has been provided solely by the Credit Provider and is believed to be reliable. This information has not been verified independently by the County, the Corporation or the Remarketing Agent. The County, the Corporation and the Remarketing Agent make no representation whatsoever as to the accuracy, adequacy or completeness of such information.*

MUFG Union Bank, N.A.

**[to come from Union Bank]**

#### THE CREDIT FACILITY AND THE Credit AGREEMENT

*The following is a summary of certain provisions of the Credit Facility and the Credit Agreement. This summary is not to be considered a full statement of the terms of either the Credit Facility or the Credit Agreement and accordingly, is qualified by reference thereto and is subject to the full text thereof. Unless otherwise defined, capitalized terms used herein shall have the same meanings given such terms in the Credit Agreement.*

#### The Credit Facility

**[to be updated]** The purchase price of, and principal and interest evidenced by the Series 2008A Bonds (other than the Bank Bonds or Series 2008A Bonds owned by the County or the Corporation), will be payable from amounts available to be drawn by the Trustee under an irrevocable, transferable direct-pay letter of credit issued by the Credit Provider. Ratings on the Series 2008A Bonds will therefore be based primarily on the credit of the Credit Provider rather than the credit of the County. See "THE CREDIT PROVIDER" for a description of the Credit Provider. Concurrently with the remarketing of the Series 2008A Bonds, the Credit Provider will deliver the Credit Facility to the Trustee. The Trustee will be permitted to draw an aggregate amount not to exceed the principal amount of the Series 2008A Bonds plus interest calculated at an assumed rate of 12% for up to 50 days, based upon a 365-day year, subject to reductions and reinstatements as provided in the Credit Facility. The Credit Facility provides that the Trustee may draw upon the Credit Facility up to the Stated Amount (subject to reduction as provided in the Credit Facility) for any of the following purposes:

- (a) Drawing for interest due with respect to the Series 2008A Bonds on an ordinary Interest Payment Date;
- (b) Drawing for payment of the principal amount of, and the unpaid interest on, the redeemed Series 2008A Bonds upon an optional and/or mandatory redemption of less than all of the Series 2008A Bonds;
- (c) Drawing for payment of the principal amount of, and unpaid interest due on, those Series 2008A Bonds which the Remarketing Agent has been unable to remarket within the time limits established in the Indenture;
- (d) Drawing for the payment of the purchase price of the Series 2008A Bonds in connection with a mandatory purchase of the Series 2008A Bonds at the direction of the Credit Provider following the occurrence of an event of default under the Credit Agreement coupled with a direction to cease remarketing the Series 2008A Bonds without the prior consent of the Credit Provider; and
- (e) Drawing for payment of the total unpaid principal of, and unpaid interest on, all of the Series 2008A Bonds which are currently outstanding upon (a) the stated maturity of all such Series 2008A Bonds, (b) the mandatory tender of all such Series 2008A Bonds (in connection with (i) a conversion of the Series 2008A Bonds to an interest rate mode that is not supported by the Credit Facility, (ii) a substitution of the Credit Facility with another Credit Facility, (iii) the expiration of the Credit Facility without replacement or (iv) the occurrence of an event of default under the Credit Agreement coupled with a direction to make a final drawing under the Credit Facility), and (c) the redemption of all such Series 2008A Bonds.

The Credit Facility shall terminate at the Credit Provider's San Francisco, California office on [\_\_\_\_\_, 20\_\_] or, if such date is not a Business Day (as defined in the Credit Facility), then the first (1<sup>st</sup>) succeeding Business Day thereafter.

#### The Credit Agreement

**[to be updated]** The Credit Agreement, among other things, sets the terms and conditions whereby the County is required to repay to the Credit Provider any amounts drawn by the Trustee under the Credit Facility. The Credit Provider has certain rights and the County has certain obligations under the Credit Agreement. These rights of the Credit Provider do not extend to the owners of the Series 2008A Bonds. In addition, the County's compliance with its obligations under the Credit Agreement can be waived solely at the behest of the Credit Provider. The Credit Agreement provides for, among other things, repayment by the County of amounts drawn under the Credit Facility. Although certain aspects of the Credit Agreement are summarized herein, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Credit Agreement. The occurrence of any of the following events shall be an "Event of Default" under the Credit Agreement:

(a) The Corporation, the County and the Bond Insurer shall fail to pay when due (i) the amount of any drawing; (ii) the principal of or interest on any liquidity advance or term loan; or (iii) any other amount payable hereunder, and such default shall continue unremedied for five business days; or

(b) The County shall (i) default in the due performance or observance by it of any incorporated provision or certain terms, covenants or agreements for which no cure period has been granted; (ii) default in the due performance or observance by the County of any certain other terms,

covenants or agreements, and such default shall continue unremedied for a period of five business days; or (iii) default in the due performance or observance by the County of any other term, covenant or agreement and such default shall continue unremedied for a period of thirty days after written notice to the County by the Credit Provider; or

(c) The Corporation shall (i) default in the due performance or observance by it of certain terms, covenants or agreements for which no cure period has been granted; or (ii) default in the due performance or observance by the Corporation of any other term, covenant or agreement and such default shall continue unremedied for a period of thirty days after written notice to the Corporation by the Credit Provider; or

(d) Any representation, warranty, certification or statement made or deemed made by the County or the Corporation in the Credit Agreement, any related document or in any certificate, financial statement or other document delivered pursuant to the Credit Agreement shall prove when made or deemed made, in the reasonable judgment of the Credit Provider, to have been inaccurate and misleading in any material respect; or

(e) The County shall (i) default in any payment of any debt or lease obligation payable from the County's general fund beyond the period of grace (not to exceed thirty days), if any, provided in the instrument or agreement under which such Debt or lease obligation was created, or (ii) default in the observance or performance of any agreement or condition relating to any debt or lease obligation payable from the County's general fund contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of any debt or lease obligation payable from the County's general fund (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, such debt or lease obligation payable from the County's general fund to become due prior to its stated maturity; or (iii) any debt or lease obligation payable from the County's general fund shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof other than as a result of the voluntary refunding thereof by the County; or

(f) The County or the Corporation shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of itself or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or in the reasonable judgment of the Credit Provider be unable, to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(g) An involuntary case or other proceeding shall be commenced against the County or the Corporation seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such case or proceeding is not controverted within thirty days and dismissed within sixty days; or an order for relief shall be entered against the County or the Corporation under the federal bankruptcy laws as now or hereafter in effect; or

(h) Any material provision of the Credit Agreement or any of the related documents shall cease to be valid and binding, or the County or the Corporation shall contest any such provision, or the County, the Corporation or any agent or trustee on behalf of the County or the Corporation shall deny that

such entity has any or further liability under the Credit Agreement or any of the related documents to which such entity is a party; or

(i) A moratorium shall have been declared or announced by a governmental authority (whether or not in writing) with respect to any debt of the County payable from the County's general fund; or

(j) Dissolution or termination of the existence of the County or the Corporation; or

(k) One or more final, non-appealable judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate and for which insurance proceeds shall not be available shall be rendered against the County and such judgment(s) or order(s) shall not be stayed, bonded, vacated, discharged or satisfied for a period of ninety days; or

(l) Any of the funds or accounts established pursuant to the Indenture or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the County or the Corporation and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within forty-five days after its issue or levy; or

(m) Any pledge or security interest created by the Credit Agreement or any related document to secure any amount due by the County under the Credit Agreement or with respect to the Series 2008A Bonds shall fail to be fully enforceable with the priority required hereunder or thereunder; or

(n) Any event which materially and adversely affects the financial condition of the County or the ability of the County to observe and perform its obligations under the Credit Agreement and the County related documents shall have occurred and be continuing; or

(o) (i) The withdrawal or suspension for credit-related reasons by any rating agency of a rating; or (ii) the downgrade by any rating agency of a Rating to a level below "BBB-" (or its equivalent) in the case of Fitch, "Baa3" (or its equivalent) in the case of Moody's or "BBB-" (or its equivalent) in the case of S&P; or

(p) There shall have been rendered a determination that interest on any of the Series 2008A Bonds is includable in the gross income of the Owners thereof for federal income tax purposes, as a result of the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service, whether or not such decree, judgment or action is appealable or deemed to be final under applicable procedural law, or delivery to the County, the Credit Provider and the Trustee of an opinion of nationally recognized bond counsel selected by the Credit Provider and reasonably acceptable to the County and the Trustee to the effect that the interest borne by the Series 2008A Bonds is includable in the gross income of the recipients thereof generally for federal income tax purposes; or

(q) An "event of default" (or similar event) shall have occurred under any of the related documents.

Upon the occurrence of an Event of Default hereunder the Credit Provider in its sole discretion, may do any, none or all of the following:

(a) Deliver a written notice to the Trustee requiring the Trustee to cause a mandatory purchase of all Outstanding Series 2008A Bonds pursuant to the Indenture and in connection therewith

instructing the Trustee to submit a final drawing under the Credit Facility to pay the purchase price of such Bonds upon their mandatory purchase; or

(b) Deliver a written notice to (i) the Trustee and the Corporation requiring the Trustee and the Corporation to cause a mandatory purchase of all Outstanding Series 2008A Bonds pursuant to the Indenture and in connection therewith instructing the Trustee to submit a drawing under the Credit Facility to pay the purchase price of such Series 2008A Bonds upon their mandatory purchase and (ii) the Remarketing Agent to cease remarketing the Series 2008A Bonds following such mandatory purchase until instructed to do so by the Credit Provider; or

(c) The Credit Provider may by written notice to the Corporation and the County take any or all of the following actions, without prejudice to the rights of the Credit Provider to enforce its claims against the Corporation and the County (provided, that, if an Event of Default specified in clause (f) or (g) above shall occur, the result which would occur upon the giving of written notice by the Credit Provider to the Corporation and the County as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the commitment of the Credit Provider to make liquidity advances and term loans terminated, whereupon such commitment shall forthwith terminate immediately; and (ii) declare the principal of and any accrued interest in respect of all liquidity advances, term loans and all other obligations (other than the payment of the principal of and interest on Purchased Bonds) owing hereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand or protest of any kind, all of which are hereby waived by the County; or

(d) The Credit Provider may, but shall not be obligated to, take such action as may be necessary to cure such Event of Default on behalf of and for the account of the Corporation and the County; or

(e) Exercise any rights and remedies available to the Credit Provider at law, equity or under any Related Document.

Nothing contained in the remedies section of the Credit Agreement shall result in, or be construed to require, an acceleration of Base Rental payments under the Facilities Lease and nothing contained in the Credit Agreement is intended to abrogate abatement of Base Rental payments made in accordance with the terms of the Facilities Lease. Nothing contained in the remedies section of the Credit Agreement shall abrogate the obligation of the Credit Provider to honor drawings presented in accordance with the terms of the Credit Facility prior to the termination of the Credit Facility in accordance with its terms; provided further that so long as the Bond Insurance Policy remains effective, the Credit Provider shall not accelerate any payment thereunder without the written consent of the Bond Insurer.

It is understood that, upon the occurrence of an Event of Default, the Credit Provider may exercise its rights with respect to remedies available to it under the Indenture or any of the other related documents, all without limiting or restricting the Credit Provider's ability, at a later date, to exercise its rights with respect to any remaining revenues for payment of any remaining indebtedness of the County to the Credit Provider; provided that so long as the Bond Insurance Policy remains in effect the Credit Provider has agreed in the Credit Agreement that it shall take no action under the Indenture or any other related document (other than the Credit Agreement) without the prior written consent of the Bond Insurer. It is understood that the Bond Insurer is only obligated under the Bond Insurance Policy to pay regularly scheduled principal and interest on the Series 2008A Bonds and any Bank Bonds, regardless of the occurrence of an Event of Default. Payments made in respect of Bank Bonds by the Bond Insurer shall be credited to interest and principal due on the Bank Bonds as if such payments were made by the Corporation, or the County on behalf of the Corporation, but such payment by the Bond Insurer shall not extinguish the obligation of the Corporation or the County to reimburse the Bond Insurer therefor.



## BOND INSURANCE

*The following information concerning the Bond Insurer and the Bond Insurance Policy has been provided by representatives of the Bond Insurer and has not been independently confirmed or verified by the Remarketing Agent, the County or the Corporation. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date. The following information is not complete and reference is made to APPENDIX G for a copy of the financial guaranty insurance policy of Assured Guaranty Corp.*

### The Insurance Policy

At the time of issuance of the Series 2008A Bonds, the Bond Insurer issued the Bond Insurance Policy for the Series 2008A Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2008A Bonds when due as set forth in the form of the Bond Insurance Policy included in APPENDIX G to this Remarketing Memorandum.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### The Insurance Policy Cancellation Agreement

**[to be updated as needed]**As a condition to the issuance of the Credit Facility, the County, the Corporation, the Trustee, the Credit Provider and the Bond Insurer have entered into an Insurance Policy Cancellation Agreement, dated as of December 1, 2013 (the "Bond Insurance Cancellation Agreement"). Pursuant to the Bond Insurance Cancellation Agreement, under certain circumstances including a default by the Bond Insurer or a Bond Insurer Downgrade Event, the Credit Provider can direct, or the Bond Insurer may require, the cancellation of the Bond Insurance Policy (which will also cancel the Swap Insurance Policy). A Bond Insurer Downgrade Event means the financial strength or claims-paying rating of the Bond Insurer shall be (i) reduced below "A3" (or its equivalent) or suspended or withdrawn by Moody's Investors Service and (ii) reduced below "A-" (or its equivalent) or suspended or withdrawn by Standard & Poor's Rating Services. In the event of such cancellation, the Series 2008A Bonds will be subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any.

### The Bond Insurer

**[to come from insurer]**

**Miscellaneous Matters.** The Bond Insurer or one of its affiliates may purchase a portion of the Series 2008A Bonds or any uninsured bonds offered under this Remarketing Memorandum and such purchases may constitute a significant proportion of the Series 2008A Bonds offered. The Bond Insurer or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

The Bond Insurer makes no representation regarding the Series 2008A Bonds or the advisability of investing in the Series 2008A Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein, or

omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading "BOND INSURANCE".

## BONDHOLDERS' RISKS

*The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2008A Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Remarketing Memorandum and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2008A Bonds should analyze carefully the information contained in this Remarketing Memorandum, including the Appendices hereto.*

### General Considerations – Security for the Bonds

The Series 2008A Bonds are special obligations of the Corporation payable from and secured by a pledge of the Revenues derived by the Corporation, payable solely from Revenues and other funds pledged under the Indenture. Revenues consist primarily of Base Rental Payments to be made by the County under the Facilities Lease. If, for any reason, the Revenues collected under the Indenture are insufficient to pay debt service on the Series 2008A Bonds, neither the Corporation nor the County will be obligated to use any of their funds, other than amounts available under the Indenture, to pay debt service on the Bonds.

Neither the faith and credit nor the taxing power of the County or any public agency is pledged to the payment of the principal, premium, if any, or interest on the Series 2008A Bonds. The Corporation has no taxing power.

The obligation of the County to make the Base Rental payments does not constitute a debt of the County or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Facilities Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facilities Lease to pay the Base Rental payments and Additional Rental payments from any source of legally available funds, and the County has covenanted in the Facilities Lease that it will take such action as may be necessary to include all rental payments in its annual budget and to make necessary annual appropriations therefor, subject to abatement.

Under the terms of the Indenture, the County, the Corporation and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the execution and delivery of Additional Bonds representing additional Base Rental; and the Trustee may execute and deliver such Additional Bonds subject to satisfying certain conditions set forth in the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE."

The County is currently liable and may become liable on other obligations payable from general revenues. Further, the County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Base Rental payments and other payments due under the Facilities Lease. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to

appropriate and spend all of its available revenues. However, the County's appropriations have never exceeded the limitation on appropriations under Article XIII B of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution."

#### Expiration of the Credit Facility

The Credit Facility expires on [\_\_\_\_\_, 20\_\_] (the "Stated Expiration Date"), subject to extension or earlier termination in certain circumstances as described therein. If the Credit Facility is not extended or an Alternate Credit Facility is not obtained by the County, the Series 2008A Bonds will be subject to mandatory tender. There can be no assurance that the Corporation will be able to obtain an extension of the Credit Facility or an Alternate Credit Facility. The Credit Provider is under no obligation to extend the Credit Facility beyond the scheduled expiration thereof. See "THE SERIES 2008A BONDS—Optional and Mandatory Purchase" and "THE CREDIT FACILITY AND THE CREDIT AGREEMENT—The Credit Facility" herein. The Stated Expiration Date for the Credit Facility should not adversely affect any Registered Owners during any Interest Period that does not extend beyond the Stated Expiration Date.

#### Credit Provider's and Bond Insurer's Obligations Unsecured

The ability of the Credit Provider to honor draws upon the Credit Facility is based solely upon the Credit Provider's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. The ability of the Bond Insurer to make payments under the Bond Insurance Policy is based solely upon the Bond Insurer's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Credit Facility or the Bond Insurance Policy in the event of any deterioration in the financial condition of the Credit Provider or the Bond Insurer, respectively. None of the County, the Corporation, the Credit Provider or the Bond Insurer assumes any liability to any purchaser of the Series 2008A Bonds as result of any deterioration of the financial condition of the Credit Provider or the Bond Insurer. Upon any insolvency of the Credit Provider or the Bond Insurer, any claim by the Trustee against the Credit Provider or the Bond Insurer, respectively, would be subject to bank receivership proceedings.

#### General Factors Affecting the Credit Provider

The Credit Provider is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Credit Provider which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Credit Provider specifically. The banking industry is highly competitive in many of the markets in which the Credit Provider operates. Such competition directly impacts the financial performance of the Credit Provider. Any significant increase in such competition could adversely impact the Credit Provider.

Prospective purchasers of the Series 2008A Bonds should evaluate the financial strength of the Credit Provider based upon the information contained in and referred to under the caption "THE CREDIT PROVIDER" and other information available upon request from the Credit Provider and should not rely upon any governmental supervision by any regulatory entity.

## Limitation on Enforcement of Remedies

Enforcement of the remedies under the Indenture and the Credit Facility may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Series 2008A Bonds relating to the enforceability of the Indenture and the Credit Facility will contain an enforceability exception relating to the limitations which may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principles of equity. See “—Bankruptcy.”

## Abatement

Except to the extent of (a) amounts held by the Trustee in the Bond Fund or the Debt Service Reserve Fund; (b) amounts received in respect of rental interruption insurance or title insurance; and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2008A Bonds, Base Rental payments due under the Facilities Lease with respect to any Leased Premises or portion thereof shall be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to such Leased Premises or portion thereof, there is substantial interference with the use or right of possession by the County of such Leased Premises or portion thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental do not exceed fair rental value for the use and possession of such Leased Premises and the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the County, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination shall be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises would have had on the Closing Date. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental does not exceed such fair rental value as elaborated in the preceding sentence. Such abatement shall continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of such Leased Premises to tenantable condition.

In the event that casualty insurance proceeds are unavailable because there is no coverage for the hazard or such proceeds are insufficient in amount to provide for complete repair or reconstruction or replacement of the Leased Premises, or in the event the Leased Premises is not repaired or replaced during the period of time that proceeds of the County's rental interruption insurance may be available in lieu of Base Rental payments (a period of approximately 24 months) and the period for which funds are available from the Reserve Fund, the Base Rental payments may be insufficient to cover payment to Owners of Bonds. See APPENDIX D—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE.”

## Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. [Several years ago, the County experienced a severe slowdown as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop on residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. The economy of the County has since improved.] However, a

deterioration in the level of economic activity within the County, the State or the nation could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Series 2008A Bonds. For information relating to the current economic condition of the County, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

#### Seismic Events; Force Majeure

The areas in and surrounding the Leased Premises, like those in much of California, are subject to unpredictable seismic activity; however, the County is not aware of the Property having sustained material damage from earthquakes since its construction was completed.

Further, the County is under no obligation under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. There can be no assurance that earthquake insurance on the Property, if any, will be maintained by the County. If there is no earthquake insurance on the Property, but the Property is damaged in an earthquake, the Lease Payments would be subject to abatement. See "-- Abatement."

The County's use and possession of the Leased Premises may also be at risk from other events of force majeure, such as damaging storms, floods and fires, among other events; however, the Property is not located in mapped flood or fire hazard zone. The County cannot predict what force majeure events may occur in the future.

Further, the occurrence of a major earthquake, wildfire, flooding or other natural disaster within the County could impact the economy of the County and the County's ability to make Base Rental and Additional Rental payments.

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

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

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

## Risk of Uninsured Loss

The County covenants under the Facilities Lease to cause to be maintained certain insurance policies on the Leased Premises. These insurance policies do not cover all types of risk. For instance, the County does not covenant to maintain earthquake insurance if such insurance is not available at reasonable cost from reputable insurance carriers. The County may self-insure in certain circumstances. Moreover, the insurance maintained by the County may provide for deductible amounts. The Leased Premises could be damaged or destroyed due to earthquake or other casualty for which the Leased Premises are uninsured. Under these circumstances an abatement of Base Rental could occur and could continue indefinitely. See “—Abatement.” There can be no assurance that the providers of the County’s liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Premises will be sufficient to prepay the Series 2008A Bonds.

## Default and Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the Base Rental payments due over the term of the Facilities Lease. The County will only be liable for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year’s Base Rental payments. See APPENDIX D—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE.”

The remedies provided for in the Facilities Lease include, in addition to all other remedies provided at law, (a) terminating the Facilities Lease and reletting the Leased Premises, and (b) retaining the Facilities Lease and holding the County liable for each installment of Base Rental payments as it becomes due.

The enforcement of any remedies provided in the Facilities Lease and Indenture may be limited by law (including limitations on a lessor’s rights under real property leases and limitations on the rights of real property secured creditors) or could prove both expensive and time consuming. Although the Facilities Lease provides that if the County defaults the Trustee may re-enter the Leased Premises and re-let them, the Leased Premises may not be easily recoverable and, even if recovered, could be of little value to others because of their specialized nature, regulatory restrictions, limitations related to maintaining tax-exempt status of interest with respect to the Series 2008A Bonds or other legal limitations as to the persons by whom and the circumstances under which the Leased Premises can be used. Moreover, due to the essential governmental nature and use of the Leased Premises, it is not certain whether a court would permit the exercise of a remedy removing the County from them.

The Leased Premises may be substituted as more fully described in APPENDIX D—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE.”

## Limitation on Sources of Revenues

There are limitations on the ability of the County to increase revenues payable to the County General Fund. The ability of the County to increase the ad valorem property taxes (which has historically been a primary source of revenues for counties in the State) is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. State voters in 1986 approved an initiative statute which attempts to limit the imposition of new or higher taxes by local agencies, including the County. In addition on November 5, 1996 the voters of the State approved Proposition 218, which further affects the

ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS."

In addition to limitations on the ability of the County to raise revenues, State and federally mandated expenditures for justice, health and welfare have increased. The annual increase in mandated expenditures has exceeded the annual increase in County revenues. In the event the County's revenue sources are less than its total obligations, the County could choose, or be required by federal or State law, to fund other municipal services before Base Rental payments.

#### Substitution of Property

The Corporation and the County may amend the Facilities Lease to substitute alternate real property for the Leased Premises upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution, the Leased Premises for which the substitution has been effected will be released from the leasehold encumbrance of the Facilities Lease. Although the Facilities Lease requires, among other things, that the Leased Premises, as constituted after such substitution, have a minimum fair rental value at least equal to the annual Base Rental payable by the County under the Facilities Lease, it does not require that such substituted Leased Premises have an annual fair rental value equal to the annual fair rental value of the Leased Premises at the time of substitution or release. Thus, the Leased Premises could be replaced with less valuable real property. Such a replacement could have an adverse impact on the security for the Series 2008A Bonds, particularly if an event requiring abatement of Base Rental were to occur subsequent to such substitution or release. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE—Substitution of Leased Premises."

#### Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefor property tax revenue available to make Base Rental payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the County. 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 County be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. The County is not aware of any hazardous substances located on the Property. **[any particular concerns regarding Leased Premises?]**

#### State's Greenhouse Gas Regulation Could Affect County's General Fund

The Governor of the State signed Assembly Bill 32, the Global Warming Solutions Act of 2006 ("AB 32"), into law on September 27, 2006. AB 32 established a comprehensive program of regulatory and market mechanisms to achieve reductions in greenhouse gas emissions, including a 2020 greenhouse emissions reduction goal. The rules established by AB 32 became effective on January 1, 2012.

Manufacturing is a significant industry within the County (see APPENDIX A—"INFORMATION ABOUT THE COUNTY OF RIVERSIDE—Demographic and Economic Information—Industry and Employment"). AB 32 could have an adverse impact on that industry, resulting in a strain on the County's General Fund.

The State could enact additional laws having an adverse effect on the County's economy.

## Drought Conditions

California is currently in the midst of the worst drought in its recorded history. On January 17, 2014, Governor Brown declared a drought in the State and requested a 20% reduction in water use statewide. The drought, over time, could reduce economic development within the County and adversely affect businesses located within the County, including agriculture.

## Bankruptcy

The rights and obligations of the County and the Authority under the Series 2008A Bonds, the Facilities Lease, the Site Lease, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California.

The County is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County was to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding, and an owner of a Series 2008A Bond would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy might be: (a) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (b) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (c) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Series 2008A Bonds; and (d) the possibility of the adoption of a plan for the adjustment of the County's debt without the consent of all of the owners of Series 2008A Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the Owners if the Bankruptcy Court finds that such a plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Facilities Lease or the Series 2008A Bonds that makes the bankruptcy or insolvency of the County an event of default.

A bankruptcy filing by the County could thus limit remedies under the Facilities Lease. Among other things, a debtor in bankruptcy may choose to assume or reject executory contracts and leases, such as the Facilities Lease. In the event of rejection of a lease by a debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages, as discussed in more detail below (see *Treatment of the Facilities Lease as a True Lease*).

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Series 2008A Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Premises itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a County bankruptcy and a subsequent rejection of the Facilities Lease by the County, the Authority would recover possession of the Leased Premises and the Trustee, as assignee of the Authority, would have a claim for damages against the County. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.



In this connection, were the County to file a bankruptcy petition, the bankruptcy court may be called upon to determine the nature of the transactions underlying the issuance of the Series 2008A Bonds. Specifically, the bankruptcy court may be called upon to determine whether the Facilities Lease is either (1) an unexpired lease or executory contract (defined below) under Section 365 ("Section 365") of the Bankruptcy Code (a "True Lease") or (2) a loan or other financing arrangement (a "Financing Arrangement"). The Bankruptcy Code specifies different consequences for True Leases and Financing Arrangements.

***Treatment of the Facilities Lease as a True Lease.*** Section 365 requires an entity in bankruptcy to make considered decisions either to keep ("assume") or jettison ("reject") its "executory" contracts (that are as yet incomplete as to both parties' performances), and its leases. Section 365 thus requires that a bankruptcy debtor lessee under a True Lease must either (1) assume the lease or executory contract in question and fully perform all of its obligations or (2) reject such lease or executory contract and surrender the property. If a bankruptcy court determined in a County bankruptcy case that the Facilities Lease is a True Lease or executory contract, the County would then have these two options.

An assuming of the Facilities Lease would require that the County cure all monetary defaults (including any unpaid rental payments in the amounts of the principal of and interest and premium, if any, on the Series 2008A Bonds) and most non-monetary defaults, if any. The County would also have to provide adequate assurance that defaults would not occur in the future.

Any rejection of the Facilities Lease could result in a claim for damages against the County in connection with the Series 2008A Bonds that would rank as a general unsecured debt of the County. In the event of such rejection of the Facilities Lease, the amount of any corresponding claim would likely be limited by the cap on landlord claims provided in the Bankruptcy Code, i.e., to the rent payable under the Facilities Lease (without acceleration) for the greater of one year or 15% of the remaining term of the Facilities Lease, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the Authority repossessed or the County surrendered the leased property, plus any unpaid rentals under the Facilities Lease (without acceleration) on the earlier of such dates. Thus, if the Facilities Lease is treated as a True Lease under Section 365 and rejected in a County bankruptcy, the damage claim could be severely limited, resulting in reduced funds available to pay the Series 2008A Bonds.

In certain bankruptcy cases involving bond issuances, including in the recent case filed by the City of Stockton, issuers have proposed to treat transactions with features similar to the Facilities Lease as True Leases. This is because treating a relationship as a True Lease, and then rejecting the lease(s), may provide a significant reduction in the financial outlay by the issuer because of the above-mentioned statutory cap on landlord claims, and thus an easier path to confirmation of the issuer's plan of adjustment at the conclusion of the Chapter 9 case. This latter alternative may be particularly attractive to an insolvent issuer where the real property in question is not a public property that is central to government operations.

In the City of Stockton case, Stockton took this approach. In one of its bond issuances, involving certain non-essential municipal property (a park and two golf courses), Stockton had executed a Site and Facility Lease (the "Park/Golf Courses Lease") and a separate lease back agreement (the "Lease Back Agreement") with the Stockton Public Financing Authority, providing, respectively, for a lease of the park and golf courses to the latter Authority and a lease back to Stockton (collectively with other relevant agreements, the "Bond Agreements"). Stockton proposed in its Chapter 9 plan of adjustment (the "Plan") to treat the Park/Golf Courses Lease as a true lease of nonresidential real property, capable of rejection under Section 365, and to subject the resultant claims by the bond trustee and bondholder (the "Bond

Parties”) to the significant damage claim limitations of section 502(b)(6) of the Bankruptcy Code as “landlord” claims.

In response to Stockton’s proposed Plan, the Bond Parties brought an action in the bankruptcy court against Stockton for a determination that (a) the Site and Facility Lease be treated as other than a true lease and (b) the entire transaction memorialized in the Bond Agreements be recharacterized as a financing and not as a true leasing structure. Ultimately, Stockton did not have the time to litigate this dispute, given the compelling need to exit bankruptcy. Stockton thus moved to dispense with the major issues in the action, by requesting the bankruptcy court to enter a limited judgment in favor of the Bond Parties, thereby conceding to the Bond Parties on their recharacterization claims that the Park/Golf Courses Lease and Lease Back Agreement were not true leases and were in economic substance a secured financing transaction. However, Stockton did not admit that entire transaction represented by the Bond Agreements was a disguised financing. The bankruptcy court later valued the property subject to the Park/Golf Courses Lease and allowed the Bond Parties a secured claim in that amount, with the balance accorded unsecured treatment.

***Recharacterization of the Facilities Lease as a Financing Arrangement.*** In addition to the Stockton case there are other court decisions, arising out of bankruptcy proceedings, that have fully found certain relationships to be disguised Financing Arrangements where a government agency received a property interest through a lease from an entity and then leased that interest back, and where the terms of the lease relate not to the market value of the property leased but to bond financing, e.g., the lease back is in exchange for payments equaling bond debt service and related costs and/or the period of the lease is tied to the final payment on the bonds. There can be no guarantee that a bankruptcy court in a County bankruptcy would not similarly recharacterize the Facilities Lease as a Financing Arrangement. If a bankruptcy court did so, the payment obligations of the County might be substantially reduced in the event of its bankruptcy because of the power under the Bankruptcy Code to adjust secured claims to the value of their collateral.

A borrower in a bankruptcy proceeding that has given a security interest in property in connection with a Financing Arrangement may retain such property, provided that it make payments over time giving the lender the economic value of the security interest. If such economic value is less than the balance due on the debt in the Financing Arrangement, the difference is then treated as an unsecured debt. In a County bankruptcy case, were the Facilities Lease determined to be part of a Financing Arrangement, the County would very likely be permitted to remain in possession of the Leased Property if it made payments for that right, but the amount required to be paid is primarily dependent upon the value of the Trustee’s security interest, not the payment terms of the Facilities Lease.

Given that the Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners of the Series 2008A Bonds, the Trustee’s claim in a bankruptcy of the County would likely constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured. Therefore, in the event of a recharacterization of the Facilities Lease as a Financing Arrangement in a Chapter 9 case of the County, there is a risk that payment will be delayed, or reduced from the amounts specified in the Facilities Lease.

***Pension Issues in Bankruptcy.*** In a bankruptcy of the County, if a material unpaid liability is owed to the California Public Employees’ Retirement System (“CalPERS”) or any other pension system (collectively the “Pension Systems”) on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the County’s ability to make Base Rental Payments or other Lease Payments if the Facilities Lease is rejected. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state, county and/or city law, the Pension Systems may take the position, among other possible arguments, that their

claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a County bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a County bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) has been or presently is the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

#### Change in Law

No assurance can be given that the State electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, in a manner that could result in a reduction of the County's revenues and, therefore, a reduction of the funds legally available to the County to make Base Rental payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII C and Article XIII D of the State Constitution."

#### State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the County to make Lease Payments may be affected if the County should exceed its appropriations limit. The State may increase the appropriation limit of its cities by decreasing its own appropriation limit. The County does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution."

#### IRS Audit of Tax-Exempt Bond Issues

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

#### Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any 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 then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

#### SWAP AGREEMENT

The Indenture provides that the Corporation may enter into a Qualified Swap which is payable on a pro rata basis and whose regularly scheduled payments are secured by a parity lien on Revenues with the Series 2008A Bonds. Any termination payments on the Swap are subordinate to the payment of debt service on the Series 2008A Bonds.

**[to be updated as needed]** The Corporation has entered into a interest rate swap agreement (the "Swap Agreement") in order to hedge the Corporation's obligations with respect to the payment of interest on the Series 2008A Bonds. The Swap Agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the counterparty (the "Swap Counterparty"). In general, the Swap Agreement provides, subject to the terms thereof, that the Corporation will make payments to Swap Counterparty calculated on the basis of a fixed rate and Swap Counterparty will make payments to the Corporation calculated on the basis of a floating rate based on a percentage of the London Interbank Offered Rate (LIBOR), based on a notional amount equal to \$76,300,000.

Under certain circumstances, the Swap Agreement is subject to termination prior to its scheduled termination date and prior to the maturity of the Series 2008A Bonds. In the event of an early termination of the Swap Agreement, there can be no assurance that (i) the Corporation will receive any termination payment payable to it by the Swap Counterparty, (ii) the Corporation will have sufficient amounts to pay a termination payment payable by it to the Swap Counterparty, and (iii) the Corporation will be able to obtain a replacement swap agreement with comparable terms. Payment due upon early termination may be substantial.

The agreement by the Swap Counterparty to pay certain amounts to Corporation pursuant to the Swap Agreement does not alter or affect the Corporation's obligation to pay the principal of, interest on, and redemption price of, any of the Series 2008A Bonds. The Swap Counterparty has no obligation to make any payments with respect to the principal of, interest on, or redemption price of, the Series 2008A Bonds. Neither the holders of the Series 2008A Bonds nor any other person shall have any rights under the Swap Agreement or against the Swap Counterparty. The Corporation's obligation under the Swap Agreement to make periodic fixed rate payments to the Swap Counterparty will be on a parity with the Corporation's obligation to pay principal of and interest on the Series 2008A Bonds. Payments from the Swap Counterparty under the Swap Agreement have been assigned by the Corporation to the County and are not pledged to the payment of the Series 2008A Bonds.

Certain of the Corporation's payment obligations pursuant to the Swap Agreement are insured by Assured Guaranty Corp.

See also APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—FINANCIAL INFORMATION—Interest Rate Swap Agreements."

#### THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,347,828 as of January 1, 2016, reflecting a 1.3% increase over January 1, 2015.

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

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

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

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

#### THE CORPORATION

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

#### CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2008A Bonds are payable from Lease Payments made from the County’s General Fund. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008A BONDS.” Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Remarketing Memorandum to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and spend tax proceeds for operating and other purposes.

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

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

#### Legislation Implementing Article XIII A

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

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

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Remarketing Memorandum is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

#### Article XIII B of the State Constitution

In addition to the limits that Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues and the investment proceeds thereof, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized as of October 1, 1979, or subsequently authorized by the voters (such as the Series 2008A Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each local government's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The County's appropriations have never exceeded the limitation on appropriations under Article XIII B.

#### Articles XIII C and XIII D of the State Constitution

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the County is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the County's General Fund might have to be used to support them. The County is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the County's General Fund to continue to support such activities.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

However, no assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund.

#### Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and: (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after July 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995 in *Fresno County Transportation Authority v. Gardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The County has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

#### Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the State's fiscal year 2004-05 budget, approved by the voters in November 2004 and generally effective in State fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in State fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of ten fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the State-wide local sales tax. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates



relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

#### Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State on November 2, 2010. Proposition 22 eliminates or reduces the State's authority: (i) to temporarily shift property taxes from cities, counties and special districts to schools; (ii) to use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments); (iii) to redirect property tax increment from redevelopment agencies to any other local government; (iv) to use State fuel tax revenues to pay debt service on State transportation bonds; or (v) to borrow or change the distribution of State fuel tax revenues. In the California Supreme Court case affirming the dissolution of redevelopment agencies discussed in Appendix A, the Court determined that Proposition 22 did not prevent the State Legislature from terminating redevelopment agencies.

#### Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not believe that Proposition 26 will adversely affect its General Fund revenues.

#### Possible Future Initiatives

Articles XIII A, XIII B, XIIC and XIID and Propositions 218, 111, 62, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to

time other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

#### STATE OF CALIFORNIA BUDGET INFORMATION

*The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Remarketing Memorandum that the principal or interest due on the Series 2008A Bonds is payable from any funds of the State.*

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2015-16, approximately 44.8% of the County's General Fund budget revenues consisted of payments from the State and 20.4% consisted of payments from the Federal government. For Fiscal Year 2016-17, the County projects that approximately 44.5% of its General Fund budget revenues will consist of payments from the State and 20.8% will consist of payments from the Federal government.

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

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

#### State Budget for Fiscal Year 2016-17

In a typical year, the Governor releases two primary proposed budget documents: (i) the Governor's Proposed Budget required to be submitted in January, and (ii) the "May Revision" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. On January 7, 2016, the Governor released the Fiscal Year 2016-17 Proposed State Budget. On May 13, 2016 the Governor released the May Revision to the Fiscal Year 2016-17 Proposed State Budget. On June 27, 2016, the Governor signed the adopted Fiscal Year 2016-17 State Budget (the "Fiscal Year 2016-17 Budget").

The Fiscal Year 2016-17 Budget projects Fiscal Year 2015-16 General Fund revenues and transfers of \$117.0 billion and total expenditures of \$115.6 billion. The State is projected to end Fiscal Year 2015-16 with total available reserves of \$7.3 billion, including \$3.9 billion in the traditional General Fund reserve and \$3.4 billion in the State's Budget Stabilization Account. The County is currently evaluating the impact of the Fiscal Year 2016-17 Budget on the County's finances. **[to be updated]**

Information about the State budget and State spending is available at various State maintained websites. Text of the Fiscal Year 2016-17 Budget and other documents related to the State budget may be found at the website of the State Department of Finance, *www.dof.ca.gov*. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at *www.lao.ca.gov*. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, *www.treasurer.ca.gov*.

#### Future State Budgets

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

#### Possibility of Non-Renewal of Proposition 30 Revenues

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30" and the Governor's Tax Initiative), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. The revenues generated under Proposition 30 have contributed significantly to the stabilization of the State's finances in recent years. The majority of the revenues established under Proposition 30 are currently set to expire on December 31, 2018, with certain of the revenues phasing out earlier. Various ballot initiatives have qualified for the State's November ballot with the intention of extending the Proposition 30 revenues beyond their December 31, 2018 sunset date. The County can provide no assurances that such measures, or other measures, will be successful in extending the life of the Proposition 30 revenues, nor can any assurance be provided regarding the impact on the State's finances should the Proposition 30 revenues not be extended.

### TAX MATTERS

On December 10, 2008, the date of issuance of the Series 2008A Bonds, Nixon Peabody LLP, Bond Counsel, delivered an opinion to the effect that, as of that date, under then existing law, and assuming compliance with certain tax covenants made by the County and the Corporation, and the accuracy of representations and certifications made by County and the Corporation, interest on the Series 2008A Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and was not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals or corporations (the "Bond Counsel Opinion"). Bond Counsel was of the opinion as of that date that interest on the Series 2008A Bonds was, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel was further of the opinion that, under then existing law, interest on the Series 2008A Bonds is exempt from personal income taxes of the State of California. A copy of the Bond Counsel Opinion is included as APPENDIX F hereto. Such Bond Counsel Opinion spoke only as of their date and have not been updated in connection with this remarketing.

On the closing date for the remarketing of the Series 2008A Bonds in connection with the provision of the new Credit Facility, Bond Counsel will deliver its opinion to the effect that the provision of the new Credit Facility, the mandatory tender of the Series 2008A Bonds and the remarketing thereof

will not, in and of itself, adversely affect the exclusion from gross income of interest on the Series 2008A Bonds for federal income tax purposes. A copy of the proposed form of such opinion is included as APPENDIX F hereto. Bond Counsel is not rendering any opinion to the current tax status of the Series 2008A Bonds.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008A Bonds. The County and the Corporation have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2008A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2008A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2008A Bonds. The Bond Counsel Opinion assumed compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2008A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2008A Bonds. In the Bond Counsel Opinion, Bond Counsel expressed no opinion as to federal, state or local tax law consequences with respect to the Series 2008A Bonds or the interest thereon if any action is taken with respect to the Series 2008A Bonds or the proceeds thereof upon the advice or approval of other counsel.

Although Bond Counsel opined that interest on the Series 2008A Bonds was excluded from gross income for federal income tax purposes and was exempt from personal income taxes imposed by the State of California, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008A Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or beneficial owner's other items of income or deduction. Bond Counsel expressed no opinion regarding any such other tax consequences.

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on Series 2008A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2008A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2008A Bonds from gross income for federal or state income tax purposes, or otherwise. Bond Counsel notes that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2008A Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2008A Bonds may occur. Prospective purchasers of the Series 2008A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2008A Bonds.

The Bond Counsel Opinion with respect to federal tax law were based on then-current legal authority, covered matters not directly addressed by such authorities, and represented Bond Counsel's judgment as to the proper treatment of the Series 2008A Bonds for federal income tax purposes. Such opinion is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and have not given any opinion or assurance about the future activities of the County or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the

interpretation thereof or the enforcement thereof by the IRS. The County and the Corporation have covenanted, however, to comply with the requirements of the Code.

Bond Counsel is not obligated to defend the beneficial owners regarding the tax exempt status of the Series 2008A Bonds in the event of an audit examination by the IRS. Further, under current procedures, parties other than the County and the Corporation and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax exempt bonds is difficult, obtaining an independent review of IRS positions with which the County and the Corporation legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008A Bonds, and may cause the County, the Corporation or the beneficial owners to incur significant expense.

#### RATINGS

Upon delivery of the Credit Facility, the County expects that the Series 2008A Bonds will receive a long-term rating of "[ ]" and a short-term rating of "[ ]" by Moody's, and a long-term rating of "[ ]" and a short-term rating of "[ ]" by S&P. The long-term rating reflects Moody's and S&P's assessment of the likelihood of repayment of the Series 2008A Bonds to maturity based primarily on the credit of the County and the credit support of the Credit Provider. The short-term rating reflects the likelihood of repayment based on the availability of the Credit Facility during the optional tender period. The above ratings reflect only the views of such rating agencies. Any explanation of the significance of such ratings may only be obtained from such rating agencies. The County has furnished to the rating agencies certain information and materials not included in this Remarketing Memorandum. Generally, the rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered, suspended or withdrawn entirely by a rating agency if in the judgment of such rating agency circumstances so warrant. Any such downward change in or withdrawal of any such rating may have an adverse effect on the market price of the Series 2008A Bonds.

#### REMARKETING

In connection with the provision of the new Credit Facility, the Series 2008A Bonds are subject to a mandatory tender by the owners thereof for purchase on [ ] 2016] at a purchase price equal to the principal amount thereof plus accrued interest. The Remarketing Agent will remarket the Series 2008A Bonds to investors effective [ ], 2016], pursuant to a Remarketing Agreement among the Corporation, the County and the Remarketing Agent.

The Remarketing Agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Remarketing Agent and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the County and the Corporation, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and

short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County and the Corporation, including the Series 2008A Bonds.

The Remarketing Agent and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

#### FINANCIAL STATEMENTS

Included herein as Appendix B are the audited financial statements of the County as of and for the year ended June 30, 2015, together with the report thereon dated December 22, 2015 of Brown Armstrong Accountancy Corporation, Bakersfield, California, certified public accountants (the "Auditor"). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the County or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Remarketing Memorandum, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 22, 2015.

#### CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners and beneficial owners of the Series 2008A Bonds to provide certain annual financial information and operating data relating to the County by not later than February 15 of each year (the "Annual Report"), commencing with the report for the County's June 30, 2008 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and any notice of material events will be filed by the County with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the Continuing Disclosure Certificate, dated as of December 1, 2008, a copy of which is attached hereto in APPENDIX E—"CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made to assist underwriters and remarketing agents comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule")

During the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; (ii) missing, incomplete or late filing of annual or quarterly reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County; and (c) in all of the cases where a notice of failure to file was required to be filed, no notice of failure to file such information was provided. The County and its related entities have reviewed their previous filings and have made corrective filings, including an omnibus corrective notice regarding bond insurer ratings and ratings of the County's General Fund debt.

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

The County has been advised by two underwriters that they filed self-reports under the Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation ("MCDC") initiative regarding incorrect statements in the County's official statements concerning the County's compliance with its continuing disclosure requirements. In addition, the County filed a self-report under MCDC with respect to statements concerning continuing disclosure compliance made in official statements for over thirty bond issues of the County and related issuers.

#### CERTAIN LEGAL MATTERS

Certain legal matters are subject to the approving opinion of Nixon Peabody LLP, Bond Counsel. The form of opinion of Bond Counsel to be delivered in connection with the remarketing of the Series 2008A Bonds is set forth in APPENDIX F hereto, together with the opinion of Bond Counsel delivered at the time of issuance of the Series 2008A Bonds. Nixon Peabody LLP is also serving as Disclosure Counsel to the County. Certain legal matters will be passed upon for the County and the Corporation by the County Counsel. Certain legal matters will be passed upon for the Credit Provider by Chapman & Cutler LLP.

#### MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Site Lease, Facilities Lease and the Indenture are available upon request from the County of Riverside, County Executive Office, 4<sup>th</sup> Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Finance Director.

Any statements in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2008A Bonds.

The execution and delivery of this Remarketing Memorandum has been duly authorized by the County.

#### COUNTY OF RIVERSIDE

By       [/s/ name]        
          [title]

## **APPENDIX A**

### **INFORMATION REGARDING THE COUNTY OF RIVERSIDE**

#### **GENERAL INFORMATION**

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

#### **DEMOGRAPHIC AND ECONOMIC INFORMATION**

##### **Population**

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,347,828 as of January 1, 2016, representing an approximately 1.3% increase over the County's population as estimated for the prior year, and a rate higher than the statewide population increase of 0.9% for the same period. For the ten year period of January 1, 2006 to January 1, 2016, the County's population grew by approximately 18.82%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.16% of the County as of January 1, 2016.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:



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

<i>CITY</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Banning	30,051	30,177	30,306	30,659	30,834
Beaumont	38,851	39,787	40,853	43,601	45,118
Blythe	20,440	19,609	18,982	19,254	19,813
Calimesa	8,022	8,096	8,225	8,138	8,289
Canyon Lake	10,721	10,771	10,817	10,608	10,681
Cathedral City	52,108	52,350	52,571	53,859	54,261
Coachella	42,030	42,795	43,601	45,001	45,407
Corona	154,985	156,864	159,109	163,317	164,659
Desert Hot Springs	27,721	27,835	27,986	28,794	29,048
Eastvale	55,770	57,266	59,151	60,825	63,162
Hemet	80,329	80,899	81,520	79,548	80,070
Indian Wells	5,050	5,083	5,133	5,336	5,412
Indio	78,298	81,415	82,375	86,683	88,058
Jurupa Valley	96,745	97,272	97,738	96,898	98,177
Lake Elsinore	53,183	55,444	56,688	59,142	61,006
La Quinta	38,190	38,412	39,023	39,311	39,977
Menifee	80,831	82,314	83,686	87,286	89,004
Moreno Valley	197,086	198,183	199,257	203,696	205,383
Murrieta	105,300	105,860	106,393	112,576	113,795
Norco	27,123	26,632	26,566	26,392	26,896
Palm Desert	49,619	49,962	50,424	48,835	49,335
Palm Springs	45,414	45,724	46,135	46,204	46,654
Perris	70,391	70,983	72,063	72,476	73,722
Rancho Mirage	17,556	17,643	17,739	17,920	18,070
Riverside	309,407	312,035	314,221	321,655	324,696
San Jacinto	44,937	45,229	45,537	47,087	47,656
Temecula	103,403	104,907	106,256	107,794	109,064
Wildomar	32,818	33,182	33,696	34,758	35,168
<b>TOTALS</b>					
Incorporated	1,876,494	1,896,729	1,916,051	1,957,653	1,983,415
Unincorporated	357,699	358,924	364,140	360,271	364,413
County-Wide	<u>2,234,193</u>	<u>2,255,653</u>	<u>2,280,191</u>	<u>2,317,924</u>	<u>2,347,828</u>
California	37,668,804	37,984,138	38,357,121	38,907,642	39,255,883

Source: State Department of Finance, Demographic Research Unit.

**Effective Buying Income**

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local,

nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2012 through 2016:

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

	<i>Total Effective Buying Income<sup>(2)</sup></i>	<i>Median Household Effective Buying Income</i>	<i>Percent of Households with Income over \$50,000</i>
<b>2012</b>			
Riverside County	\$ 39,981,683	\$44,116	42.91%
California	814,578,458	47,062	46.65
<b>2013</b>			
Riverside County	\$ 40,157,310	\$43,860	42.39%
California	864,088,828	47,307	46.90
<b>2014</b>			
Riverside County	\$ 40,293,518	\$44,784	43.84%
California	858,676,636	48,340	48.17
<b>2015</b>			
Riverside County	\$ 41,199,300	\$45,576	44.79%
California	901,189,699	50,072	50.05
<b>2016</b>			
Riverside County	\$ 45,407,058	\$48,674	48.50%
California	981,231,666	53,589	52.74

<sup>(1)</sup> Estimated, as of January 1 of each year.

<sup>(2)</sup> Dollars in thousands.

Source: Nielsen Solution Center.

## Industry And Employment

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

### RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY<sup>(1)</sup> (In Thousands)

<i>INDUSTRY</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Agriculture	14.9	15.0	14.5	14.4	15.1
Construction	59.1	62.6	70.0	77.6	85.2
Finance Activities	39.5	40.2	41.3	42.3	43.2
Government	227.5	224.6	225.2	228.8	233.4
Manufacturing:	85.1	86.7	87.3	91.3	95.6
Nondurables	29.3	29.8	30.1	31.1	32.8
Durables	55.8	56.9	57.3	60.2	62.8
Mining & Logging	1.0	1.2	1.2	1.3	1.3
Retail Trade	158.5	162.4	164.8	169.4	173.5
Professional and Business Services	126.0	127.5	132.4	139.3	144.4
Education and Health Services	165.4	173.6	187.6	194.8	205.0
Leisure & Hospitality	124.0	129.4	135.9	144.8	151.5
Other Services	39.1	40.1	41.1	43.0	44.0
Transportation, Warehousing and Utilities	67.9	73.0	78.4	86.6	97.3
Wholesale Trade	49.02	52.2	56.4	58.9	61.7
Information	12.2	11.7	11.5	11.3	11.3
<b>Total, All Industries</b>	<u>1,169.4</u>	<u>1,200.2</u>	<u>1,247.8</u>	<u>1,303.7</u>	<u>1,362.4</u>

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

Source: State Employment Development Department, Labor Market Information Division.

The following table sets forth the major employers in the County as of 2015 and their respective product or service and number of employees as of 2015.

**COUNTY OF RIVERSIDE  
CERTAIN MAJOR EMPLOYERS<sup>(1)</sup>  
(2015)**

<i>Company Name</i>	<i>Product/Service</i>	<i>No. of Local Employees<sup>(2)</sup></i>
County of Riverside	Government	20,684
March Air Reserve Base	Military Reserve Base	8,500
Stater Bros	Supermarket	6,900
Walmart	Retail Store	6,550
University of California, Riverside	University	5,768
Kaiser Permanente Riverside Medical Center	Hospital	5,300
Corona-Norco Unified School District	School District	4,932
Temecula Valley Unified School District	School District	4,000
Riverside Unified School District	School District	3,871
Hemet Unified School District	School District	3,400

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

<sup>(2)</sup> Includes employees within the County; excludes, under certain circumstances, temporary, seasonal and per diem employees.  
Source: County Economic Development Agency

Unemployment data for the County, the State and the United States for the years 2011 through 2015 and partial data for 2016 (as indicated) are set forth in the following table.

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

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
County <sup>(1)</sup>	13.7%	12.1%	10.3%	8.2%	6.7%	7.1% <sup>(2)</sup>
California <sup>(1)</sup>	11.8	10.4	8.9	7.5	6.2	5.5 <sup>(2)</sup>
United States <sup>(3)</sup>	8.9	8.1	7.4	6.2	5.3	4.9 <sup>(2)</sup>

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

<sup>(2)</sup> For July 2016. [update if possible]

<sup>(3)</sup> Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

**Commercial Activity**

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also three factory outlet malls (Desert Hills Factory Stores, Cabazon Outlets and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable sale transactions in the County for the years 2010 through 2014, the last year being the most recent full year of which annual data is currently available. Taxable sales transactions in Riverside County overall totaled \$32,035,687,000 in 2014, representing a 6.6% increase over the prior year. **[confirm 2015 not available before printing]**

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

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Motor Vehicles and Parts Dealers	\$ 2,620,568	\$ 3,010,487	\$ 3,493,098	\$ 3,965,201	\$ 4,417,943
Furniture and Home Furnishings	412,325	436,482	441,649	486,061	520,393
Electronics and Appliances Stores	470,784	478,406	488,419	510,423	510,061
Building Materials, Garden Equipment and Supplies	1,232,145	1,303,073	1,365,513	1,535,178	1,706,183
Food and Beverage Stores	1,267,758	1,304,731	1,356,148	1,421,590	1,509,403
Health and Personal Care Stores	400,207	454,268	490,238	523,724	544,958
Gasoline Stations	2,685,840	3,300,785	3,516,040	3,456,322	3,426,830
Clothing and Clothing Accessories Stores	1,391,174	1,505,821	1,672,482	1,771,603	1,989,623
Sporting Goods, Hobby, Book and Music Stores	428,121	454,971	467,536	499,366	519,188
General Merchandise Stores	2,947,905	3,051,709	3,174,022	3,298,920	3,289,057
Miscellaneous Store Retailers	652,273	700,338	742,118	758,664	809,032
Nonstore Retailers	92,916	101,876	142,081	243,334	309,809
Food Services and Drinking Places	2,317,486	2,473,339	2,668,324	2,836,388	3,093,862
Total Retail and Food Services	<u>\$16,919,500</u>	<u>\$18,576,285</u>	<u>\$20,016,668</u>	<u>\$21,306,774</u>	<u>\$22,646,343</u>
All Other Outlets	6,233,280	7,065,212	8,079,341	8,758,693	9,389,345
Total All Outlets	<u>\$23,152,780</u>	<u>\$25,641,497</u>	<u>\$28,096,009</u>	<u>\$30,065,467</u>	<u>\$32,035,687</u>

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

## Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2011 through 2015.

### COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS<sup>(1)</sup> (IN THOUSANDS)

	2011	2012	2013	2014	2015
<b>RESIDENTIAL</b>					
New Single-Family	\$ 651,747	\$ 854,814	\$1,134,158	\$1,296,553	\$1,267,593
New Multi-Family	115,064	99,578	136,501	178,117	110,458
Alterations and Adjustments	119,684	84,517	94,422	147,081	113,615
<b>Total Residential</b>	<b>\$ 886,495</b>	<b>\$1,038,963</b>	<b>\$1,365,081</b>	<b>\$1,621,751</b>	<b>\$1,491,666</b>
<b>NON-RESIDENTIAL</b>					
New Commercial	\$ 152,160	\$ 346,865	\$80,510	\$184,138	\$182,089
New Industry	10,000	3,767	140,972	161,321	111,070
New Other <sup>(1)</sup>	99,898	78,602	184,500	142,204	215,914
Alterations & Adjustments	297,357	154,325	364,616	327,327	299,882
<b>Total Nonresidential</b>	<b>\$ 559,415</b>	<b>\$ 583,559</b>	<b>\$ 770,598</b>	<b>\$ 814,990</b>	<b>\$ 808,956</b>
<b>TOTAL ALL BUILDING</b>	<b>\$1,445,910</b>	<b>\$1,602,522</b>	<b>\$2,135,679</b>	<b>\$2,436,741</b>	<b>\$2,300,622</b>

<sup>(1)</sup> Includes churches and religious buildings, medical and institutional buildings, school and educational buildings, agricultural buildings, residential garages, public works and utility buildings. Hospital construction permits issued by the California Office of Statewide Health Planning are not included in the private, nonresidential building data, except where the project may also be permitted by the local jurisdiction.

Source: Construction Industry Research Board for 2011, 2014 and 2015, California Homebuilding Foundation for 2012 and 2013.

### COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	2011	2012	2013	2014	2015
Single Family	2,676	3,455	4,671	5,007	4,833
Multi-Family	1,073	829	1,415	1,931	1,189
<b>TOTAL</b>	<b>3,749</b>	<b>4,284</b>	<b>6,086</b>	<b>6,938</b>	<b>6,022</b>

Source: Construction Industry Research Board for 2011, 2014 and 2015, California Homebuilding Foundation for 2012 and 2013.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2010 through 2015.

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

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
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	411,000	259,000	205,000	370,000
2014	455,000	293,000	240,000	410,000
2015	487,500	310,000	262,000	431,000

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

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2010 through 2015.

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

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
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
2014	4,566	2,912	2,984	13,787
2015	3,970	2,463	2,616	11,959

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

**Agriculture**

Agriculture is a significant source of income in the County. In 2015, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates 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 County, and all of Southern California, is experiencing a severe drought. See “—Environmental Control Services” below. The County cannot predict the impact that a prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2011 through 2015.

**COUNTY OF RIVERSIDE  
VALUE OF AGRICULTURAL PRODUCTION**

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Citrus Fruits	\$ 119,942,513	\$ 125,711,000	\$ 142,404,000	\$ 170,891,000	\$ 199,772,000
Trees and Vines	232,649,262	217,214,000	232,536,000	223,593,000	234,928,000
Vegetables, Melons, Misc.	278,628,295	286,234,000	340,407,000	337,404,000	327,199,000
Field and Seed Crops	149,198,052	147,352,000	154,582,000	156,575,000	122,794,000
Nursery	200,154,964	190,878,100	191,215,000	172,910,000	158,648,000
Apiculture	4,844,400	4,983,400	4,715,000	4,819,000	4,897,000
Aquaculture	4,808,250	4,205,000	2,262,000	5,078,000	5,397,000
Livestock and Poultry	292,030,380	276,553,000	259,683,000	290,746,000	260,015,000
Grand Total	<u>\$1,282,256,116</u>	<u>\$1,253,130,000</u>	<u>\$1,327,804,000</u>	<u>\$1,362,016,000</u>	<u>\$1,313,650,000</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 from Riverside 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. Riverside 91 Express Lanes that connect with the OCTA SR-91 Express Lanes at the Orange County/Riverside County line and continue to the Interstate 15/State Route 91 interchange are under construction and expected to open in early 2017. When travelling along State Route 91 through Corona, vehicles will be able to use either the tolled express lanes or the general purpose lanes, which are free.

Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from nine stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Palm Springs. Freight service to major west coast and national markets is provided by two transcontinental railroads—Union Pacific Railroad and the BNSF 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, servicing 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, and is scheduled to be transferred by the City of Los Angeles to a joint powers authority in October 2016. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

### **Education**

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Approximately ninety-two percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside — the University of California, Riverside, La Sierra University and California Baptist University.

### **Environmental Control Services**

**Water Supply.** The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand, and the County's water supply is supplemented by imported water. At the present time, imported water is provided by the Metropolitan Water District of Southern California from the Colorado River via the Colorado River Aqueduct and from the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, approximately 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronio Pass Water Agency, Desert Water Agency, Palo Verde Irrigation District and Rancho California Water District also provide supplemental water to cities and agencies within the County.

The governor and the State Legislature have been continuously engaged in discussions on potential strategies to help mitigate the effects of the drought. On April 1, 2015, California's governor issued the fourth in a series of executive orders extending the measures necessary to address California's severe drought conditions. The executive order adopted the following additional orders, among others: (i) SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% through February 28, 2016; portions of a water supplier's service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) the State of California Department of Water Resources ("DWR") is directed to fund a statewide initiative, in partnership with local agencies, to

collectively replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with the California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to install emergency drought salinity barriers. The 25% conservation standard mandated by the executive order is scheduled to result in water savings amounting to approximately 1.3 million acre-feet of water over next nine months. As noted by the SWRCB, California is still experiencing severe drought despite recent heavy rainfall during the winter of 15/16, and on February 2, 2016 CWRCB adopted an extended and revised emergency regulation to ensure that urban water conservation continues through 2016. The regulation extends the aforementioned restrictions on urban water use through October 2016 while providing urban water suppliers more flexibility in meeting their conservation requirements. It also directs staff to report back on additional flexibility once more complete water supply information is known in April 2016. On May 18, 2016, the State Water Board adopted an emergency water conservation regulation that replaced the February 2 emergency regulation. The May 2016 regulation in effect from June 2016 through January 2017 requires locally developed conservation standards based upon each water agency's specific circumstances. It replaces the prior percentage reduction-based water conservation standard with a localized "stress test" approach. These standards require local water agencies to ensure a three-year supply assuming three more dry years like the ones the state experienced from 2012 to 2015. Water agencies that would face shortages under three additional dry years will be required to meet a conservation standard equal to the amount of shortage. **[update as needed]**

During a workshop in May of 2015 to discuss the drought, the Board of Supervisors directed staff to revise County Ordinance 859.3 *Water Efficient Landscape Requirements*. On July 21, 2015 the Board of Supervisors adopted, via an urgency ordinance, updated water efficient landscape requirements Ordinance 859. A key highlight of this revised ordinance is that it "*prohibits the use of natural turf grass lawns within the front yards of new homes and promoting low water use plants and inert materials for a sustainable and marketable landscape design.*"

**Flood Control.** Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

**Sewage.** There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. The County of Riverside does not own or operate a Publicly Owned Treatment Works (POTW), or sewage plants. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal only if a POTW does not service the area with sewer infrastructure.

## FINANCIAL INFORMATION

### Budgetary Process and Budget

Under the California Government Code, the County must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. An adopted budget reflecting any revisions to the recommended budget must be approved by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years,

the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts quarterly reviews, with major adjustments generally addressed at the end of the first, second and third quarters.

### **Fiscal Year 2016-17 Budget**

In June 2016, the Board of Supervisors approved the Fiscal Year 2016-17 Recommended Budget (the "Recommended Budget") and subsequently approved revisions to it in July 2016. Formal approval of the resolution of adoption of the Fiscal Year 2016-17 Budget (the "Adopted Budget") is scheduled for late September 2016. The Adopted Budget will include total general fund appropriations of approximately \$3.1 billion. The County estimates approximately 44.5% of the General Fund budget revenues in the Adopted Budget will consist of payments from the State and 20.8% will consist of payments from the Federal government. Discretionary revenue was budgeted to increase to approximately \$758.9 million (\$752.8 million in the Recommended Budget) for Fiscal Year 2016-17, an increase of approximately 3% (2% in the Recommended Budget) from the Fiscal Year 2015-16 adopted budget estimates. Such revenue increase was primarily attributable to growth in the value of property taxes. The Adopted Budget includes an increase in discretionary spending of approximately \$29.5 million (\$27.8 million in the Recommended Budget) from the prior fiscal year. Property tax revenue is estimated at approximately \$340 million for Fiscal Year 2016-17, and represents approximately 45% of the County's discretionary revenue. The Adopted Budget assumes an increase in assessed valuation in Fiscal Year 2016-17 of approximately 5% from Fiscal Year 2015-16. [update for final adopted budget]

### **Impacts of State Budget**

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's Fiscal Year 2016-17 budget. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services. State finances may be impacted if the revenues generated by Proposition 30 are not extended. See "STATE OF CALIFORNIA BUDGET INFORMATION— Possibility of Non-Renewal of Proposition 30 Revenues" in the front part of this Remarketing Memorandum.

The County continuously monitors developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

### **Realignment of Certain Services to Local Governments**

As part of the State's 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). Beginning in Fiscal Year 2011-12, the realignment provides funds to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs. This realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate; 2) redirection of the revenue generated by Proposition 63 (the "millionaire tax" that supports mental health programs statewide); and 3) redirection of a portion of vehicle license fee revenues.

Realignment is comprised of two distinct components: Health and Human Services and Public Safety. With respect to the former, the State replaced the funding previously provided to counties as State reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change resulting from the Health and Human Services component

of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on various additional responsibilities related to inmates released from state prison; newly convicted offenders whose offenses are legally defined under the State Penal Code as non-violent, non-serious and non-sexual; and parole violators. In Fiscal Year 2014-15, the County received a \$48.04 million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2015-16, the County expects to receive an appropriation of approximately \$62.35 million from the State to address the needs of the realigned criminal justice population. Although this amount is not sufficient to meet all of the identified needs, and the shortfall continues to strain the County's justice system, the affected County departments have been able to continue providing identified services. The County received an estimate from the State that the appropriation is expected to increase by approximately \$4.9 million in Fiscal Year 2016-17. However, the County does not have an estimate of the total realignment cost for Fiscal Year 2016-17 at this time. **[update paragraph]**

### **Final Budget Comparison**

The following table sets forth the General Fund budgets for the last five fiscal years as initially adopted by the Board of Supervisors, except for Fiscal Year 2016-17, which is the recommended budget for final adoption. The Board of Supervisors is scheduled to adopt the final Fiscal Year 2016-17 General Fund budget on September 27, 2016. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors. **[update paragraph and table for final adopted budget]**

**COUNTY OF RIVERSIDE  
ADOPTED GENERAL FUND BUDGETS<sup>(1)</sup>  
FISCAL YEARS 2012-13 THROUGH 2016-17  
(IN MILLIONS)**

	<i>2012-13</i> <i>Budget</i>	<i>2013-14</i> <i>Budget</i>	<i>2014-15</i> <i>Budget</i>	<i>2015-16</i> <i>Budget</i>	<i>2016-17</i> <i>Budget</i>
<b>REQUIREMENTS</b>					
General Government	\$ 180.4	\$ 179.5	\$ 178.0	\$ 216.1	\$ 209.1
Public Protection	1,072.1	1,132.4	1,190.6	1,276.2	1,345.7
Health and Sanitation	430.1	485.9	481.4	562.5	534.9
Public Assistance	762.3	835.7	902.7	1,004.8	1,003.8
Education	0.6	0.6	0.6	0.7	.7
Recreation and Cultural	0.0	0.4	0.3	0.3	.5
Debt Retirement-Capital Leases	5.0	4.9	4.9	4.7	5.1
Contingencies	7.0	20.0	23.2	35.5	20.0
Increase to Reserves	2.3	2.3	2.0	0.0	0.0
<b>Total Requirements<sup>(3)</sup></b>	<b><u>\$2,459.8</u></b>	<b><u>\$2,661.7</u></b>	<b><u>\$2,783.7</u></b>	<b><u>\$3,100.8</u></b>	<b><u>\$3,119.8</u></b>
<b>AVAILABLE FUNDS</b>					
Use of Fund Balance and Reserves	\$ 74.0	\$ 78.3	\$48.5	\$ 76.8	\$ 67.7
<b>Estimated Revenues:</b>					
Property Taxes	211.5	229.9	256.6	280.2	301
Other Taxes	35.0	31.0	27.0	25.0	24.0
Licenses, Permits and Franchises	17.7	17.6	18.2	17.5	18.3
Fines, Forfeitures and Penalties	51.7	49.3	45.3	44.4	39.5
Use of Money and Properties	7.4	6.3	10.7	16.6	10.5
<b>Aid from Other Governmental Agencies:</b>					
State	1,005.5	1,097.4	1,194.0	1,356.1	1,357.4
Federal	493.9	544.9	551.8	615.3	634.1
Charges for Current Services	442.6	469.1	496.7	528.9	523.3
Other Revenues	120.5	137.9	134.9	139.9	144.0
<b>Total Available Funds<sup>(2)</sup></b>	<b><u>\$2,459.8</u></b>	<b><u>\$2,661.7</u></b>	<b><u>\$2,783.7</u></b>	<b><u>\$3,100.8</u></b>	<b><u>\$3,119.8</u></b>

(1) Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

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

(3) Includes the recommended Fiscal Year 2016-17 General Fund budget. The Board of Supervisors is scheduled to adopt the final Fiscal Year 2016-17 General Fund budget on September 27, 2016.

Source: County Auditor-Controller.

**Riverside County Treasurer's Pooled Investment Fund**

**[update]** The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of July 31, 2016, the portfolio assets comprising the PIF had a market value of \$6,110,619,759.63.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2015, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors.

The Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 73.99% of the funds on deposit in the County Treasury, while approximately 26.01% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2015 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of July 31, 2016, were as follows:

	<i>% of Pool</i>
U.S. Treasuries	6.56%
Federal Agencies	72.31
Cash/Deposit Accounts/Money Market Mutual Funds	8.31
Commercial Paper	6.99
Municipal Notes/Bonds	5.82
Total	<u>100.00%</u>
Book Yield:	0.72%
Weighted Average Maturity:	1.226 Years

Source: County Treasurer-Tax Collector.

As of July 31, 2016, the market value of the PIF was 100.14% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee.

The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The PIF is currently rated "Aaa-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

### ***Ad Valorem Property Taxes***

**General.** Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county wide or less than city wide special districts and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, a \$38.63 administrative cost, a \$36.77 per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following tables set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2005-06 through Fiscal Year 2015-16.

**COUNTY OF RIVERSIDE**  
**AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS**  
**FISCAL YEARS 2005-06 THROUGH 2015-16**  
**SECURED PROPERTY TAX ROLL<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Secured Property Tax Levy</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30<sup>(2)</sup></i>	<i>Total Collections<sup>(3)</sup></i>	<i>Percentage of Total Collections to Current Levy</i>
				\$2,122,973,13	
2005-06	\$2,094,068,686	\$ 88,930,195	4.25%	0	101.38%
2006-07	2,559,448,076	180,175,146	7.04	2,533,225,935	98.98
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,805,588,954	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64
2014-15	3,014,259,026	46,145,916	1.53	3,152,661,477	104.59
2015-16	3,205,453,157	30,876,523	0.96	3,328,995,827	103.85

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

<sup>(3)</sup> Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller.



**UNSECURED PROPERTY TAX ROLL<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Unsecured Property Tax Levy</i>	<i>Total Collections<sup>(2)</sup></i>	<i>Percentage of Total Collections to Original Levy<sup>(2)</sup></i>
2005-06	\$67,010,790	\$65,220,783	97.33%
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.35
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	78,686,704	93.84
2013-14	83,522,992	86,835,311	103.97
2014-15	84,869,586	89,749,581	105.75
2015-16 <sup>(3)</sup>	84,381,854	\$76,365,635 <sup>(4)</sup>	90.50

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

<sup>(3)</sup> From Unsecured Extension for Fiscal Year 2015-16.

<sup>(4)</sup> Include Period 1 and 2 Current Unsecured Collections for Fiscal Year 2015-16.

Source: County Auditor-Controller.

State legislation enacted in 1984 established the "supplemental roll," which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following table sets forth the supplemental tax roll of the County for Fiscal Year 2005-06 through Fiscal Year 2015-16:

**COUNTY OF RIVERSIDE  
SUMMARY OF SUPPLEMENTAL ROLL  
AD VALOREM PROPERTY TAXATION  
FISCAL YEARS 2005-06 THROUGH 2015-16**

<i>Fiscal Year</i>	<i>Tax Levy for Increased Assessments<sup>(1),(2),(3)</sup></i>	<i>Refunds for Decreased Assessments<sup>(1),(3)</sup></i>	<i>Net Supplemental Tax Levy</i>	<i>Collections<sup>(1),(2)</sup></i>
2005-06	\$334,571,225	\$ 1,818,236	\$332,752,989	\$248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 <sup>(4)</sup>	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) <sup>(5)</sup>	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,096
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14	52,907,916	8,982,077	43,925,839	41,498,433
2014-15	68,579,326	7,954,074	60,625,253	56,319,752
2015-16	70,084,954	6,399,454	63,685,501	60,101,066

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

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

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

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

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

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

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2012-13 through Fiscal Year 2016-17:

**COUNTY OF RIVERSIDE  
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE<sup>(1)</sup>  
FISCAL YEARS 2012-13 THROUGH 2016-17  
(IN MILLIONS)**

<i>Category</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>
<b>SECURED PROPERTY:</b>					
Land	\$ 63,549	\$ 65,635	\$ 69,805	\$ 73,305	\$ 76,443
Structures	132,077	138,000	150,275	160,030	169,097
Personal Property	887	878	919	875	829
Utilities	3,475	3,618	4,630	4,768	5,350
Total Secured	\$199,988	\$208,131	\$225,629	\$238,978	\$251,719
<b>UNSECURED PROPERTY:</b>					
Land	\$ 17	\$ 13	\$ 5	\$ 9	\$ 3

Structures	268	227	203	193	134
Improvements	3,683	3,683	3,519	3,543	3,738
Fixtures	<u>3,895</u>	<u>3,691</u>	<u>3,700</u>	<u>3,736</u>	<u>4,083</u>
					\$
Total Unsecured <sup>(2)</sup>	\$ 7,863	\$ 7,614	\$ 7,427	\$ 7,481	7,958
					\$259,67
<b>GRAND TOTAL</b>	<u>\$207,851</u>	<u>\$215,745</u>	<u>\$233,056</u>	<u>\$246,459</u>	<u>7</u>

<sup>(1)</sup> Assessed valuation is reported as of the Equalized Roll on or before August 20 of each year. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

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

Source: County Auditor-Controller/County Assessor.

Housing prices have been showing increases in recent years. Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in market values call for such reductions.

In Fiscal Year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In Fiscal Year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year. In Fiscal Year 2012-13, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. In Fiscal Year 2013-14, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. In Fiscal Years 2014-15, 2015-16 and 2016-17, there were no additional Proposition 8 reductions of significance. Assessed valuation in the County increased from Fiscal Year 2014-15 to Fiscal Year 2015-16 by approximately 5.78%, and increased from Fiscal Year 2015-16 to 2016-17 by approximately 5.08%.

**Property Tax Appeals.** The County received assessment appeals applicable to Fiscal Year 2015-16 totaling approximately \$5.74 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$2.1 billion of assessed value was reduced from the County tax roll in Fiscal Year 2013-14 and Fiscal Year 2014-15 due to appeals, representing \$21 million in general purpose taxes over the two-fiscal year period. Approximately 82.4% of the Fiscal Year 2014-15 assessment appeals have been completed. The majority of the remaining Fiscal Year 2014-15 assessment appeals are expected to be completed by November 30, 2016. **[update if possible]**

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the Fiscal Year 2016-17 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2014-15 assessment appeals still to be completed; and (ii) a portion of the Fiscal Year 2015-16 assessment appeals being completed during Fiscal Year 2016-17.

#### **Teeter Plan**

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation

Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies 95% of the then-accumulated secured roll property tax delinquencies and place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2015-16, approximately 56.06% of all taxing entities within the County participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, and this amount has consistently been sufficient to provide for any tax losses. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the issue, in October 2015, of County of Riverside 2015 Series D Teeter Obligation Notes (Tax-Exempt) (the "2015 Notes") in the amount of \$87.04 million. The proceeds of the 2015 Notes refunded the outstanding County of Riverside 2014 Teeter Obligation Notes, Series D originally issued in the amount of \$99.36 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and paid costs of issuance related to the Notes. The 2015 Notes funded approximately \$35.74 million representing Fiscal Year 2014-15 delinquent property taxes and approximately \$51.1 million representing prior years' delinquent property taxes. The 2015 Notes mature on October 12, 2016. The County's General Fund is pledged to the repayment of the 2015 Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the 2015 Notes. **[update]**

**Largest Taxpayers**

The following table shows the 25 largest taxpayers by individual tax levied in the County for Fiscal Year 2015-16:

**COUNTY OF RIVERSIDE  
 TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2015-16  
 COMBINED TAX ROLLS<sup>(1)</sup>**

<i>TAXPAYER</i>	<i>TOTAL TAXES LEVIED</i>	<i>PERCENTAGE OF TOTAL TAX CHARGE</i>
Southern California Edison Company	\$ 43,869,534.00	1.30%
Southern California Gas Company	8,996,957.28	0.27
Verizon California, Inc.	7,870,960.26	0.23
CPV Sentinel, LLC	6,755,947.56	0.20
Chelsea GCA Realty Partnership	3,350,972.48	0.10
Inland Empire Energy Center, LLC	3,185,736.40	0.09
Tyler Mall LTD Partnership	2,986,022.70	0.09
Blythe Energy, LLC	2,959,867.64	0.09
Walgreen Co	2,951,190.08	0.09
KB Home Coastal Inc	2,811,503.04	0.08
Lennar Homes of Calif Inc	2,809,385.86	0.08
Castle & Cooke Corona Crossings	2,762,329.70	0.08
Standard Pacific Corp	2,710,859.36	0.08
Target Corp	2,698,330.04	0.08
Lowes HIW Inc	2,629,343.46	0.08
Wal Mart Real Estate Business Trust	2,542,374.38	0.08
Costco Wholesale Corp	2,494,424.76	0.07
Ross Dress for Less Inc	2,478,669.50	0.07
Palm Desert Funding Co	2,343,326.98	0.07
Roripaugh Valley Restoration	2,342,824.24	0.07
Garden of Champions	2,234,880.70	0.07
AT&T Mobility LLC	2,221,597.32	0.07
D R Horton Los Angeles Holding Co	2,186,746.34	0.06
Pardee Homes	2,024,202.82	0.06
Time Warner Cable Pacific West LLC	<u>1,966,197.15</u>	<u>0.06</u>
<b>Total</b>	<b>\$ 122,184,184.05</b>	<b>3.62%</b>
<b>Total Tax Charge for 2015-16</b>	<b>\$3,378,273,335.61</b>	

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

The 10 largest property owners in the County by assessed value for all properties, for the Fiscal Year 2015-16 are shown below:

**COUNTY OF RIVERSIDE  
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2015-16  
BY ASSESSED VALUE**

<i>ASSESSEE</i>	<i>ASSESSED VALUE</i>
Eisenhower Memorial Hospital	\$ 371,094,578
Kaiser Foundation Hospitals	340,654,689
Kaiser Foundation Health Plan Inc.	293,246,749
Ross Dress for Less Inc.	292,590,481
Walgreens Co.	268,003,498
Target Corp.	246,737,200
Chelsea GCA Realty Partnership	240,569,323
Costco Wholesale Corp.	233,526,214
Lowes HIW Inc.	208,018,184
Wal-Mart Real Estate Business Trust	199,795,313
Subtotal	\$ 2,694,236,229
All Others	240,022,495,022
Total	\$242,716,731,251 <sup>(1)</sup>

<sup>(1)</sup> Excludes State assessed property. Does not reflect any applicable exemptions.  
Source: County Assessor.

**Other Taxing Entities**

The County does not retain all of the property taxes it collects for its own purposes. The majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2014-15, the County retained approximately 12.22% of the total amount collected (and is budgeted to retain 12.24% in Fiscal Year 2015-16). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See “-Redevelopment Agencies” below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are applied to pay such obligations, less any allowable collection charges.

**Redevelopment Agencies**

The California Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the “frozen” tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations for Fiscal Years 2005-06 through 2015-16.

**COUNTY OF RIVERSIDE  
COMMUNITY REDEVELOPMENT AGENCIES'  
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS  
AND TOTAL TAX ALLOCATIONS  
FISCAL YEARS 2005-06 THROUGH 2015-16**

<i>Fiscal Year</i>	<i>Frozen Base Value</i>	<i>Full Cash Value Increments<sup>(1)</sup></i>	<i>Total Tax Allocations<sup>(2)(3)</sup></i>
2005-06	\$14,682,893,563	\$42,414,898,724	\$427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13	16,352,697,201	56,178,718,338	594,476,134
2013-14	16,352,697,201	58,479,843,303	688,683,052
2014-15	16,352,691,201	62,266,158,988	729,793,564
2015-16	16,352,657,201	65,770,021,482	772,866,457

<sup>(1)</sup> Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies and includes State assessed properties; has not been adjusted for negative project area increment.

<sup>(2)</sup> Actual cash revenues collected by the County and available to community redevelopment agencies, subject to certain negotiated agreements with taxing entities for a share of the property tax increment.

<sup>(3)</sup> Includes general purpose and debt; excludes negative increment.

Source: County Auditor-Controller.

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution effective February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$3,971,824,734, and a Fiscal Year 2011-12 assessed value of \$8,266,787,927. In Fiscal Year 2011-12, the pass-through payment to the County's General Fund from the County's redevelopment agency totaled \$1,600,443, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. As the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. Through June, 2016, the County received approximately \$8.3 million in residual funds for Fiscal Year 2015-16.

In Fiscal Year 2015-16, the County received approximately \$97.3 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive approximately \$100.2 million in Fiscal Year 2016-17. Pursuant to ABx1 26 and its following clarifying legislation, the County's negotiated pass-through agreements with these redevelopment

agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency. **[update for final adopted budget as needed]**

### **Financial Statements and Related Issues**

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmaturing interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for Fiscal Year 2014-15 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX B—"THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

The County adopted the provisions of GASB Statement No. 34 during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2015, which are included in APPENDIX B—"THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."



The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2010-11 through 2014-15.

**COUNTY OF RIVERSIDE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN UNRESERVED FUND BALANCES – GENERAL FUND**  
**FISCAL YEARS 2010-11 THROUGH 2014-15**  
**(In Thousands)**

	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
BEGINNING FUND BALANCE REVENUES	\$ 386,486	\$ 343,562	\$ 336,598	\$ 357,249	\$ 364,6761
Taxes	221,807	216,746	246,144	256,746	267,708
Licenses, permits and franchises	18,187	17,648	16,442	16,588	17,829
Fines, forfeiture sand penalties	93,528	88,979	85,241	81,037	77,770
Use of money and property-Interest	8,196	4,740	1,676	4,629	4,372
Use of money and property-Rents and concessions	3,669	3,798	3,670	12,269	7,758
Government Aid-State	856,327	931,652	1,000,545	1,107,878	1,224,095
Government Aid-Federal	490,088	475,221	478,791	462,291	542,934
Governmental Aid-Other	82,147	80,332	81,169	83,169	94,217
Charges for current services	369,780	354,451	374,750	396,904	431,323
Other revenues	37,654	40,852	26,253	41,248	34,851
<b>TOTAL REVENUES</b>	<u>\$2,181,383</u>	<u>\$2,214,419</u>	<u>\$2,315,681</u>	<u>\$2,462,759</u>	<u>\$2,702,857</u>
<b>EXPENDITURES</b>					
General government	\$ 109,146	\$ 127,195	\$ 103,895	\$ 106,045	\$ 109,900
Public protection	1,025,584	1,010,999	1,043,017	1,116,621	1,189,466
Public ways and facilities	-	-	-	-	8
Health and sanitation	345,649	369,165	388,325	416,005	478,047
Public assistance	731,017	719,670	735,057	795,309	865,309
Education	548	579	564	586	590
Recreation and cultural	364	324	346	287	317
Capital Outlay	8,321	2,671	1,721	2,965	54,529
Debt service	24,829	21,426	19,576	15,475	12,877
<b>TOTAL EXPENDITURES</b>	<u>\$2,245,458</u>	<u>\$2,252,029</u>	<u>\$2,292,501</u>	<u>\$2,453,293</u>	<u>\$2,711,043</u>
Excess (deficit) of revenues over (under) expenditures	(64,075)	(37,610)	23,180	9,466	(8,186)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other reserves	\$ 106,047	\$ 123,587	\$ 92,297	\$ 95,017	\$ 87,924
Transfer to other funds	(93,217)	(98,045)	(96,547)	(101,021)	(103,554)
Capital Leases	8,321	2,671	1,721	2,965	54,529
Total other Financing Sources (Uses)	<u>\$ 21,151</u>	<u>\$ 28,213</u>	<u>\$ (2,529)</u>	<u>\$ (3,039)</u>	<u>\$ 38,899</u>
<b>NET CHANGE IN FUND BALANCES<sup>(2)</sup></b>	<u>\$ (42,924)</u>	<u>\$ (9,397)</u>	<u>\$ 20,651</u>	<u>\$ 6,427</u>	<u>\$ 30,713</u>
<b>FUND BALANCE, END OF YEAR<sup>(1)(2)</sup></b>	<u>\$ 343,562</u>	<u>\$ 336,598</u>	<u>\$ 357,249</u>	<u>\$ 363,676</u>	<u>\$ 395,389</u>

(1) Restated.

(2) As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

The following table sets forth the County's General Fund balance sheets for Fiscal Years 2010-11 through 2014-15.

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCE SHEETS  
AT JUNE 30, 2011 THROUGH JUNE 30, 2015  
(In Thousands)**

	2011	2012	2013	2014	2015
<b>ASSETS:</b>					
Cash & Marketable Securities	\$160,887	\$151,845	\$128,655	\$129,305	\$133,487
Taxes Receivable	17,790	14,046	10,931	9,849	9,243
Accounts Receivable	12,771	9,196	9,167	11,281	10,846
Interest Receivable	1,119	643	687	650	785
Advances to Other Funds	3,692	3,342	3,342	5,842	7,442
Due from Other Funds	18,787	14,227	9,071	11,157	11,854
Due from Other Governments	276,656	328,817	308,532	333,728	317,901
Inventories	1,564	1,187	2,059	1,682	1,638
Prepaid items	277	298	818	—	—
Restricted Assets	283,095	299,673	307,452	350,158	358,985
<b>Total Assets</b>	<b>\$777,638</b>	<b>\$823,274</b>	<b>\$780,714</b>	<b>\$853,652</b>	<b>\$852,181</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$84,116	\$75,996	\$24,234	\$61,288	\$24,756
Salaries & Benefits Payable	50,374	57,391	57,519	68,156	79,116
Due To Other Funds	2,639	1,466	9,190	248	2,172
Due to Other Governments	34,550	40,804	23,377	20,395	32,894
Deferred Revenue	260,343	311,003	66,855	65,929	48,535
Deposits Payable	2,054	16	19	61	43
Advances from other funds	—	—	—	5,000	—
Advances from grantors and third parties	—	—	242,271	268,899	269,276
<b>Total Liabilities</b>	<b>\$434,076</b>	<b>\$486,676</b>	<b>\$423,465</b>	<b>\$489,976</b>	<b>\$456,792</b>
<b>FUND BALANCE:<sup>(1)</sup></b>					
Nonspendable	\$2,214	\$1,834	\$3,247	\$2,045	\$2,001
Restricted	98,552	101,651	101,440	117,595	122,967
Committed	50,097	52,439	42,183	32,820	39,422
Assigned	3,463	8,674	10,460	7,772	5,144
Unassigned	189,236	171,910 <sup>(2)</sup>	199,919 <sup>(2)</sup>	203,444	225,855
<b>Fund Balance</b>	<b>\$343,562</b>	<b>\$336,598</b>	<b>\$357,249</b>	<b>\$363,676</b>	<b>\$395,389</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$777,638</b>	<b>\$823,274</b>	<b>\$780,714</b>	<b>\$853,652</b>	<b>\$852,181</b>

<sup>(1)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

<sup>(2)</sup> Annual fluctuations are due mainly to fluctuation in tax revenue, general government expenditures, interest earnings and State allocations.

Source: County Auditor-Controller

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCES  
AT JUNE 30, 2008 THROUGH JUNE 30, 2015  
(In Thousands)**

	<i>Reserved</i>	<i>Unreserved</i>	<i>Total</i>
2008	\$84,466	\$394,302	\$478,768
2009	91,196	280,925	372,121
2010	90,374	296,112	386,486

	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>	<i>Total</i>
2011 <sup>(1)</sup>	\$2,214	\$ 98,552	\$50,097	\$ 3,463	\$189,236	\$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598
2013	3,247	101,440	42,183	10,460	199,919	357,249
2014	2,045	117,595	32,820	7,772	203,444	363,676
2015	2,001	122,967	39,422	5,144	225,855	395,389

<sup>(1)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

**Short-Term Obligations of County**

On July 1, 2016, the County issued its 2016-17 Tax and Revenue Anticipation Note (the "2016-17 TRAN") in the principal amount of \$340,000,000 to provide funds to meet the County's Fiscal Year 2016-17 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2016-17 TRAN is due on June 30, 2017. The 2016-17 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2016-17 Fiscal Year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

**Long-Term Obligations of County**

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of August 15, 2016, the County had \$889,831,745 in direct general fund obligations and \$304,520,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of August 15, 2016. [update]

**COUNTY OF RIVERSIDE  
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS  
(AS OF AUGUST 15, 2016)**

2016-17 Assessed Valuation: \$ 255,866,488,676 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/15/16</u>
Metropolitan Water District	6.315%	\$ 5,864,425
Community College Districts	1.188-100.	617,624,025
Unified School Districts	1.280-100.	2,503,704,146
Perris Union High School District	100.	114,315,877
Elementary School Districts	100.	74,556,391
City of Riverside	100.	11,390,000
Eastern Municipal Water District Improvement Districts	100.	34,540,000
Riverside County Flood Control, Zone 3-B and 4 Benefit Assessment District	100.	21,565,000
San Geronio Memorial Hospital District	100.	112,220,000
Community Facilities Districts	50.225-100.	2,863,774,575
Riverside County 1915 Act Bonds	100.	1,610,000
City and Special District 1915 Act Bonds (Estimated)	100.	204,894,050
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 6,566,058,489</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
<b>Riverside County General Fund Obligations</b>	<b>100.%</b>	<b>\$ 889,831,745<sup>(1)</sup></b>
<b>Riverside County Pension Obligations</b>	<b>100.</b>	<b>304,520,000</b>
Riverside County Board of Education Obligations	100.	935,000
School Districts General Fund and Lease Tax Obligations	1.280-100.	449,939,460
City of Corona General Fund Obligations	100.	44,030,186
City of Moreno Valley General Fund Obligations	100.	70,978,000
City of Indio General Fund Obligations	100.	19,730,000
City of Palm Springs Certificates of Participation and Pension Obligation Bonds	100.	138,085,352
City of Riverside Certificates of Participation	100.	227,416,284
City of Riverside Pension Obligation Bonds	100.	101,000,000
Other City General Fund Obligations	100.	67,361,843
Other Special District Certificates of Participation	100.	1,803,228
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 2,315,631,098</b>
Less: <b>Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)</b>		<b>6,236,938</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 2,309,394,160</b>

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 2,485,524,218

GROSS COMBINED TOTAL DEBT \$11,367,213,805<sup>(2)</sup>  
NET COMBINED TOTAL DEBT \$11,360,976,867

Ratios to 2016-17 Assessed Valuation:

Overlapping Tax and Assessment Debt.....	2.57%
<b>Combined Gross Direct Debt (\$1,194,351,745) .....</b>	<b>0.47%</b>
<b>Combined Net Direct Debt (\$1,188,114,807) .....</b>	<b>0.46%</b>
Gross Combined Total Debt .....	4.44%
Net Combined Total Debt.....	4.44%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$69,550,413,908):

Total Overlapping Tax Increment Debt.....3.57%

<sup>(1)</sup> Excludes the County's 2016-17 Tax and Revenue Anticipation Notes and the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, 2016 Series.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.  
Source: California Municipal Statistics, Inc.

## **Lease Obligations**

The County has used nonprofit corporations and joint powers authorities to finance certain public facilities through the issuance of lease obligations. Pursuant to these arrangements, a nonprofit corporation or joint powers authority constructs or acquires facilities with the proceeds of lease revenue obligations, which are then leased to the County. Upon expiration of the lease, title to the facilities vests in the County.

As of August 1, 2016, the County's current outstanding lease obligations total \$888,742,745. The County's annual lease obligation is approximately \$86,975,766 and the maximum annual lease payment is \$133,544,059. **[update]**

The table on the following page sets forth the County's outstanding lease obligations and the respective annual lease requirements as of August 1, 2016. **[update]**

**COUNTY OF RIVERSIDE  
SUMMARY OF LEASE RENTAL OBLIGATIONS  
(PAYABLE FROM THE COUNTY'S GENERAL FUND)  
(AS OF AUGUST 1, 2016)**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental</i>
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	\$41,170,073	\$32,580,807	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B	2019	90,530,000	66,880,000	\$19,524,497 <sup>(1)</sup>
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	3,400,000	879,000 <sup>(2)</sup>
Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A	2022	72,445,000	40,680,000	8,257,000
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) <sup>(3)</sup>	2021	36,100,000	15,230,000	2,562,375
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	5,936,938	
Series 2002	2020	925,000	300,000	1,829,006 <sup>(4)</sup>
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A <sup>(5)</sup>	2032	78,895,000	73,830,000	6,426,602
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	21,185,000	8,626,500
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	13,480,000	1,156,456
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) <sup>(6)</sup>	2040	45,685,000	45,140,000	1,918,300
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	2,790,000	678,722
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) <sup>(7)</sup>	2031	33,360,000	28,330,000	2,509,388
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) <sup>(8)</sup>	2033	17,640,000	14,780,000	1,385,025
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	63,920,000	4,278,588
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project)	2044	44,380,000	44,380,000	3,110,250
County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A & 2014 B (Taxable) <sup>(9)</sup>	2033	18,495,000	14,810,000	2,348,126
County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds)	2046	325,000,000	325,000,000	15,596,900
County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds) <sup>(10)</sup>	2037	72,825,000	72,825,000	5,889,031
<b>TOTAL</b>		<u>\$1,112,130,073</u>	<u>\$888,742,745</u>	<u>\$86,975,766</u>

- (1) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.
  - (2) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending May 31, 2016 was approximately 0.26%.
  - (3) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.
  - (4) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
  - (5) The 2008 Series A refunded the 2000 Series B SWJC Project.
  - (6) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.
  - (7) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.
  - (8) The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.
  - (9) The 2014 Series A & B (Taxable) County of Riverside Lease Revenue Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2003 Series B, County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).
  - (10) The 2015 Series A Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2005 Series A, County of Riverside Certificates of Participation (Historic Courthouse Refunding Project) 2005 Series B and the County of Riverside Certificates of Participation (Capital Facilities Projects) 2006 A.
- Source: County Executive Office.

### **Lease Lines of Credits**

On February 4, 2013, the County entered into a \$40 million multi-year lease line of credit with Banc of America Public Capital Corp. to finance various capital equipment needs of County departments. An additional \$20 million extension of this lease line of credit was executed July 21, 2015, which was exhausted April 14, 2016. An additional lease line of credit with Banc of America Public Capital Corp. was approved by the County December 15, 2015 for \$20 million with an option for an additional \$20 million after the initial funds are exhausted. The County started using the additional lease line of credit April 14, 2016 and had an available balance of approximately \$9.8 million of unused credit remaining as of August 2, 2016. **[update]**

### **Capital Lease Repurchase Agreements**

On January 29, 2013, the County entered into a Master Equipment Lease Purchase Agreement with Banc of America Capital Corp. in the amount of \$15,000,000 to finance the purchase and installation of Cisco voice, video, wireless and data converged network equipment to replace all of the County's phones, auto attendants, Interactive Voice Response System, call centers, voicemail and wireless networks. On June 25, 2013, the County entered into an amendment to the Master Equipment Lease Purchase Agreement to provide for an additional \$3,250,000 in lease financing for additional equipment. As of August 1, 2016, approximately \$8,000,000 principal amount remained outstanding under the original lease and \$2,000,000 principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019 and 2020, respectively. On September 22, 2015, the County entered into a subsequent Master Equipment Lease Purchase Agreement to finance the last of the required equipment in an additional amount of \$6,380,000, of which approximately \$4,600,000 remained outstanding as of August 1, 2016 and which is scheduled to be repaid in full by 2022. **[update]**

On October 30, 2014, the County entered into a Lease Purchase Agreement with Banc of America Public Capital Corp. in the amount of \$54,573,300 to finance the purchase and installation of certain solar equipment for the purpose of reducing County energy costs. As of August 1, 2016, the entire principal owed under the Lease Purchase Agreement remained outstanding and is scheduled to be repaid in full by 2035. Lease payments are scheduled to begin September 30, 2016. **[update]**

### **Interest Rate Swap Agreements**

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and

reducing the risks associated with fluctuations in interest rates. The Swap Policy is reviewed annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A (the Series 2008A Bonds described in this Remarketing Memorandum), the County entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated "Aa2" by Moody's, "AA-" by Standard & Poor's and "AA" by Fitch as of April 2016. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below "BBB" (in the case of S&P) or "Baa2" (in the case of Moody's), the County or the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of July 29, 2016, the swap agreement had a negative fair market value of approximately \$29.2 million (based on the quoted market price from the Counterparty at such date). [update]

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of "Baa2" from Moody's and "BBB" from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "AA-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of April 2016, Assured Guaranty Corp. had a rating of "AA" by S&P and "A2" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

### **Employees**

The following tables set forth the number of County employees for Fiscal Years 2006 through 2016.



**COUNTY OF RIVERSIDE  
REGULAR EMPLOYEES  
2006 THROUGH 2016**

<i>Year</i>	<i>Regular Employees<sup>(1)</sup></i>
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014	18,620
2015	19,244
2016 <sup>(2)</sup>	19,404

<sup>(1)</sup> As of December 31st of each year. Excludes temporary and per diem employees.

<sup>(2)</sup> As of May 2, 2016. **[update if possible]**

Source: County Human Resources Department.

County employees comprise 13 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 (“SEIU”) and the Laborers International Union of North America (“LIUNA”), which represent approximately 72% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance which contain provisions for these personnel related matters.

The County’s non-management law enforcement employees (non-management), are represented by the Riverside Sheriffs’ Association (“RSA”). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Unit (“LEMU”). The Public Defenders, County Counsel and Prosecuting Attorneys of the District Attorney’s Office are represented by the Riverside County Deputy District Attorneys Association (“RCDDAA”).

In Fiscal Year 2011-12, the County entered into collective bargaining agreements with all of its bargaining units. Most of the agreements cover a four to five year period, with the longest agreement extending to June 2017. As part of these agreements, the parties agreed to a phase out of the County’s obligation to pay the employee’s required member contributions towards retirement (“EPMC”). The elimination of the County’s retirement obligation to pay employee’s required member contributions produced significant annual savings. Member retirement contributions and County offsets of employee contributions are not included in the required employer contribution rates prepared by PERS.

The County’s collective bargaining agreements with RSA and LIUNA expired on June 30, 2016. RSA has submitted to the County a request to bargain. The County does not expect bargaining to commence prior to June 24, 2016. Currently, RSA and LIUNA are in negotiations with the County. During the last 20 years, there has been no major County employee work stoppage. **[update]**

**COUNTY OF RIVERSIDE  
LABOR ORGANIZATIONS<sup>(1)</sup>**

<i>Bargaining Units or Employee Group</i>	<i>Number of Employee s</i>	<i>Expiration Date of Contract</i>
Management, Confidential, and Other Unrepresented	1,413	N/A
Law Enforcement Management Unit (LEMU)	478	June 30, 2017
Riverside County Deputy District Attorneys' Association (RCDDAA)	383	June 30, 2017
Riverside Sheriffs' Association (RSA)	3,284	June 30, 2016
Service Employees International Union (SEIU)	7,150	November 30, 2016
Laborers' International Union of North America (LIUNA)	<u>7,575</u>	June 30, 2016
Total	<u>20,283</u>	

<sup>(1)</sup> Includes all County districts.

Source: County Human Resources Department.

**Retirement Program**

**General.** The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides pension benefits for eligible employees in the Miscellaneous and Safety Plans (herein defined), with PERS. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, benefit factor (determined by age at retirement), and final compensation which is the highest average pay rate and special compensation during any consecutive one-year period of employment (for Tier 1 employees) or three-year period of employment (for Tier 2 and Tier 3 employees). The benefit calculation for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent pension reform, the County's retirement plan currently includes three tier levels of benefits. [update table if possible]

**COUNTY OF RIVERSIDE  
EMPLOYEES PER RETIREMENT TIER<sup>(1)</sup>  
(As of May 2, 2016)**

<i>Tier Level</i>	<i>Number of Employees in Tier Level</i>
Tier 1	13,927
Tier 2	698
Tier 3	<u>4,779</u>
Total	19,404

<sup>(1)</sup> Excludes Temporary, Per Diem, and Seasonal Employees.

Source: County Human Resources Department.

Miscellaneous members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 60), Tier II (2% at 60), or Tier III (2% at 62). Safety

members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 50), Tier II (2% at 50), or Tier III (2.7% at 57). The three tiers of retirement benefits all provide for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 20 of the Notes to Basic Financial Statements, June 30, 2015, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

In September 2003, the County established the Pension Advisory Review Committee ("PARC"). The purpose of PARC is to develop a better institutional understanding of the County's pension plan (the "Plan"), currently managed by PERS and to advise the Board of Supervisors on important matters concerning the Plan. PARC reports annually to the Board of Supervisors on the performance of the Plan and evaluates strategies to address appropriate funding of the Plan.

The Board of Supervisors approved a second tier ("Tier II") level of retirement benefits for new Miscellaneous and Safety employees. On August 23, 2012, the County implemented a Tier II retirement benefit applicable to employees first employed by the County after August 23, 2012. The Tier II retirement benefit calculation is based on year of service, age, and the average monthly eligible wages earned during the highest three consecutive years of employment. The Tier II retirement benefit for Miscellaneous Plan members ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety Plan members, the Tier II benefits range from 2% at age 50 to 2.7% at 55 and beyond. The plans also provide for cost-of-living adjustments of up to 2% per year after retirement.

On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Law of 1937 (the "1937 Act"). The majority of the PEPRA changes first impacted the rates and benefit provisions on the June 30, 2013 valuation for Fiscal Year 2015-16 rates. Among other things, PEPRA created a new retirement benefit tier ("Tier III") for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013.

The new Tier III formulas for both Miscellaneous and Safety provide for a reduced benefit and was required to be implemented by all public agency employers unless the retirement formula in existence on December 31, 2012 had both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and 2.7% at 57 for Safety members. PEPRA mandated all new members be subject to a pensionable compensation cap, which limits the annual salary that can be used to calculate final compensation for all new members. Adjustments to the limits are permitted annually based on changes to the Consumer Price Index (CPI) for all urban consumers. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of current year of service. The County projects that the implementation of the Tier II and Tier III formulas will reverse the trend of increasing CalPERS contributions beginning in Fiscal Year 2022-23.

***The County's PERS Contract.*** The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee and employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Miscellaneous Plan (the "Miscellaneous Plan") and a Safety Plan (the "Safety Plan" and, together with the Miscellaneous Plan, the

“PERS Plans”). The County contributes to PERS based on the annual actuarial valuation rates recommended by PERS.

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared. The actuarial valuation expresses the County’s required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County’s contribution rates derived from the actuarial valuation as of June 30, 2014, which was prepared in October 2015, is effective for the County’s Fiscal Year 2016-17). PERS rules require the County to implement the actuary’s recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of the benefits that PERS will pay under the PERS Plans, which includes two components, the Normal Cost and the Unfunded Accrued Actuarial Liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will distribute under the PERS Plans to retirees and active employees upon their retirement. It is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County’s actual liability under the PERS Plans could be materially higher or lower.

In March 2012, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3% to 2.75%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 7.75% to 7.50%; and (ii) reducing payroll growth from 3.25% to 3%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved the amortization of gains and losses from Fiscal Years 2008-09 through 2010-11 over a fixed and declining 30-year period (rather than a rolling 30-year amortization).

In June 2012, the GASB issued Statement No. 68, which revises *and* establishes new financial reporting requirements for governments that provide their employees with pension benefits. Prior to implementing GASB 68, employers participating in a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) administered by CalPERS did not need any additional information beyond what was included in CalPERS’ audited financial statements. Similarly, employers participating in an agent multiple-employer defined benefit pension plan (agent plan) administered by CalPERS used information from the CalPERS funding actuarial valuation reports for accounting and financial reporting purposes. With the implementation of GASB 68, employers will be required to recognize a liability as employees accrue pension benefits. For the first time, employers will recognize their net pension liability, and pension expenses.

On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and

losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, PERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 set employer contribution rates for Fiscal Year 2015-16. The Fiscal Year 2015-16 rate for Miscellaneous was 15.429% and Safety was 23.585%. For complete updated inflation and actuarial assumptions, please contact PERS at California Public Employees Retirement System, Lincoln Plaza, 400 Q Street, Sacramento, CA 95811, Telephone: (888) 225-7377.

On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have long-term blended returns that continue to support a discount rate assumption of 7.5%. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these changes is the change in mortality improvement to acknowledge the greater life expectancies CalPERS is experiencing within its membership. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up and a 5-year ramp-down, resulting in a total 30-year amortization period.

In addition to required County contributions, members are also obligated to make certain payments. The Tier I members' contribution rates are fixed at 8% of salaries for the Miscellaneous Plan and 9% of salaries for the Safety Plan. Tier II and Tier III contribution rates vary based on the terms of the collective bargaining agreements in effect and PEPRA. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County has historically been obligated pursuant to collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

**Funding Status.** The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "— Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2014, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 16.476% be implemented as the required rate for Fiscal Year 2016-17, which the County anticipates will result in a contribution to PERS of approximately \$161.6 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately \$293,000 in County Offsets of Employee Contributions for Fiscal Year 2016-17, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2016-17 of approximately \$161.6 million. In the actuarial valuation for the Safety Plan as of June 30, 2014, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 26.57% be implemented as the required rate for Fiscal Year 2016-17, which the County anticipates will result in a contribution to PERS of approximately \$85.7 million for that fiscal year. As of Fiscal Year 2016-17, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plan.

Absent reforms, some of which have already been initiated by the County, contribution rates under the PERS Plans are expected to increase substantially over the next few years due to the significant investment losses during Fiscal Year 2008-09. While investment gains experienced in Fiscal Years 2009-10 through 2012-13 will offset some of the previous losses, recent investment returns have been substandard and an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will

increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%, with the stated intention of lowering the discount rate to 6.5% by 2035.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds") in the original principal amount of \$400,000,000, the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The 2005 Pension Obligations Bonds remain outstanding in the principal amount of \$304,520,000, with annual debt service payments of approximately \$31,639,000. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of approximately \$72 million as of February 15, 2016. A liability management fund was established in connection with the 2005 Pension Obligation Bonds. By Board policy, each year in its annual report, PARC recommends to the Board whether the funds in the liability management fund should be applied to purchase 2005 Pension Obligations Bonds or to transfer the funds to PERS to reduce the County's PERS liability. In 2015, PARC recommended a transfer of the liability management fund balance of \$3.3 million to PERS. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

**Historical Funding Status.** The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2009 through June 30, 2014 and the total employer contributions made by the County for Fiscal Year 2011-12 through Fiscal Year 2015-16. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS  
(Safety Plan)**

<i>Valuation Date June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>	<i>County Offsets of Employee Contributions<sup>(2)</sup></i>
2009	\$131,506,806	92.0%	2011-12	\$60,667,388	\$13,460,331
2010	184,737,814	89.8	2012-13	63,652,359	11,594,226
2011	286,064,497	85.9	2013-14	71,724,520	2,843,364
2012	225,792,281	89.2	2014-15	70,139,838	605,908
2013 <sup>(4)</sup>	509,464,128	77.7	2015-16	73,878,291 <sup>(3)</sup>	638,203 <sup>(3)</sup>
2014	517,389,969	80.2	2016-17	85,699,103 <sup>(3)</sup>	680,948 <sup>(3)</sup>

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan, as debt service with respect to the County's outstanding pension obligation bonds, or otherwise.

(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The County continues to offset 1.75% of contributions for Safety Plan members under Tier III (the employee contribution rate is 10.75%). The projected increase in Fiscal Year 2015-16 is due to increased payroll of that membership.

(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2015-16 and 2016-17.

(4) Beginning with the June 30, 2013, valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS  
(Miscellaneous Plan)**

<i>Valuation Date June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>	<i>County Offsets of Employee Contributions<sup>(2)</sup></i>
2009	\$ 389,195,847	89.7%	2011-12	\$103,892,326	\$36,974,032
2010	444,330,905	89.2	2012-13	106,685,618	17,525,337
2011	538,055,042	87.9	2013-14	125,248,122	7,319,320
2012	536,480,531	88.6	2014-15	127,786,977	292,784
2013 <sup>(4)</sup>	1,034,364,773	79.3	2015-16	136,169,803 <sup>(3)</sup>	307,423 <sup>(3)</sup>
2014	973,226,141	82.8	2016-17	161,587,239 <sup>(3)</sup>	293,000 <sup>(3)</sup>

- <sup>(1)</sup> Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan, as debt service with respect to the County's outstanding pension obligation bonds, or otherwise.
- <sup>(2)</sup> Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The County continues to pay 8% of the 8% required contributions for Miscellaneous Plan members who are covered by Riverside County Deputy District Attorney Association bargaining unit.
- <sup>(3)</sup> Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2015-16 and 2016-17.
- <sup>(4)</sup> Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A five-year schedule of the funding progress of the Safety Plan and the Miscellaneous Plan are presented in the following two tables:

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

<i>Valuation Date June 30</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (Actuarial Value) (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>	<i>Market Value of Assets (MVA)</i>	<i>Funded Ratio MVA</i>
2010	\$1,809,467,58 <sup>8</sup>	\$1,624,729,774	\$184,737,81 <sup>4</sup>	89.8%	\$265,165,39 <sup>9</sup>	69.7%	\$1,279,783,74 <sup>7</sup>	70.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7	1,565,799,198	77.1
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1
2013	2,285,586,497	1,776,122,369 <sup>(1)</sup>	509,464,128	77.7	271,367,032	187.7	1,776,122,369	77.7
2014	2,615,686,777	2,098,296,808	517,389,969	80.2	295,171,068	175.2	2,098,296,808	80.2

<sup>(1)</sup> Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.  
Source: PERS Actuarial Reports for June 30, 2010 through June 30, 2014.

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

<i>Valuation Date June 30</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (Actuarial Value) (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>	<i>Market Value of Assets (MVA)</i>	<i>Funded Ratio MVA</i>
2010	\$4,097,191,70 <sup>7</sup>	\$3,652,860,802	\$444,330,905	89.2%	\$854,932,11 <sup>7</sup>	52.0%	\$2,882,444,15 <sup>2</sup>	70.4%
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2	3,525,640,733	79.0
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8
2013	5,008,806,968	3,974,442,195 <sup>(1)</sup>	1,034,364,77 <sup>3</sup>	79.3	856,593,282	120.8	3,974,442,195	79.3



2014	5,656,121,103	4,682,894,962	973,226,141	82.8	897,506,714	108.4	4,682,894,962	82.8
------	---------------	---------------	-------------	------	-------------	-------	---------------	------

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.  
 Source: PERS Actuarial Reports for June 30, 2010 through June 30, 2014

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2011-12 through Fiscal Year 2016-17 to satisfy its retirement funding obligations.

### SCHEDULE OF EMPLOYER CONTRIBUTION RATES

<i>Valuation Date June 30,</i>	<i>Affects Contribution Rate for Fiscal Year:</i>	<i>Safety Plan</i>	<i>Miscellaneous Plan</i>
2009	2011-12	21.286%	13.112%
2010	2012-13	22.459	13.494
2011	2013-14	23.368	15.001
2012	2014-15	21.899	14.527
2013	2015-16	23.585	15.429
2014	2016-17	26.570	16.476

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014.

**Projected County Contributions.** The County's projections with respect to the County contributions below reflect certain significant assumptions concerning future events and circumstances. The information and the related assumptions are future projections and are not to be construed as representations of fact or representation that in fact the information shown will be the correct amounts for the years indicated. Rather, these amounts reflect good faith estimates by the County taking into account a variety of assumptions. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material. Accordingly, prospective investors are cautioned to view these estimates as general indications of trends and orders of magnitude and not as precise amounts.

During the 2013-14 Fiscal Year, based on PERS' experience in recent years, PERS adopted several changes to the PERS Plans, including the elimination of asset smoothing methodologies, a 25-year amortization period for future gains and losses, elimination of annual caps on increases, and other changes based on a new experience study, including mortality improvements and other demographic assumptions. The changes will impact the County's contribution rates beginning in Fiscal Year 2015-16 and will be fully implemented by Fiscal Year 2020-21. Based on its current analysis of the data, the County projects that its contribution rates will increase significantly during such period, to a contribution rate of approximately 24.2% of payroll for the Miscellaneous Plan and approximately 34.0% of payroll for the Safety Plan. A description of these projections and their underlying assumptions are included in the PARC report which is available on the County's website or upon request.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.50% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase

contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see “—The County’s PERS Contract” above.

**Other Retirement Plans.** The County also provides a Defined Benefit Pension Plan (the “Plan”) to employees who are not eligible for Social Security or PERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their eligible compensation to the Plan in lieu of Social Security tax. Based on the actuarial valuation of June 30, 2015, the County’s current required contribution level is 3.08% to maintain a funded ratio of over 80%. As of June 30, 2015, the plan was funded at 80%. The County’s contribution to the Plan was \$606,694 for Fiscal Year 2014-15 and is estimated to be approximately \$540,800 for Fiscal Year 2015-16. The Plan’s unfunded liabilities as of June 30, 2015 were approximately \$3.5 million. Overall, the plan’s unfunded actuarial accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) demographic experience was different than expected, which resulted in a liability loss; 2) funding interest rate assumption changed from 6.5 percent to 6.0 percent; 3) lump sum interest changed from 6.0 percent to 5 percent, which resulted in higher liabilities; 4) assets were lower than expected due to unfavorable investment return on plan assets (0.41 percent compared to 6.5 percent assumed).

**Other Post-Employment Benefits.** The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least age 50 at retirement qualify to receive the post-retirement benefits.

The County obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB Statement 45 as of July 1, 2015 (the “Health Benefits Valuation”), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an investment rate of 7.28%, the present value of benefits was estimated to be \$46.2 million, the accrued actuarial liability was estimated to be \$41.2 million and the annual normal cost was \$0.65 million. If the accrued actuarial liability of \$41.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$1.07 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to the California Employers’ Retiree Benefit Trust (the “OPEB Trust”). On November 7, 2007 the irrevocable OPEB Trust was established with PERS and a payment of \$10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional \$2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, the overall actions of the Board have reduced the County’s OPEB present value of benefits from \$237 million in 2006 to \$47 million [as of July 1, 2015].

In May 2014, GASB issued an exposure draft of a statement that will change employer accounting and financial reporting for post-employment benefits other than pensions (OPEB). The impact is expected to be similar to that of GASB 67/68 for pension plans, which must be adopted for the Fiscal Year ending June 30, 2015. It is anticipated this new statement for OPEB would be effective for fiscal years beginning after December 15, 2016. The changes include moving unfunded liabilities from footnotes to the balance sheet creates the potential for more volatile periodic expense and a change in the discount rate basis.

## **Riverside University Health System - Medical Center ("RUBS")**

RUHS – Medical Center ("RUHS") is a 520,000 square foot tertiary care and Level II trauma facility, licensed for 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RUHS has 12 operating rooms including one with a da Vinci Xi surgical robot, a helipad located directly adjacent to the trauma center, and digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT), and all single-bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services, including hyperbaric oxygen treatments. The RUHS provides services to patients covered by various reimbursement programs, principally Medi-Cal and Medicare, and some commercial insurance, while providing services to the uninsured.

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. Declining and inadequate federal and State health care reimbursement, nonpayment by uninsured population and the costs of an older and sicker population, have placed significant demands on the County's health care system. These factors have negatively affected RUHS's financial performance over the past several years.

In 2013, the County retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RUHS. The initial engagement is complete and Huron continues to monitor many of the initiatives to ensure they are sustained.

On November 26, 2013, the Board of Supervisors approved a temporary transfer of approximately \$26 million to RUHS from the County's Waste Management Enterprise Fund to pay for the Huron engagement. RUHS is required to repay this loan, with interest calculated at the County's pool investment fund rate, beginning in 2016 through 2022. If RUHS is unable to timely repay this loan in full, any unpaid amounts will be transferred to the County's Waste Management Enterprise Fund from unencumbered amounts in the County's General Fund.

Based on its audited financial statements for the Fiscal Year ended June 30, 2015, RUHS reported a net income surplus of \$57 million. This is a significant improvement over Fiscal Year 2013-14, when RUHS experienced a change in net position of negative \$62 million, and over Fiscal Year 2012-13, when RUHS experienced a change in net position of negative \$18.3 million. Much of the improvement was the result of significantly better operating performance resulting from 1) the impact of the Affordable Care Act (ACA) resulting in less charity care provided and 100% reimbursement of cost for the newly eligible population, 2) the favorable impact of the Huron engagement on labor and non-labor which management built upon during the fiscal year, and 3) the collection of receivables in excess of determined values at June 30, 2014 as a result of working with the managed care plans and payers.

In December 2015, California's Section 1115 Medicaid Demonstration Waiver, which funds hospitals and indigent care, was renewed for 5 years by the Centers for Medicare and Medicaid Services. The new waiver – entitled Public Hospital Reform and Incentives in Medi-Cal ("PRIME") -- will provide funding to shift the focus of care away from hospital-based and inpatient care and instead towards outpatient, primary, and preventive care. RUHS is organizing to ensure a pay-for-performance transformation that accomplishes the goal of continuing support, maximizing federal funds and improving the system of care for Riverside County. However, it is unknown at this time precisely how funding changes will affect RUHS's revenues, as the FY16 represents the first year of PRIME's new funding mechanisms.

For Fiscal Year 2015-16, consistent with its past practice, the County contributed approximately \$10 million to RUHS from its tobacco settlement revenue receipts and \$5 million in

redevelopment pass through funds to pay for operating expenses and debt service on the main RUHS facility. The County has budgeted to make the same contributions in Fiscal Year 2016-17. Additionally, the County committed \$10 million in Fiscal Year 2015-16 toward RUHS's new electronic records system. In Fiscal Year 2016-17, the County has budgeted to make general fund contributions to RUHS in the amount of \$11 million, for a total of \$26 million from tobacco settlement revenue receipts, redevelopment pass through funds and County General Fund funds. [confirm/udpate]

### **Insurance**

The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to \$2 million for each occurrence and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each claim with a \$1.5 million limit on a claims made basis excess of the County's self-insured retention followed by a \$20 million limits on an occurrence basis through CSAC Excess Insurance Authority. For a total limit of \$21.5 million excess of the County's self-insured retention. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance of statutory limits (unlimited) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is \$100,000 per occurrence deductible within a 100-year flood zone and a \$50,000 deductible outside of a 100-year flood zone. There is also a \$190 million excess all risk and flood rooftop layer sitting above the towers for a total of \$600 million in all risk limits for all towers. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$100 million with an additional \$390 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and Machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2015 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2015 was approximately \$163.369 million.

### **Litigation**

[update as needed] There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the Note or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

The County is currently involved in litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2015-16, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately \$29,000,000, of which \$3,500,000 is allocable to the County. Should Agua Caliente be successful, the County would be prohibited from assessing, levying, and collecting the possessory interest tax in the future. In addition, taxpayers could have the right to seek a refund of possessory interest taxes paid for the previous four years with interest. The County estimates that its total liability for such refunds would be approximately \$14 million, plus accrued interest. The County denies the allegations of the complaint and is actively defending the action.

Approximately 240 taxpayers have filed two different lawsuits in Superior Court seeking refunds for such possessory interest taxes paid. The total amount of the claims is approximately \$8,700,000, of which the County's share is approximately \$1,132,000 plus interest. It is likely that if the taxpayers' suits are successful, others will also litigate similar claims. However, the County is defending the actions and expects to prevail.

In December 2014, a putative class action complaint was filed in federal court against the County. The complaint alleges that the County Department of Public Social Services violated the civil rights of the plaintiff and a class of similarly situated individuals by removing minor children from parental custody without a warrant and in the absence of exigent circumstances. The County has filed an answer denying all allegations and is defending the litigation. A class-certification motion is set for a hearing on February 8, 2017, at which time the County's exposure will be more certain. If a class is certified and the suit succeeds on the merits, the County's exposure could be substantial.

**APPENDIX B**

**COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE  
FISCAL YEAR ENDED JUNE 30, 2012**

## APPENDIX C

### BOOK ENTRY ONLY SYSTEM

*None of the County, the Corporation, the Trustee or the Remarketing Agent can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Series 2008A Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment 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 Remarketing Memorandum. None of the County, the Corporation, the Trustee or the Remarketing Agent is 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 Series 2008A Bonds or an error or delay relating thereto.*

The following information concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from sources that the County, the Corporation, the Trustee and the Remarketing Agent believe to be reliable, but none of the County, the Corporation, the Trustee or the Remarketing Agent takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Remarketing Memorandum and in APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

DTC will act as securities depository for the Series 2008A Bonds. The Series 2008A 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 Series 2008A Bond certificate will be issued for each maturity of the Series 2008A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008A 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 Series 2008A 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 Series 2008A Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A 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 Series 2008A 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 Series 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A 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 Series 2008A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2008A Bond documents. For example, Beneficial Owners of Series 2008A Bonds may wish to ascertain that the nominee holding the Series 2008A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2008A 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 Series 2008A 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 Corporation, as the issuer of the Series 2008A Bonds, 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 Series 2008A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2008A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 Corporation or the Trustee, disbursement of such

payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2008A Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2008A Bonds by causing the Direct Participants to transfer the Participant's interest in the Series 2008A Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Series 2008A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2008A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2008A Bonds to the Tender Agent's DTC Account.

DTC may discontinue providing its services as depository with respect to the Series 2008A Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2008A Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2008A Bonds will be printed and delivered to DTC in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the County believe to be reliable, but the Corporation and the County do not take any responsibility for the accuracy thereof.

#### **Risks Regarding the Book-Entry Only System**

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2008A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2008A BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2008A BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2008A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2008A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CORPORATION, THE COUNTY, THE TRUSTEE OR THE REMARKETING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE SERIES 2008A BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2008A BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE SERIES 2008A BONDS. NO ASSURANCE CAN BE GIVEN BY THE CORPORATION, THE TRUSTEE OR THE REMARKETING AGENT THAT DTC, DIRECT

PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE SERIES 2008A BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS REMARKETING MEMORANDUM.

In the event the Corporation determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2008A Bonds, and the Corporation does not select another qualified securities depository, the Corporation shall deliver one or more Series 2008A Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2008A Bonds will be governed by the provisions of the Indenture.

**APPENDIX D**  
**SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS**

[To Come]

## APPENDIX E

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Riverside (the "County") as of December 1, 2008 in connection with the execution and delivery of the County of Riverside Variable Rate Demand Leasehold Revenue Refunding Bonds Series 2008A (Southwest Justice Center Refunding) (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of December 1, 2008 (the "Indenture"), by and among the County, the County of Riverside Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are also being executed and delivered pursuant to a Resolution of the Board of Supervisors of the County adopted on November 25, 2008 (the "Resolution"). The County hereby covenants and agrees as follows:

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

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

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

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

*"Commission"* means the Securities and Exchange Commission.

*"Dissemination Agent"* means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

*"Listed Event"* means any of the events listed in Section 5(a) of this Certificate.

*"National Repository"* shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Commission are currently found at <http://www.sec.gov/info/municipal/nrmsir.htm>.

*"Participating Underwriters"* means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

*"Repository"* means each National Repository and each State Repository.

"Rule" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

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

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the report for the County's Fiscal Year ended June 30, 2008, provide to each Repository copies of an Annual Report of the County, which is consistent with the requirements of Section 4 of this Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if it is not available by that date. The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the County. If the County's Fiscal Year changes, the County shall give notice of such change in the same manner as for a Listed Event under Subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in Subsection (a) above for providing an Annual Report to each Repository, the County shall provide such Annual Report to the Dissemination Agent (if one has been appointed) and to the Trustee (if the Trustee is not the Dissemination Agent). If the County is unable to provide to each Repository such Annual Report by the date specified in Subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit A to this Certificate.

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

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

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

**Section 4. Content of Annual Reports.** The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for the Fiscal Year most recently ended, 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 and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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

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

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

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

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

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County

or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax status of the Bonds;
- (vii) modifications to the rights of Owners of the Bonds;
- (viii) bond calls other than mandatory sinking fund redemptions;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Certificates pursuant to the Indenture.



(d) The Trustee, if not the Dissemination Agent, shall, within 10 Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events (with no obligation to determine the materiality thereof), contact the County, inform such person of the event, and request that the County promptly notify the Dissemination Agent, or if there is no Dissemination Agent, the Trustee, in writing whether or not to report the event pursuant to paragraph (b). For the purpose of this Certificate "actual knowledge" means actual knowledge at the principal corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture.

**Section 6. Termination of Reporting Obligation.** The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the County and to the Dissemination Agent (if any) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Subsection 5(c).

**Section 7. Dissemination Agent.** The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 60 days' written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

**Section 8. Amendment Waiver.** Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Subsection 5(c), 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 Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Certificate, the County shall have an obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Governing Law.** This Certificate shall be governed by the laws of the State of California and the federal securities laws.

**Section 14. Filing With Central Post Office.** Any filing under this Certificate may alternatively be made by transmitting such filing to the Texas Municipal Advisory Council as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council dated September 7, 2004.

**Section 15. Notices.** Any notice required to be delivered to a party under this Certificate shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, as set forth below, or such other addresses as may have been filed in writing with the Dissemination Agent.

to the Trustee:

U.S. Bank National Association  
550 S. Hope Street, Suite 500  
Los Angeles, CA 90071  
Attention: Corporate Trust Department

to the County:

County of Riverside  
County Administration Center  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501-3651  
Attention: County Executive Officer

**Section 16. Counterparts.** This Certificate 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 County and the Dissemination Agent (if any) shall preserve undestroyed, shall together constitute but one and the same instrument.

COUNTY OF RIVERSIDE

By Bill Luna  
Authorized Officer

[Signature Page for Continuing Disclosure Certificate]