

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



ITEM
5.1
(ID # 5733)

MEETING DATE:

Tuesday, November 14, 2017

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Adoption of Resolution No. IFA2017-03 Approving the Issuance of the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, 2017 Series A (Indio Law Building), All Districts, [\$250,000 - Bond Proceeds 100%] (Vote on Separately) (Companion Item to MT 5732)

RECOMMENDED MOTION: That the Board of Directors:

1. Adopt resolution IFA2017-03 approving the issuance of the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds 2017 Series A (Indio Law Building), in an amount not to exceed \$55,000,000, for the financing of certain public capital projects, approving the execution and delivery of a site lease and a lease agreement, and other matters related thereto.

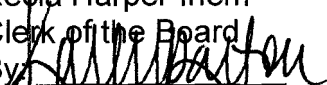
ACTION: Policy


Stephanie Pasi 11/2/2017

MINUTES OF THE BOARD OF DIRECTORS

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

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley
Nays: None
Absent: None
Date: November 14, 2017
xc: E.O.

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

(Companion Item 9.1)

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

| FINANCIAL DATA | Current Fiscal Year: | Next Fiscal Year: | Total Cost: | Ongoing Cost |
|--|----------------------|-------------------|---------------------------|--------------|
| COST | \$ 250,000 | \$ 0 | \$ 250,000 | \$ 0 |
| NET COUNTY COST | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| SOURCE OF FUNDS: Bond Proceeds 100% | | | Budget Adjustment: | No |
| | | | For Fiscal Year: | 17/18 |

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

The Series 2017A Bonds are being issued to refund bonds issued by the Riverside Community Properties Development, Inc., a California nonprofit corporation. They issued the Bonds on behalf of the County of Riverside in 2013 (the "2013 Bonds") to finance the cost of designing, permitting and constructing, on land owned by the County in Indio, a 90,000 square foot building to serve as the County's law building for occupancy by the District Attorney, Public Defender and County Counsel offices.

The refunding is an advanced refunding. The leased asset will remain the Indio Law building. The term of the bonds is not being extended. Annual refunding debt service will be about \$2.876 million compared to current annual debt service of \$3.16 million. The cash flow savings are estimated to be \$7.9 million with \$4 million of net present value savings or 9.39% of the refunded bonds. This meeting the Board Policy B-24 requirement of at least a 3% savings threshold. This financing is designed to assist the County in managing its shorter term budget priority while also generating minimally required net present value (NPV) savings.

There is also a maintenance contract with a private firm that will cease once this refunding occurs. EDA will assume these services and cost will not increase.

This item has been approved by the Debt Advisory Committee.

Impact on Citizens and Businesses

The savings achieved by the refunding will help to reduce the debt obligation of the County and therefore allow for resources to be redirected to services for the citizens.

SUPPLEMENTAL:

Additional Fiscal Information

The savings will be realized by the general fund, which pays the current debt service.

RESOLUTION NO. IFA2017-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$55,000,000 OF RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS (RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017, APPROVING THE EXECUTION AND DELIVERY OF VARIOUS RELATED DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND OTHER MATTERS RELATED THERETO

WHEREAS, the Riverside County Infrastructure Financing Authority (the "Authority") is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated September 15, 2015 (the "Joint Powers Agreement"), by and between the County of Riverside (the "County") and the Riverside County Flood Control and Water Conservation District, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is authorized and empowered pursuant to Article 4 (commencing with Section 6584) of the Act to issue bonds for the purposes of financing and refinancing public capital improvements; and

WHEREAS, the County has expressed its desire to provide for the refinancing of certain public improvements (the "Project") previously acquired, constructed and installed pursuant to the provisions of a Facilities Lease Agreement, dated for reference purposes October 1, 2013, as amended and supplemented by that First Amendment to Facilities Lease Agreement, dated for reference purposes October 1, 2013 (the "Prior Facilities Lease"), each by and between Riverside Community Properties Development, Inc. (the "63-20 Issuer") and the County; and

WHEREAS, in order to provide the funds necessary to acquire and refinance the Project, the County and the Authority will enter into a Site Lease (the "Site Lease"), whereby the County will lease to the Authority certain real property and the improvements located thereon (the "Leased Property"), and the Authority and the County will enter into a Facility Lease (the "Facility Lease"), whereby the County will sublease from the Authority the Leased Property; and

WHEREAS, pursuant to an assignment agreement (the "Assignment Agreement"), the Authority will transfer certain of its rights, title and interests in and to the Site Lease and the Facility Lease, including its right to receive base rental payments due under the Facility Lease, to U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"); and

WHEREAS, pursuant to an Indenture (the "Indenture") by and among the County, the Authority and the Trustee, the Authority will issue and deliver its Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio

FORM APPROVED, COUNTY COUNSEL
BY N. A. Gardner DATE 11/6/17
DALE A. GARDNER

Law Building), Series 2017, and with such other series designation as finally provided in the Indenture, in an aggregate principal amount of not to exceed \$55,000,000 (the "Bonds"), the proceeds of which are to be used to acquire and refinance the Project through the refunding of the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the "Prior Bonds"), previously issued pursuant to the terms of an Indenture of Trust, dated as of October 1, 2013 (the "Prior Indenture"), between the 63-20 Issuer and The Bank of New York Mellon Trust Company, N.A.; and

WHEREAS, the Bonds will be secured by, among other things, the base rental payments made by the County under the Facility Lease; and

WHEREAS, in connection with the issuance and delivery of the Bonds, the Authority also desires to approve the form and distribution of a preliminary official statement (the "Preliminary Official Statement") and the form of a purchase contract (the "Purchase Contract"); and

WHEREAS, the County, in consideration of the Authority's determination to assist with the refinancing of the Project as described above, has agreed to indemnify and hold harmless the Authority in connection with entering into the Site Lease and the Facility Lease and the Project, as more particularly set forth in the Facility Lease; and

WHEREAS, there have been presented to this meeting the proposed forms of the following documents:

- (a) the Indenture;
- (b) the Assignment Agreement;
- (c) the Site Lease;
- (d) the Facility Lease;
- (e) the Preliminary Official Statement; and
- (f) the Purchase Contract;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY AS FOLLOWS:

SECTION 1. Issuance of Bonds. The issuance of the Bonds by the Authority on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture and this Resolution, is hereby approved; provided, however, that (i) the aggregate principal amount of Bonds shall not exceed \$55,000,000, (ii) the final maturity of the Bonds shall not exceed November 1, 2044, and (iii) there shall be present value savings with respect to the refunding of the Prior Bonds of at least 3.0% of the principal amount of the Prior Bonds refunded using the yield on the Bonds as the discount rate.

SECTION 2. Approval of Indenture. The form of Indenture presented at this meeting is hereby approved and the Chairman, the Vice-Chairman, the Executive Director and the Secretary of the Authority (each an "Authorized Officer") are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Indenture in substantially the form presented at this meeting with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof, including with respect to whether and what type(s) of credit enhancement secures the Bonds, or by other factors, as determined by the Authorized Officers in consultation with the Authority's financial and legal consultants as being in the best interests of the Authority and the County.

SECTION 3. Approval of Site Lease. The form of Site Lease presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Site Lease in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. Approval of Facility Lease. The form of Facility Lease presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Facility Lease in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 5. Approval of Assignment Agreement. The form of Assignment Agreement presented at this meeting is hereby approved and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Assignment Agreement in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 6. Approval of Purchase Contract. The Authority is hereby authorized to enter into the Purchase Contract and each Authorized Officer is hereby authorized and directed to execute and deliver the Purchase Contract on behalf of the Authority, in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve in consultation with the County Counsel as counsel to the Authority and Bond Counsel, which approval shall be conclusively evidenced by the execution and delivery thereof; *provided, however,* that the underwriting fee payable pursuant to the Purchase Contract shall not exceed 0.5% of the aggregate principal amount of the Bonds and the maturity date, the principal amount of the Bonds and the interest rates thereon shall be limited as specified in Section 1 hereof.

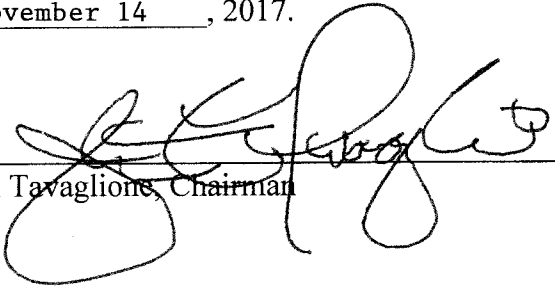
SECTION 7. Approval of Official Statement. The Preliminary Official Statement is hereby approved and the same may be used and is hereby authorized to be used and distributed in the market by the Underwriter incident to the marketing of the Bonds. Each Authorized Officer is hereby authorized to (a) make such changes in such form of the Preliminary Official

Statement as such officer, in consultation with County Counsel as counsel to the Authority and the Underwriter, shall determine to be appropriate, and (b) on behalf of the Authority, to deem such Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Each Authorized Officer is authorized and directed to prepare a final Official Statement, with such additional information as may be permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, which final Official Statement shall be executed and delivered in the name and on behalf of the Authority by an Authorized Officer, and such Authorized Officer is authorized and directed to prepare, execute and deliver in the name and on behalf of the Authority any supplemental filings related to such final Official Statement.

SECTION 8. Other Acts. The officers and staff of the Authority are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with County Counsel as counsel to the Authority or with Orrick, Herrington & Sutcliffe, the Authority's bond counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such officers or staff members are hereby ratified and confirmed.

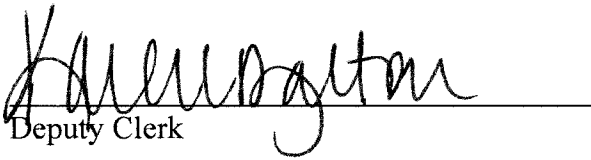
SECTION 9. Effective Date. This Resolution shall take effect upon adoption.

PASSED and ADOPTED this November 14, 2017.



John Tavaglione, Chairman

ATTESTED:
Kecia Harper-Ihem
Clerk of the Board



Deputy Clerk

[Insert Clerk's Certificate Regarding Due Adoption of Resolution]

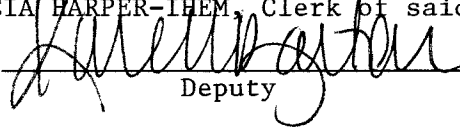
ROLL CALL:

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley
Nays: None
Absent: None

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

KECIA HARPER-IHEM, Clerk of said Board

By


Deputy

INDENTURE

by and among

**U.S. BANK NATIONAL ASSOCIATION
as Trustee,**

COUNTY OF RIVERSIDE

and

**RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY
as Lessee and Sublessor**

Dated as of December 1, 2017

**relating to the
RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017A**

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INDENTURE

This INDENTURE, made and entered into as of December 1, 2017, by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"), the COUNTY OF RIVERSIDE, a political subdivision duly organized and existing under the Constitution and laws of the State of California (the "County"), and RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated September 15, 2015 (the "Joint Powers Agreement"), by and between the County and the Riverside County Flood Control and Water Conservation District, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is authorized and empowered pursuant to Article 4 (commencing with Section 6584) of the Act to issue bonds for the purposes of financing and refinancing public capital improvements;

WHEREAS, the County desires to provide for the refinancing of certain public improvements described in Exhibit A-2-1 hereof (the "2013 Project") previously acquired, constructed and installed pursuant to the provisions of a Facilities Lease Agreement, dated for reference purposes October 1, 2013, as amended and supplemented by that First Amendment to Facilities Lease Agreement, dated for reference purposes October 1, 2013 (the "Prior Facilities Lease"), each by and between Riverside Community Properties Development, Inc. (the "63-20 Issuer") and the County;

WHEREAS, the County has determined that the consummation of the transactions contemplated in the Facility Lease (as hereinafter defined) and this Indenture will result in significant public benefits in the form of cost savings from undertaking the refinancing of the Project in a timely fashion;

WHEREAS, the County and the Authority have executed and entered into a Site Lease (the "Site Lease") dated as of December 1, 2017, whereby the County has agreed to lease to the Authority certain real property and improvements thereon or to be located thereon, more particularly described in Exhibit A-1-1 attached hereto (the "Leased Property");

WHEREAS, the County and the Authority have executed and entered into a Facility Lease (the "Facility Lease") dated as of December 1, 2017, whereby the County has agreed to sublease back the Leased Property from the Authority;

WHEREAS, under and pursuant to the Facility Lease, the County is obligated to make rental payments to the Authority;

WHEREAS, the Authority has assigned without recourse all its rights to receive the Base Rental Payments scheduled to be paid by the County under and pursuant to the Facility Lease, and certain other rights to the Trustee pursuant to the Assignment Agreement (the "Assignment Agreement") executed and entered into as of December 1, 2017;

WHEREAS, in consideration of the assignments pursuant to the Assignment Agreement and the execution and delivery of this Indenture, the Authority has agreed to issue its Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the "Series 2017 Bonds"), in the aggregate principal amount of \$XX,000,000 (as defined herein);

WHEREAS, the proceeds of the sale of the Series 2017 Bonds are to be used to acquire and refinance the Project through the refunding of the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the "Prior Bonds"), previously issued pursuant to the terms of an Indenture of Trust, dated as of October 1, 2013 (the "Prior Indenture"), between the 63-20 Issuer and the Prior Trustee, hereinafter defined; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Act

The term "Act" means the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

Additional Bonds

The term “Additional Bonds” means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to Article II hereof.

Additional Payments

The term “Additional Payments” means the additional payments payable by the County under and pursuant to Section 5.01(b) of the Facility Lease.

Annual Debt Service

The term “Annual Debt Service” means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Bond Year (together with the redemption premiums, if any, thereon).

Assignment Agreement

The term “Assignment Agreement” means that certain Assignment Agreement, dated as of December 1, 2017, by and between the Authority and the Trustee, as originally executed and as it may be amended from time to time.

Authority

The term “Authority” means Riverside County Infrastructure Financing Authority, or its successors and assigns.

Authorized Denominations

The term “Authorized Denominations” means \$5,000 or any integral multiple thereof.

Authorized Signatory

“Authorized Signatory” means any Director of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

Average Annual Debt Service

The term "Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

Base Rental Payments

The term "Base Rental Payments" means the aggregate base rental payments with interest components and principal components payable by the County under and pursuant to Section 5.01(a) of the Facility Lease in the amounts and at the times set forth in Exhibit B thereof.

Beneficial Owner

The term "Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

Bond Insurance Policy

The term "Bond Insurance Policy" means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due. There is no Bond Insurance Policy with respect to the Series 2017 Bonds.

Bond Purchase Contract

The term "Bond Purchase Contract" means that certain Bond Purchase Contract, dated _____, 2017, by and among the Underwriter, the Authority and the County relating to the Series 2017 Bonds.

Bonds; Series 2017 Bonds; Serial Bonds; Term Bonds

The term "Bonds" means the Series 2017 Bonds and all Additional Bonds.

The term "Series 2017 Bonds" means the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A.

The term "Serial Bonds" means Bonds for which no sinking fund payments are provided.

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Bond Year

The term "Bond Year" means the period from each November 1 to and including the following October 31 during the term hereof, except for that the first Bond Year shall begin on the Closing Date and shall end on October 31, 2018.

Business Day

The term "Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal designated trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Indenture, and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Capitalized Interest Account

"Capitalized Interest Account" means the account by that name established pursuant to Section 5.02 hereof with respect to the payment of interest on a Series of Bonds when due. There is no establishment of or deposit to a Capitalized Interest Account with respect to the Series 2017 Bonds.

Certificate of Completion

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of a Project has been substantially completed and that all Construction Costs have been paid or provided for.

Certificate, Statement, Written Request or Requisition of the Authority or the County

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chairman, Vice Chairman, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the County Executive Officer, the Deputy County Executive Officer, the County Finance Director, or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 12.06, each such instrument shall include the statements provided for in Section 12.06.

Closing Date

The term "Closing Date" means _____, 2017.

Code

The term "Code" means the Internal Revenue Code of 1986, as amended.

Construction Costs

"Construction Costs" means all costs of constructing a Project, including, but not limited to:

(1) all costs which the County shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of a Project;

(2) obligations of the County or others incurred for labor and materials (including obligations payable to the County or others for actual out-of-pocket expenses of the County or others) in connection with the construction, installation or improvements of a Project, including reimbursement to the County or others for all advances and payments made in connection with a Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of a Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of a Project; and

(5) any sums required to reimburse the County for advances made by the County for any of the above items or for any other costs incurred and for work done by the County which are properly chargeable to the construction, installation or improvement of a Project.

Construction Fund

"Construction Fund" means the fund by that name established pursuant to Section 3.03 hereof. There is no establishment of or deposit to a Construction Fund with respect to the Series 2017 Bonds.

Continuing Disclosure Agreement

The term "Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at the time of the initial issuance of the Series 2017 Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

Cost of Issuance Fund

The term "Cost of Issuance Fund" means the fund by that name established in accordance with Section 3.05 hereof.

Costs of Issuance

The term "Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Facility Lease, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the issuance and sale of the Bonds and the lease of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the County.

County

The term "County" means the County of Riverside, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

Defeasance Securities

The term "Defeasance Securities" means any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. treasury obligations;
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA); and
 - State and Local Government Series; and
- (3) Obligations described in paragraph (7) of the definition of Permitted Investments.

Designated Corporate Trust Office

The term “Designated Corporate Trust Office” means the corporate trust office of the Trustee at the address set forth in Section 12.12 hereof, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

DTC

The term “DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to Section 2.07 hereof.

Environmental Regulations

The term “Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

Escrow Agent

The term “Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., also serving as the Prior Trustee under the Prior Indenture.

Escrow Agreement

The term “Escrow Agreement” means that certain Escrow Agreement dated as of December 1, 2017, by and between the County and the Prior Trustee as Escrow Agent providing for the defeasance and redemption of the Prior Bonds.

Event of Default

The term “Event of Default” means any occurrence or event specified in and defined by Section 7.01 hereof.

Facility Lease

The term “Facility Lease” means that certain Facility Lease, dated as of December 1, 2017, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as lessor, as originally executed and as it may be amended from time to time.

Financial Newspaper

The term “Financial Newspaper” means The Wall Street Journal or The Bond Buyer or, if neither such newspaper is being regularly published, any other newspaper or journal publishing financial news and selected by the County that is printed in the English language, is

customarily published on each Business Day and is circulated in Los Angeles, California and New York, New York.

Fitch

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

Hazardous Substances

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

Indenture

The term “Indenture” means this Indenture by and among the Trustee, the County and the Authority, dated as of December 1, 2017, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Insurance Proceeds and Condemnation Awards Fund

The term “Insurance Proceeds and Condemnation Awards Fund” means the fund by that name established in accordance with Section 5.03 hereof.

Insurer

The term “Insurer” means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Authority to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. All consents, approvals or actions required by the Insurer shall mean the unanimous action of all Insurers if there is more than a single Insurer. There is no Insurer with respect to the Series 2017 Bonds.

Interest Fund

The term “Interest Fund” means the fund by that name established in accordance with Section 5.02(a) hereof.

Interest Payment Date

The term “Interest Payment Date” means May 1, 2018 and each May 1, and November 1, thereafter.

Interest Period

The term “Interest Period” means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2017 Bonds to but excluding May 1, 2018.

Joint Powers Agreement

“Joint Powers Agreement” means that certain Joint Exercise of Powers Agreement, dated September 15, 2015, by and between the County and the Riverside County Flood Control and Water Conservation District as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Leased Property

The term “Leased Property” means the real property and all the improvements thereon or to be located thereon described in Exhibit A-1 attached hereto, and Exhibit A in the Site Lease and in the Facility Lease (as the same may be changed from time to time by Removal or Substitution, as defined in the Facility Lease), together with the improvements thereon or to be located thereon, subject to the following: The County shall have the right during term of the Site Lease and the Facility Lease to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair market value of each Leased Property is not thereby reduced. Title to all

fixtures, equipment or personal property placed by the County on the Leased Property shall remain in the County. The title to any personal property, improvements or fixtures placed on the Leased Property by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with the Site Lease and the Facility Lease.

Mandatory Sinking Account Payment

The term "Mandatory Sinking Account Payment" means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of this Indenture or any Supplemental Indenture.

Mandatory Sinking Account Payment Date

The term "Mandatory Sinking Account Payment Date," if applicable, means November 1 of each year set forth in Section 4.01(c) and in any Supplemental Indenture.

Maximum Annual Debt Service

The term "Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Bond Years beginning in the Bond Year in which the calculation is made.

Moody's

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

MSRB

The term "MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

Opinion of Counsel

The term "Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

Outstanding

The term "Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in Section 10.01(d) hereof, except:

- (1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;
- (2) Bonds which pursuant to Section 9.02 hereof are not deemed outstanding;
- (3) Bonds paid or deemed to have been paid within the meaning of Section 10.01 hereof; and
- (4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to Section 2.10 hereof.

Owner

The term "Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

Permitted Investments

The term "Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

- (1) Defeasance Securities;
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank;
 - Rural Economic Community Development Administration;
 - U.S. Maritime Administration;
 - Small Business Administration;
 - U.S. Department of Housing & Urban Development (PHAs);
 - Federal Housing Administration; and
 - Federal Financing Bank.
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

- Obligations of the Resolution Funding Corporation (REFCORP);
 - Senior debt obligations of the Federal Home Loan Bank System; and
 - Senior debt obligations of other Government Sponsored Agencies approved by the Insurer, if any.
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
- (6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.
- (7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
- (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in this Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (8) Municipal Obligations rated in the top two rating categories or higher by Moody's or S&P.

- (9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);
- (10) Any investment authorized by California Government Code Section 53601;
- (11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Indenture;
- (12) The Riverside County Treasurer's Pooled Investment Fund; and
- (13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

Principal Fund

The term "Principal Fund" means the fund by that name established in accordance with Section 5.02(b) hereof.

Principal Payment

The term "Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

Principal Payment Date

The term "Principal Payment Date" means November 1 of each year, commencing November 1, 2018.

Prior Bonds

The term "Prior Bonds" means the Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project).

Prior Indenture

The term "Prior Indenture" has the meaning assigned to such term in the preambles hereto.

Prior Trustee

The term "Prior Trustee" means The Bank of New York Mellon Trust Company, as prior trustee, serving as trustee under the Prior Indenture.

Project; 2013 Project; Additional Project

The term "Project" means, as appropriate, the 2013 Project and/or any Additional Project.

The term "2013 Project" means the public facilities described in Exhibit A-2-1 hereof.

The term "Additional Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

Rebate Requirement

The term "Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

Record Date

The term "Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Redemption Fund

The term "Redemption Fund" means the fund by that name established in accordance with Section 5.02(c) hereof.

Rental Payments

The term "Rental Payments" means, collectively, the Base Rental Payments and the Additional Payments.

Representation Letter

The term "Representation Letter" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Bonds, in which the County and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

Revenue Fund

The term "Revenue Fund" shall have the meaning given to such term in Section 5.01(a).

Revenues

The term “Revenues” means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to Section 12.09.

S&P

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

Series

The term “Series”, when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

Site Lease

The term “Site Lease” means that certain Site Lease, dated as of December 1, 2017, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

Supplemental Indenture

The term “Supplemental Indenture” means an agreement amending or supplementing the terms hereof entered into pursuant to the terms hereof.

Surplus Subaccount

The term “Surplus Subaccount” means the account by that name established in accordance with Section 3.03 hereof.

Tax Certificate

The term “Tax Certificate” means that Tax Certificate and Agreement, by and between the County and the Authority, executed at the time of execution and delivery of a Series of Bonds relating to the requirements of Section 148 of the Code, as such Tax Certificate and Agreement may be amended or supplemented.

Trustee

The term "Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a designated corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in Section 8.02 hereof.

Underwriter

The term "Underwriter" means Raymond James & Associates, Inc.

Section 1.02 Interpretation. (a) In this Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Indenture;

(ii) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(iv) Any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(b) Whenever in this Indenture the County, the Authority or the Trustee is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the County, the Authority or the Trustee contained in this Indenture shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the County or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

(c) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the County, the Authority, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof. All of the covenants, stipulations,

promises and agreements in this Indenture contained by or on behalf of the County shall be for the sole benefit of the County, the Authority, the Trustee (including its agents) and the Owners.

Section 1.03 Equal Security. In consideration of the acceptance of the Bonds by the Owners, this Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the principal of, premium, if any, and interest on the Bonds which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

TERMS AND CONDITIONS OF SERIES 2017 BONDS

Section 2.01 Authorization of Series 2017 Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2017 Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2017 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized to issue the Series 2017 Bonds in the form and manner provided herein for the purpose of providing funds to refinance the 2013 Project through the refunding of the Prior Bonds, and that the Series 2017 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

Section 2.02 Terms of Series 2017 Bonds. The Series 2017 Bonds shall be designated "Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A," shall be executed and delivered in the form of fully registered Series 2017 Bonds, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Series 2017 Bonds shall be dated their date of delivery. Each Series 2017 Bond shall bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication shall be (i) prior to the close of business on [DATED DATE], in which case such Series 2017 Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Series 2017 Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Series 2017 Bond shall bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest shall be in default, each Series 2017 Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Section 2.03 Payment Dates of Series 2017 Bonds; Interest.

(a) **Method and Place of Payment.** The principal of the Series 2017 Bonds shall be payable, subject to prior redemption, on each Principal Payment Date, as the case may be, in each of the years and in the amounts and with the rate of interest components set forth in the following table:

| <u>Payment Date (November 1)</u> | <u>Principal Amount</u> | <u>Rate of Interest</u> |
|--------------------------------------|-----------------------------|-----------------------------|
| 2018 | | |
| 2019 | | |
| 2020 | | |
| 2021 | | |
| 2022 | | |
| 2023 | | |
| 2024 | | |
| 2025 | | |
| 2026 | | |
| 2027 | | |
| 2028 | | |
| 2029 | | |
| 2030 | | |
| 2031 | | |
| 2032 | | |
| 2033 | | |
| 2034 | | |
| 2035 | | |
| 2036 | | |
| 2037 | | |
| 2038 | | |
| 2039 | | |
| 2040 | | |
| 2041 | | |
| 2042 | | |
| 2043 | | |
| 2044* | | |

* Final Maturity

Except as otherwise provided in the Representation Letter, the interest on the Series 2017 Bonds shall be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2017 Bonds as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof. Payments of defaulted interest on any Series 2017 Bond shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of the Series 2017

Bond not less than ten days prior thereto. The principal and premium, if any, of the Series 2017 Bonds shall be payable upon presentation and surrender thereof on maturity or on redemption prior thereto at the Designated Corporate Trust Office of the Trustee.

The Owner of \$1,000,000 or more in aggregate principal amount of the Series 2017 Bonds may request in writing that the Trustee pay the interest on the Series 2017 Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

(b) **Principal and Interest Payments.** The principal of the Series 2017 Bonds shall be payable on the Principal Payment Dates indicated in the preceding table and the interest on the Series 2017 Bonds shall be payable on each Interest Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 2.04 Form of Series 2017 Bonds. The Series 2017 Bonds and the assignment to appear thereon shall be in substantially the forms, respectively, of Exhibit B hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

Section 2.05 Execution of Bonds. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairman of the Authority or the manual signature of any Authorized Signatory, and attested by the manual or facsimile signature of the Secretary of the Authority or the Assistant to the Secretary of the Authority or the manual signature of any Authorized Signatory. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer of the Authority or Authorized Signatory who shall have signed or attested any of the Bonds shall cease to be such officer or Authorized Signatory before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority or Authorized Signatory, and also any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority or Authorized Signatory although at the nominal date of such Bond any such person shall not have been such officers of the Authority or Authorized Signatory.

Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibit B hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.06 Transfer and Payment of Bonds; Exchange of Bonds. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Designated Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written

instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Designated Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Section 2.07 Book-Entry Bonds. Notwithstanding any provision of this Indenture to the contrary, the transfer provisions of Section 2.06 hereof do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as provided in subparagraph (d) of this Section 2.07, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Notwithstanding anything to the contrary contained in this Indenture, payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof or as otherwise provided in the Representation Letter.

(b) The Bonds shall be initially executed and delivered in the form of separate single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof in the name of Cede & Co., as nominee of DTC. The Trustee and the County shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the County shall be affected by any notice to the contrary. Neither the Trustee nor

the County shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under this Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the term "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for DTC's book-entry system, the County and the Trustee will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 2.07 or in any other way impose upon the Trustee, the County or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the County determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the County will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the County determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the County, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of this Indenture. If the County fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges provided in this Section and Sections 2.06 and 2.10 hereof. All such Bonds shall be in fully registered form in denominations authorized by this Indenture.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the County or the Trustee with respect to any consent or other action to be taken by Owner, the County or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Section 2.08 Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions upon reasonable prior notice; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as hereinabove provided. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Section 2.09 Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits hereunder as definitive Bonds executed and delivered hereunder.

Section 2.10 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, interest rate and payment date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Bond authenticated and delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby, and the Trustee shall not be required to treat both the original Bond and any

replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Section 2.11 Execution and Delivery of Additional Bonds. The County, the Authority 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 payable from additional Revenues. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of Section 2.12 hereof and subject to the following specific conditions, which are hereby made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; *provided* that (i) each maturity date shall fall upon November 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(c) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(d) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding hereunder or under any Supplemental Indenture shall not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture;

(e) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due *provided, however*, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by Section 2.12(b) hereof; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds

executed and delivered under this Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The County shall cause to be given to each rating agency rating the Bonds, and the Insurer, if any, notice of any execution and delivery of Additional Bonds.

Section 2.12 Proceedings for Authorization of Additional Bonds. Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to Section 2.11 hereof, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of Section 2.11 hereof, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by Section 2.12(b) and such other opinions and certificates as may be appropriate) to the effect that (1) that such Counsel has examined the Supplemental Indenture and the amendment, if any, to the Site Lease and the Facility Lease required by Section 2.11(e) hereof; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the County and the Authority; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Indenture, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(b) A Certificate of the County that the requirements of Section 2.11 hereof have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Construction Fund, in an amount reasonably expected to be sufficient to provide for the Construction Costs of such Additional Project, and (ii) in the Capitalized Interest Account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the Certificate of Completion with respect to such Additional Project;

(c) Certified copies of the resolutions of the County and the Authority, authorizing the execution of the amendments to the Site Lease and Facility Lease required by Section 2.11 hereof;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and Facility Lease required by Section 2.11(e) hereof;

(e) Certified copies of the policies of insurance required by Article VI of the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under Section 6.03(1), (2) and (3) of the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in Section 6.05 of the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the County.

ARTICLE III

PROCEEDS OF BONDS

Section 3.01 Delivery of Series 2017 Bonds. The Trustee is hereby authorized to execute and deliver the Series 2017 Bonds to the Underwriter pursuant to the Bond Purchase Agreement upon receipt of a Written Request of the Authority and upon receipt of the proceeds of sale thereof.

Section 3.02 Deposit of Proceeds of Series 2017 Bonds and Other Moneys. The proceeds received from the sale of the Series 2017 Bonds in the amount of \$_____ (consisting of the par amount of the Series 2017 Bonds of \$XX,000,000, plus original issue premium of \$_____, less an Underwriter's discount of \$_____), and the amount of \$_____ held under the Prior Indenture shall be transferred for deposit by the Trustee to the following respective funds:

(a) The Trustee shall deposit the amount of \$_____ in the Cost of Issuance Fund; and

(b) The Trustee shall transfer to the Prior Trustee, in its capacity as Escrow Agent, for deposit in accordance with the Escrow Agreement the amount of \$_____.

To facilitate any transfers to or for the benefit of the County required in this Section 3.02, the Trustee may, in its discretion open a temporary fund or account on its records which shall be closed upon completion of such transfers.

Section 3.03 Construction Fund.

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the County on behalf of the Authority (in the form as set forth in Exhibit C hereto) which:

(i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(ii) specifies in reasonable detail the nature of the obligation; and

(iii) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with Section 3.06 hereof, the Trustee shall disburse from the Construction Fund, subject to this Section 3.03, such additional amounts as are necessary to pay such Costs of Issuance.

(c) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and second, the remainder to a separate subaccount within the Principal Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount," and the Trustee shall close the Construction Funds. The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the County to pay principal on the Series of Bonds from which such moneys were derived as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Series of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Series of Bonds. Notwithstanding Section 6.09 hereof, the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on such Outstanding Series of Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Section 3.04 [RESERVED].

Section 3.05 Cost of Issuance Fund. There is hereby established in trust a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the County on behalf of the Authority (in the form as set forth in

Exhibit D hereto). All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of any Series of Bonds, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund to the Construction Fund if such fund is then funded, and otherwise to the Interest Fund, and the Cost of Issuance Fund shall be closed.

ARTICLE IV

REDEMPTION OF SERIES 2017 BONDS

Section 4.01 Terms of Redemption. The Series 2017 Bonds shall be subject to redemption prior to their respective maturity dates as set forth in subsections (a) through (c) hereof.

(a) *Extraordinary Redemption.* To the extent permitted or required by Section 5.03 or 5.04 hereof, the Series 2017 Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2017 Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

(b) *Optional Redemption.* The Series 2017 Bonds maturing on or after November 1, 20__ are subject to optional redemption prior to maturity on or after November 1, 20__ at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2017 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

(c) *Mandatory Redemption.* The Series 2017 Bonds maturing on November 1, 20__ are subject to mandatory redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a redemption price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor shall be as follows:

| Redemption Date (November 1) | Redemption Amount |
|---------------------------------|-------------------|
|---------------------------------|-------------------|

*

* maturity date

The Series 2017 Bonds maturing on November 1, 20__ are subject to mandatory redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a redemption price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for

redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor shall be as follows:

| Redemption Date (November 1) | Redemption Amount |
|---------------------------------|-------------------|
|---------------------------------|-------------------|

*

* maturity date

Section 4.01 Notice of Redemption. Notice of redemption shall be mailed by first class mail by the Trustee, on behalf and at the expense of the County, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. The Trustee shall also provide such additional notice of redemption of Bonds at the time and as may be required by the MSRB. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the Series and date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that optional redemption may be rescinded by the County and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to this Section to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed will be deemed to have been paid within the meaning and with the effect expressed in Section 10.01, such notice may state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Bonds to be redeemed, and

that if such moneys will not have been so received said notice will be of no force and effect and the County will not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made.

The County shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Section 4.02 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Bond surrendered.

Section 4.03 Effect of Redemption. If notice of redemption has been duly given as aforesaid and moneys for the payment of the redemption price of the Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee shall, upon surrender for payment of any of the Bonds to be redeemed, pay such Bonds at the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee and shall not be redelivered.

ARTICLE V

REVENUES

Section 5.01 Pledge of Revenues; Revenue Fund.

There is hereby established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The County hereby irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established hereunder (other than the Rebate Fund), subject to the provisions hereof permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth herein, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties hereto that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority hereby irrevocably pledges and transfers

to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established hereunder and the Revenues in accordance with the terms hereof subject in all events to the power of the County and the Authority to cause the execution and delivery of Additional Bonds pursuant to Section 2.11 hereof which shall be on a parity with the Bonds Outstanding.

All Revenues shall be paid directly by the County to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues and the proceeds of rental interruption insurance, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee hereby agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose hereunder, and if there exists no Event of Default hereunder, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County for any lawful purpose.

Section 5.02 Deposit of Revenues. Except as otherwise provided in this Section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner hereinafter provided in the following respective funds, each of which the Trustee hereby agrees to establish and maintain until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses hereinafter authorized. If an amount representing capitalized interest is deposited pursuant to Section 3.02 hereof and held hereunder, the Trustee shall establish and maintain a Capitalized Interest Account within the Interest Fund until the date all amounts are transferred therefrom in accordance with subsection (a) of this Section.

(a) Interest Fund and Capitalized Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund a sufficient amount of money such that the aggregate of amounts therein equal the interest coming due on such Interest Payment Date; *provided, however*, that on each Interest Payment Date occurring on or before the delivery to the Trustee of a Certificate of Completion in connection with an Additional Project, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Fund, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Fund to the Interest Fund. Moneys in the Interest Fund shall be used by the Trustee for the purpose of paying the interest on the Bonds when due and payable.

(b) Principal Fund. The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund a sufficient amount of money such that the aggregate of amounts therein equal the principal coming due on

such Principal Payment Date or Mandatory Sinking Account Payment Date. Monies in the Principal Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal of the Bonds when due and payable at maturity or upon earlier redemption from Mandatory Sinking Account Payments.

(c) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be prepaid.

Section 5.03 Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as hereinafter provided, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to Section 6.03 of the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with Section 7.01 of the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by Section 4.01(a) hereof. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant

to Section 4.01(a) hereof; provided, that if the County elects to so redeem the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision herein, the County shall only prepay less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to Section 4.01(a) hereof.

Section 5.04 Title Insurance. Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, upon written request of the County such proceeds shall be deposited first in the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee shall, upon written request of the County, immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in Section 4.01(a) hereof.

ARTICLE VI

COVENANTS

Section 6.01 Compliance with Indenture. The Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof, and neither of the County or the Authority will suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

Section 6.02 Compliance with Facility Lease and Site Lease. Subject to Section 7.06 hereof, the County and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Facility Lease and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Facility Lease and Site Lease against the other party thereto in accordance with their respective terms.

Section 6.03 Observance of Laws and Regulations. The Trustee, the County and the Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 6.04 Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however,* that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the County nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under Section 5.01 hereof.

Section 6.05 Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Section 6.06 Accounting Records and Statements. The Trustee will keep accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the County or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Section 6.07 Recordation and Filing. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Facility Lease, Site Lease, Assignment Agreement and this Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Facility Lease, Site Lease, Assignment Agreement and this Indenture.

Section 6.08 Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them hereby or by the Assignment Agreement, Facility Lease or Site Lease.

Section 6.09 Rebate Fund; Tax Covenants.

(a) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts requested by the County to comply with the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the County. Except as provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate), for payment to the federal government of the United States of America, and neither the County, the Authority, the Trustee nor the Owner of any Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate. The County shall provide written directions to the Trustee, including supplying all necessary information that is available to it in the manner provided in the Tax Certificate, and except as otherwise expressly provided herein, the Trustee shall not be required to take any actions hereunder in the absence of written directions by the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate or this Section. The Trustee agrees to comply with all Written Requests of the County given in accordance with the Tax Certificate. The County shall provide the Trustee with written evidence that the computation of the Rebate Requirement has been made. Any funds remaining in the Rebate Fund after payment or redemption of all of the Bonds and payment and satisfaction of any Rebate Requirement, shall, after payment of all fees and expenses of the Trustee, be withdrawn and remitted to the County.

(b) Notwithstanding any other provision hereof, including, in particular, Article X, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or

payment in full of the Bonds. The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(c) Notwithstanding any provisions of this Section 6.09, if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this Section 6.09 is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee, the Authority and the County may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article VII hereof, the covenants hereunder shall be deemed to be modified to that extent.

(d) The provisions of this Section shall not apply to any Series of Bonds which the Authority shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

Section 6.10 Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Section 6.10; *provided*, that the Trustee shall only be required to take an action under this Section 6.10 to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01 Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in this Indenture contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Authority by the Trustee, or to the County, the Authority and the Trustee by the Owners of not less than 25% in

aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Section 7.02 Action on Default. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of Section 7.11 hereof) shall be entitled, upon notice in writing to the County and the Authority to exercise any of the remedies granted to the County under the Facility Lease and to the Authority under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by this Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.03(a), (b) or (c) hereof.

Notwithstanding anything to the contrary in this Indenture, the Authority shall have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to this Indenture and the Assignment Agreement) under this Indenture or the Facility Lease, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the County under the Facility Lease.

Section 7.03 Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Authority or any director, officer or employee thereof, and to compel the County or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default hereunder to require the County and the Authority to account as the trustee of an express trust.

Section 7.04 Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or

breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this Article may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.05 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.06 No Liability by the Authority to the Owners. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Site Lease, the Facility Lease, the Bonds or this Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The Trustee hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under this Indenture, and hereby agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption or otherwise), then the Trustee shall give notice to the County in accordance with Section 7.02 of this Indenture to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Except as expressly provided herein, the Authority shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or herein, or with respect to the

performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 7.07 No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or herein, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 7.08 No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease or Site Lease or in this Indenture.

Section 7.09 Application of Amounts After Default. Notwithstanding anything to the contrary contained herein, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to Section 10.01 of the Facility Lease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under Section 10.01 of the Facility Lease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under Section 8.03 hereof;
and

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Bonds.

Section 7.10 Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Section 7.11 Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the

appointment of a receiver or trustee, or for any other remedy hereunder, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Owners of Bonds. Nothing in this Indenture contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

ARTICLE VIII

THE TRUSTEE

Section 8.01 Employment of the Trustee. The County and the Authority hereby appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Indenture, the Trustee accepts the appointment and employment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Section 8.02 Duties, Removal and Resignation of the Trustee. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust

company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the County, the Authority and the Insurer, if any, and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof. Upon receiving such notice of resignation, the County and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the County and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Section 8.03 Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered hereunder and reimburse the Trustee for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations hereunder; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established hereunder or under the Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the Trustee to the extent provided in Section 3.05 hereof or as provided in Section 7.09 hereof). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Authority. The rights of the Trustee hereunder are in addition to the rights granted to the Trustee pursuant to Section 9.03 of the Facility Lease.

Except as otherwise expressly provided herein, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder.

The County covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 8.04 Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners of the Bonds pursuant to this Indenture, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Bonds, the Facility Lease, the Site Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Bonds or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder or an Event of Default under Section 7.01 hereof, except failure of any of the payments to be made to the Trustee required to be made hereunder unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Authority, and may act as agent,

depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform any rights and obligations required of it hereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations hereunder, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for herein) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or this Indenture for the existence, furnishing or use of the Property.

Every provision of this Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Indenture, including without limitation, this Article VIII.

In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise specifically provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements herein and in the Bonds shall be taken as statements, covenants and agreements of the County or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes,

freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO INDENTURE

Section 9.01 Amendment or Supplement. The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02 hereof, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of this Indenture expressly recognizing or granting rights in or to the Insurer, if any, in any manner which affects the rights of the Insurer, if any, hereunder without its prior written assent thereto, or (5) amend this Section 9.01 without the prior written consent of the Insurer, if any, and the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed herein by the County or the Authority, or to surrender any right or power reserved herein to or conferred herein on the County or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the County or the Authority may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Bonds in accordance with Sections 2.11 and 2.12 hereof; or

(e) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners or the Insurer, if any, *provided further* that the County, the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Any provision of this Indenture expressly recognizing or granting rights in or to the Insurer, if any, may not be amended in any manner which affects the rights of the Insurer, if any, hereunder without the prior written consent of the Insurer, if any,.

Section 9.02 Disqualified Bonds. Bonds actually known by the Trustee to be owned or held by or for the account of the County (but excluding Bonds held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section.

Section 9.03 Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided in this Article IX, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Designated Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Designated Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 9.04 Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Section 9.05 Opinion of Counsel. In executing any amendment or supplement hereto, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all

conditions precedent for the execution of an amendment or supplement to this Indenture have been satisfied.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Bonds and Indenture. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated herein and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided herein, and all agreements and covenants of the County, the Authority and the Trustee to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section 10.01 if (i) in case said Bonds are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of Article IV of this Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV of this Indenture, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 10.01(b) and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section 10.01(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Securities deposited with the Trustee pursuant to this Section 10.01(b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above *provided* that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in

Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this Section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments not needed to pay when due the principal or redemption price (if applicable) of and interest to become due with respect to said Bonds on or prior to such redemption date or maturity date thereof shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this Section 10.01(b) shall preclude redemptions pursuant to Section 4.01 hereof.

Any release under this Section 10.01(b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under this Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by this Indenture created and the performance of its powers and duties under this Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Article X.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this Section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of this Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Facility Lease, but only from amounts deposited pursuant to Section 10.01(a) hereof and from no other source.

(d) Notwithstanding anything in this Section 10.01 to the contrary, in the event that the principal, interest, or both due on the Bonds shall be paid by the Insurer, if any, pursuant to the Bond Insurance Policy, if any, the Bonds shall not be considered paid by the County or the Authority under this Indenture, and all covenants, agreements and other obligations of the Authority and the County to the benefit of the Owners shall continue to exist and shall run to the benefit of the Insurer, if any, and the Insurer, if any, shall be subrogated to the rights of the Owners.

Section 10.02 Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided, however*, that before being required to

make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

ARTICLE XI

ARTICLE RESERVED

ARTICLE XII

MISCELLANEOUS

Section 12.01 Benefits of Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Authority, the Trustee, the Insurer, if any, and the Owners, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the County or the Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer, if any, and the Owners.

Section 12.02 Successor Deemed Included in all References to Predecessor. Whenever any of the County, the Authority, or the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the County, the Authority, or the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the County, the Authority, or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 12.03 Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof.

Any declaration, consent, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the County, the Authority or the Trustee in good faith and in accordance therewith.

Section 12.04 Waiver of Personal Liability. Notwithstanding anything contained herein to the contrary, no member, officer, employee or agent of the County, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained herein shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Facility Lease, the Site Lease or this Indenture.

Section 12.05 Acquisition of Bonds by County. All Bonds acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 12.06 Content of Certificates. Every Certificate of the County or Authority with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 12.07 Publication for Successive Weeks. Any publication required to be made hereunder for two successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Section 12.08 Funds. Any fund required to be established and maintained herein by the County or the Trustee may be established and maintained in the accounting records of the

County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations hereunder.

The County and the Trustee may commingle any of the moneys held by it hereunder for investment purposes only; *provided, however*, that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to this Indenture.

Section 12.09 Investments. Any moneys held by the Trustee in the funds and accounts established hereunder shall be invested by the Trustee upon the written request of the County only in Permitted Investments. In the absence of such direction, moneys shall be invested in a money market fund in accordance with subsection (6) of Permitted Investments. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Rebate Fund) shall be retained therein. For purposes of determining the amount on deposit in any fund or account hereunder, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee hereunder.

The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County will not receive such confirmations to the extent permitted by law. The Trustee will furnish the County periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Section 12.10 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the County, the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The County, the Authority and the Trustee hereby declare that they would have executed this Indenture, and each and every other Article, Section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the

application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 12.11 California Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 12.12 Notices; Special Notices to Rating Agencies and Insurer. (a) All written notices to be given hereunder shall be given by first-class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

- If to the County: County of Riverside
4080 Lemon Street, 4th Floor
Riverside, California 92501-3651
Attention: Chief Financial Officer
- If to the Authority: Riverside County Infrastructure Financing Authority
4080 Lemon Street, [4th Floor]
Riverside, California 92501-3651
Attention: Chairman
- If to the Trustee: U.S. Bank National Association
633 W. Fifth Street – 24th Floor
Los Angeles, California 90017
Attention: Corporate Trust Department
- If to S&P: Standard & Poor’s Rating Services
Municipal Finance Department
55 Water Street
New York, New York 10041
- If to the Insurer: Not Applicable

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender’s receipt of an appropriate answer back or other written acknowledgement or confirmation of receipt of the entire notice, approval, demand, report or other communication, (c) if given by first class or registered or certified mail, return receipt requested, deposited the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section 12.12.

The County shall cause to be given to S&P and the Insurer, if any, notice of any substitution of the Trustee, any material change in the Indenture or the Facility Lease, or redemption or defeasance of all of the Outstanding Bonds.

Section 12.13 Effective Date. This Indenture shall become effective upon its execution and delivery.

Section 12.14 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[This space intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and attested this Indenture by their officers thereunto duly authorized as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

COUNTY OF RIVERSIDE

By: _____
County Executive Officer

Attest:

By: _____
Clerk of the Board of Supervisors

RIVERSIDE COUNTY INFRASTRUCTURE
FINANCING AUTHORITY

By: _____
Chairman

Attest:

By: _____
Secretary

EXHIBIT A-1
DESCRIPTION OF LEASED PROPERTY

[See Attached]

EXHIBIT A-2
DESCRIPTION OF 2013 PROJECT

The 2013 Project consist of the following Sites and Facilities:

Sites

Facilities

EXHIBIT B

FORM OF SERIES 2017 BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

No. R-____ \$ _____

RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(RIVERSIDE COUNTY INDIO LAW BUILDING), SERIES 2017A

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Dated</u> | <u>CUSIP</u> |
|----------------------|----------------------|--------------|--------------|
| _____ % | _____ | _____ 2017 | _____ |

REGISTERED OWNER: Cede & Co.

PRINCIPAL SUM: _____

The RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY, a joint powers authority, duly created and lawfully existing under the Constitution and laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues, as hereinafter defined) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the Interest Payment Date (as defined below) to which interest has been paid or duly provided for next preceding its date of execution, unless such date of authentication shall be (i) prior to the close of business on [DATED DATE], in which case such Series 2017 Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Series 2017 Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Series 2017 Bond shall bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest shall be in default, each Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. The term "Interest Payment Date" means May 1, 2018 and each May 1 and November 1 thereafter. The term "Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

The principal of this Series 2017 Bond shall be payable in lawful money of the United States of America at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee") upon presentation and surrender of this Series 2017 Bond.

Payment of interest on this Series 2017 Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Series 2017 Bond is

registered, as of the Record Date preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books. Interest on this Series 2017 Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360 day year consisting of twelve 30 day months. This Series 2017 Bond shall not be entitled to any benefit, protection or security under the Indenture, as hereinafter defined, or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

The Owner of \$1,000,000 or more in aggregate principal amount of the Bonds may request in writing that the Trustee pay the interest on such Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

This Series 2017 Bond is one of a duly authorized issue of bonds of the Authority designated as its "Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A" (the "Bonds"), in the aggregate principal amount \$XX,000,000, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of an indenture, dated as of December 1, 2017 (the "Indenture"), between the Authority, The County of Riverside (the "County") and the Trustee (copies of which are on file at the corporate trust office of the Trustee). Unless the context otherwise requires, capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture.

The Bonds are issued to provide funds to refinance certain public capital improvements for the County through the refunding of the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project). The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the County pursuant to a Facility Lease, dated as of December 1, 2017 (the "Facility Lease"), between the Authority, as lessor, and the County, as lessee, for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property, as well as from all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority, as assignee of the County's rights under the Facility Lease, from operation or use of the Leased Property (the "Revenues"). All the Bonds are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or

statutory debt limitation or restriction. The obligation of the County to make the Base Rental Payments is subject to abatement during any period in which, by reason of material damage, destruction or title defect, there is substantial interference with the use and occupancy of the Leased Property or portions thereof or if the Leased Property or portions thereof are taken under the power of eminent domain, all as more particularly provided in the Facility Lease to which reference is hereby made.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended or supplemented by the parties thereto, in some instances without the consent of the registered owners of Bonds. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the registered owner of each Bond so affected, or (2) reduce the percentage of registered owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the registered owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer, if any, in any manner which affects the rights of the Insurer, if any, hereunder without its prior written assent thereto, or (5) amend the amendment provisions of the Indenture without the prior written consent of the Insurer, if any, and the registered owners of all Bonds then Outstanding.

The Bonds are authorized to be executed and delivered in the form of fully registered Bonds without coupons, in denominations of five thousand dollars (\$5,000) or any integral multiple thereof (each, an "Authorized Denomination").

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Trustee in Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture; and upon surrender of this Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer, a new Bond or Bonds of Authorized Denominations of the same Principal Payment Date equal to the principal amount hereof will be executed and delivered by the Trustee to the Owner thereof in exchange or transfer herefor. The Trustee shall not be required to transfer or exchange any Bond during any period in which it is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on this Bond shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability on this Bond to the extent of the sum or sums so paid.

The Bonds are subject to redemption prior to maturity as described in the Indenture.

As provided in the Indenture, notice of redemption hereof or of any part hereof shall be mailed, first class postage prepaid, not less than 30 nor more than 60 days before the

redemption date, to the Owner of this Bond at his or her address as it appears in the registration books maintained by the Trustee and to those securities depositories and securities information services specified in the Indenture, but neither failure to receive any such notice nor any defect contained therein shall affect the validity of the proceedings for the redemption of this Bond. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, the interest represented hereby shall cease to accrue from and after the designated redemption date.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of the interest or principal or redemption premiums, if any, on the Bonds; but rather the Trustee's sole obligation is to administer, for the benefit of the County, the Authority and the registered owners of the Bonds, the various funds established under the Indenture. The Authority has no obligation or liability whatsoever to the registered owners of the Bonds.

The Indenture provides that the occurrences of certain events constitute Events of Default. Subject to certain limitations and to the rights of the Insurer, if any, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IN WITNESS WHEREOF, the Riverside County Infrastructure Financing Authority has caused this Series 2017 Bond to be executed in facsimile by its Chairman and by its Secretary all as of _____, 2017.

RIVERSIDE COUNTY INFRASTRUCTURE
FINANCING AUTHORITY

By: _____
Chairman

Attest:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Series 2017 Bonds described in the within mentioned Indenture which has been authenticated and registered.

Dated: _____, 2017

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer such Bond on the register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

EXHIBIT C

FORM OF REQUISITION FOR FUNDS FROM THE CONSTRUCTION FUND

The County of Riverside, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "County"), hereby states and certifies:

(a) that _____ is the duly appointed, qualified and acting _____ of the County, and as such, is authorized and qualified to certify the same;

(b) that, pursuant to the Indenture, dated as of December 1, 2017 (the "Indenture"), by and among the County, the Riverside County Infrastructure Financing Authority and U.S. Bank National Association, as trustee, (the "Trustee"), the Trustee is hereby requested to disburse from the Construction Fund established pursuant to Section 3.03 of the Indenture, to the payees set forth on Exhibit A attached hereto and by this reference incorporated herein, the amount set forth on Exhibit A opposite each such payee, for payment of such costs incurred for the purposes identified on said Exhibit A;

(c) that each obligation has been properly incurred and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement; and

(d) that a statement or invoice for each amount requested hereunder is attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this requisition as of the date set forth below.

Dated: _____

COUNTY OF RIVERSIDE

By: _____
Authorized County Officer

EXHIBIT A

| Payee | Purpose | Amount |
|-------|---------|--------|
|-------|---------|--------|

EXHIBIT D

FORM OF REQUISITION FOR FUNDS FROM THE COSTS OF ISSUANCE FUND

The County of Riverside, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "County"), hereby states and certifies:

(a) that the undersigned is the duly appointed, qualified and acting _____ of the County, and as such, is authorized and qualified to certify the same;

(b) that, pursuant to the Indenture, dated as of December 1, 2017 (the "Indenture"), by and among the County, the Riverside County Infrastructure Financing Authority and U.S. Bank National Association, as trustee, (the "Trustee"), the Trustee is hereby requested to disburse from the Cost of Issuance Fund established pursuant to Section 3.05 of the Indenture, to the payees set forth on Exhibit A attached hereto and by this reference incorporated herein, the amount set forth on Exhibit A opposite each such payee, for payment of such costs incurred for the purposes identified on said Exhibit A;

(c) that each obligation has been properly incurred and is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement; and

(d) that a statement or invoice for each amount requested hereunder is attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this requisition as of the date set forth below.

Dated: _____

COUNTY OF RIVERSIDE

By: _____
Authorized County Officer

EXHIBIT A

| Payee | Purpose | Amount |
|-------|---------|--------|
|-------|---------|--------|

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 2,384,783 as of January 1, 2017, representing an approximately 1.6% 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, 2007 to January 1, 2017, the County's population grew by approximately 16.3%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.3% of the County as of January 1, 2017.

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>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>2017</i> |
|--------------------|------------------|------------------|------------------|------------------|------------------|
| Banning | 30,177 | 30,306 | 30,659 | 30,834 | 31,068 |
| Beaumont | 39,787 | 40,853 | 43,601 | 45,118 | 46,179 |
| Blythe | 19,609 | 18,982 | 19,254 | 19,813 | 19,660 |
| Calimesa | 8,096 | 8,225 | 8,138 | 8,289 | 8,637 |
| Canyon Lake | 10,771 | 10,817 | 10,608 | 10,681 | 10,891 |
| Cathedral City | 52,350 | 52,571 | 53,859 | 54,261 | 54,557 |
| Coachella | 42,795 | 43,601 | 45,001 | 45,407 | 45,551 |
| Corona | 156,864 | 159,109 | 163,317 | 164,659 | 167,759 |
| Desert Hot Springs | 27,835 | 27,986 | 28,794 | 29,048 | 29,111 |
| Eastvale | 57,266 | 59,151 | 60,825 | 63,162 | 64,613 |
| Hemet | 80,899 | 81,520 | 79,548 | 80,070 | 81,868 |
| Indian Wells | 5,083 | 5,133 | 5,336 | 5,412 | 5,450 |
| Indio | 81,415 | 82,375 | 86,683 | 88,058 | 88,718 |
| Jurupa Valley | 97,272 | 97,738 | 96,898 | 98,177 | 101,315 |
| Lake Elsinore | 55,444 | 56,688 | 59,142 | 61,006 | 62,092 |
| La Quinta | 38,412 | 39,023 | 39,311 | 39,977 | 40,677 |
| Menifee | 82,314 | 83,686 | 87,286 | 89,004 | 90,660 |
| Moreno Valley | 198,183 | 199,257 | 203,696 | 205,383 | 206,750 |
| Murrieta | 105,860 | 106,393 | 112,576 | 113,795 | 114,914 |
| Norco | 26,632 | 26,566 | 26,392 | 26,896 | 26,882 |
| Palm Desert | 49,962 | 50,424 | 48,835 | 49,335 | 50,740 |
| Palm Springs | 45,724 | 46,135 | 46,204 | 46,654 | 47,379 |
| Perris | 70,983 | 72,063 | 72,476 | 73,722 | 75,739 |
| Rancho Mirage | 17,643 | 17,739 | 17,920 | 18,070 | 18,295 |
| Riverside | 312,035 | 314,221 | 321,655 | 324,696 | 326,792 |
| San Jacinto | 45,229 | 45,537 | 47,087 | 47,656 | 47,925 |
| Temecula | 104,907 | 106,256 | 107,794 | 109,064 | 111,024 |
| Wildomar | <u>33,182</u> | <u>33,696</u> | <u>34,758</u> | <u>35,168</u> | <u>35,782</u> |
| TOTALS | | | | | |
| Incorporated | 1,896,729 | 1,916,051 | 1,957,653 | 1,983,415 | 2,011,028 |
| Unincorporated | <u>358,924</u> | <u>364,140</u> | <u>360,271</u> | <u>364,413</u> | <u>373,755</u> |
| County-Wide | <u>2,255,653</u> | <u>2,280,191</u> | <u>2,317,924</u> | <u>2,347,828</u> | <u>2,384,783</u> |
| California | 37,984,138 | 38,357,121 | 38,907,642 | 39,255,883 | 39,523,613 |

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 2013 through 2017:

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

| | <i>Total Effective Buying Income⁽²⁾</i> | <i>Median Household Effective Buying Income</i> | <i>Percent of Households with Income over \$50,000</i> |
|------------------|--|---|--|
| 2013 | | | |
| Riverside County | \$ 40,157,310 | \$43,860 | 42.39% |
| California | 864,088,828 | 47,307 | 46.90 |
| 2014 | | | |
| Riverside County | \$ 40,293,518 | \$44,784 | 43.84% |
| California | 858,676,636 | 48,340 | 48.17 |
| 2015 | | | |
| Riverside County | \$ 41,199,300 | \$45,576 | 44.79% |
| California | 901,189,699 | 50,072 | 50.05 |
| 2016 | | | |
| Riverside County | \$ 45,407,058 | \$48,674 | 48.50% |
| California | 981,231,666 | 53,589 | 52.74 |
| 2017 | | | |
| Riverside County | \$ 47,509,909 | \$50,287 | 50.23% |
| California | 1,036,142,723 | 55,681 | 54.27 |

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

⁽²⁾ Dollars in thousands.

Source: Nielsen Solution Center.

Industry And Employment

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

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

| <i>INDUSTRY</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> |
|---|----------------|----------------|----------------|----------------|----------------|
| Agriculture | 15.0 | 14.5 | 14.4 | 15.1 | 14.7 |
| Construction | 62.6 | 70.0 | 77.6 | 85.2 | 92.5 |
| Finance Activities | 40.2 | 41.3 | 42.3 | 43.2 | 45.3 |
| Government | 224.6 | 225.2 | 228.8 | 233.4 | 240.5 |
| Manufacturing: | 86.7 | 87.3 | 91.3 | 95.6 | 98.9 |
| Nondurables | 29.8 | 30.1 | 31.1 | 32.8 | 34.1 |
| Durables | 56.9 | 57.3 | 60.2 | 62.8 | 64.8 |
| Mining & Logging | 1.2 | 1.2 | 1.3 | 1.3 | 0.9 |
| Retail Trade | 162.4 | 164.8 | 169.4 | 173.5 | 179.0 |
| Professional and Business Services | 127.5 | 132.4 | 139.3 | 144.4 | 145.8 |
| Education and Health Services | 173.6 | 187.6 | 194.8 | 205.0 | 214.3 |
| Leisure & Hospitality | 129.4 | 135.9 | 144.8 | 151.5 | 159.7 |
| Other Services | 40.1 | 41.1 | 43.0 | 44.0 | 45.1 |
| Transportation, Warehousing and Utilities | 73.0 | 78.4 | 86.6 | 97.3 | 104.4 |
| Wholesale Trade | 52.2 | 56.4 | 58.9 | 61.7 | 62.9 |
| Information | 11.7 | 11.5 | 11.3 | 11.3 | 11.6 |
| Total, All Industries | <u>1,200.2</u> | <u>1,247.8</u> | <u>1,303.7</u> | <u>1,362.4</u> | <u>1,415.4</u> |

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

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

The following table sets forth the major employers in the County as of June 30, 2016 and their respective product or service and number of employees as of June 30, 2016.

**COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(AS OF JUNE 30, 2016)**

| <i>Company Name</i> | <i>Product/Service</i> | <i>No. of Local Employees</i> |
|--|------------------------|-------------------------------|
| County of Riverside | County Government | 21,479 |
| March Air Reserve Base | Military Reserve Base | 8,500 |
| Stater Bros. Markets | Supermarkets | 6,900 |
| Amazon | Electronic Retailer | 7,500 |
| University of California-Riverside | University | 8,306 |
| Kaiser Permanente Riverside Medical Center | Hospital | 5,300 |
| Pechanga Resort and Casino | Resort Casino | 3,931 |
| Corona-Norco Unified School District | School District | 5,098 |
| Desert Sands Unified School District | School District | 4,202 |
| Riverside Unified School District | School District | 3,973 |

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

Unemployment data for the County, the State and the United States for the years 2012 through 2016 and partial data for 2017 (as indicated) are set forth in the following table.

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

| | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>2017⁽²⁾</i> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|---------------------------|
| County ⁽¹⁾ | 12.1% | 10.3% | 8.2% | 6.7% | 6.1% | 5.6% |
| California ⁽¹⁾ | 10.4 | 8.9 | 7.5 | 6.2 | 5.4 | 5.3 |
| United States ⁽³⁾ | 8.1 | 7.4 | 6.2 | 5.3 | 4.9 | 4.2 |

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

⁽²⁾ For September 2017.

⁽³⁾ 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 2011 through 2015⁽¹⁾, the last year being the most recent full year of which annual data is currently available. Industry-level data for 2015 are not comparable to that of prior years due to the change in format of reporting the data, but taxable sale transactions in Riverside County overall totaled \$32,910,909,794 in 2015, representing a 2.7% increase over the prior year.

COUNTY OF RIVERSIDE TAXABLE SALES TRANSACTIONS (IN THOUSANDS)

| | 2011 | 2012 | 2013 | 2014 | 2015 ⁽¹⁾ |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Motor Vehicles and Parts Dealers | \$ 3,010,487 | \$ 3,493,098 | \$ 3,965,201 | \$ 4,417,943 | \$ 4,841,614 |
| Furniture and Home Furnishings | 436,482 | 441,649 | 486,061 | 520,393 | 1,135,234 |
| Electronics and Appliances Stores | 478,406 | 488,419 | 510,423 | 510,061 | -- |
| Building Materials, Garden Equipment and Supplies | 1,303,073 | 1,365,513 | 1,535,178 | 1,706,183 | 1,826,293 |
| Food and Beverage Stores | 1,304,731 | 1,356,148 | 1,421,590 | 1,509,403 | 1,727,517 |
| Health and Personal Care Stores | 454,268 | 490,238 | 523,724 | 544,958 | -- |
| Gasoline Stations | 3,300,785 | 3,516,040 | 3,456,322 | 3,426,830 | 2,851,558 |
| Clothing and Clothing Accessories Stores | 1,505,821 | 1,672,482 | 1,771,603 | 1,989,623 | 2,136,727 |
| Sporting Goods, Hobby, Book and Music Stores | 454,971 | 467,536 | 499,366 | 519,188 | -- |
| General Merchandise Stores | 3,051,709 | 3,174,022 | 3,298,920 | 3,289,057 | 3,040,243 |
| Miscellaneous Store Retailers | 700,338 | 742,118 | 758,664 | 809,032 | 2,2338,039 |
| Nonstore Retailers | 101,876 | 142,081 | 243,334 | 309,809 | -- |
| Food Services and Drinking Places | 2,473,339 | 2,668,324 | 2,836,388 | 3,093,862 | 3,384,494 |
| Total Retail and Food Services | <u>\$ 18,576,285</u> | <u>\$ 20,016,668</u> | <u>\$ 21,306,774</u> | <u>\$ 22,646,343</u> | <u>\$ 23,281,724</u> |
| All Other Outlets | <u>7,065,212</u> | <u>8,079,341</u> | <u>8,758,693</u> | <u>9,389,345</u> | <u>9,629,185</u> |
| Total All Outlets | <u>\$ 25,641,497</u> | <u>\$ 28,096,009</u> | <u>\$ 30,065,467</u> | <u>\$ 32,035,687</u> | <u>\$ 32,910,909</u> |

⁽¹⁾ Industry-level data are not comparable to that of prior years.
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 2012 through 2016.

**COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS⁽¹⁾
(IN THOUSANDS)**

| | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| RESIDENTIAL | | | | | |
| New Single-Family | \$ 854,814 | \$ 1,134,158 | \$ 1,296,553 | \$ 1,267,593 | \$ 1,526,767 |
| New Multi-Family | 99,578 | 136,501 | 178,117 | 110,458 | 106,291 |
| Alterations and Adjustments | <u>84,517</u> | <u>94,422</u> | <u>147,081</u> | <u>113,615</u> | <u>126,474</u> |
| Total Residential | \$ 1,038,963 | \$ 1,365,081 | \$ 1,621,751 | \$ 1,491,666 | \$ 1,759,534 |
| NON-RESIDENTIAL | | | | | |
| New Commercial | \$ 346,865 | \$ 80,510 | \$ 184,138 | \$ 182,089 | \$ 540,447 |
| New Industry | 3,767 | 140,972 | 161,321 | 111,070 | 59,439 |
| New Other ⁽¹⁾ | 78,602 | 184,500 | 142,204 | 215,914 | 371,216 |
| Alterations & Adjustments | <u>154,325</u> | <u>364,616</u> | <u>327,327</u> | <u>299,882</u> | <u>374,916</u> |
| Total Nonresidential | \$ 583,559 | \$ 770,598 | \$ 814,990 | \$ 808,956 | \$ 1,346,019 |
| TOTAL ALL BUILDING | <u>\$ 1,602,522</u> | <u>\$ 2,135,679</u> | <u>\$ 2,436,741</u> | <u>\$ 2,300,622</u> | <u>\$ 3,105,554</u> |

⁽¹⁾ 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 2014, 2015 and 2016, California Homebuilding Foundation for 2012 and 2013.

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

| | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> |
|---------------|--------------|--------------|--------------|--------------|--------------|
| Single Family | 3,455 | 4,671 | 5,007 | 4,833 | 5,662 |
| Multi-Family | <u>829</u> | <u>1,415</u> | <u>1,931</u> | <u>1,189</u> | <u>1,039</u> |
| TOTAL | <u>4,284</u> | <u>6,086</u> | <u>6,938</u> | <u>6,022</u> | <u>6,701</u> |

Source: Construction Industry Research Board for 2014, 2015 and 2016, 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 2012 through 2016.

**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</i> ⁽¹⁾ |
|-------------|--------------------|------------------|-----------------------|---|
| 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 |
| 2016 | 520,000 | 332,000 | 284,000 | 457,500 |

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

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 2012 through 2016.

**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</i> ⁽¹⁾ |
|-------------|--------------------|------------------|-----------------------|---|
| 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 |
| 2016 | 3,191 | 2,045 | 1,954 | 9,354 |

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

Agriculture

Agriculture is a source of income in the County. In 2016, 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, experienced a severe drought between 2011 and 2015. See "—Environmental Control Services" below. The County cannot predict the impact that a future 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 2012 through 2016.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

| | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Citrus Fruits | \$ 125,711,000 | \$ 142,404,000 | \$ 170,891,000 | \$ 199,772,000 | \$ 200,101,000 |
| Trees and Vines | 217,214,000 | 232,536,000 | 223,593,000 | 234,928,000 | 227,444,000 |
| Vegetables, Melons, Misc. | 286,234,000 | 340,407,000 | 337,404,000 | 327,199,000 | 365,157,000 |
| Field and Seed Crops | 147,352,000 | 154,582,000 | 156,575,000 | 122,794,000 | 97,184,000 |
| Nursery | 190,878,100 | 191,215,000 | 172,910,000 | 158,648,000 | 150,426,000 |
| Apiculture | 4,983,400 | 4,715,000 | 4,819,000 | 4,897,000 | 5,082,000 |
| Aquaculture | 4,205,000 | 2,262,000 | 5,078,000 | 5,397,000 | 4,624,000 |
| Livestock and Poultry | <u>276,553,000</u> | <u>259,683,000</u> | <u>290,746,000</u> | <u>260,015,000</u> | <u>225,758,000</u> |
| Grand Total | <u>\$ 1,253,130,000</u> | <u>\$ 1,327,804,000</u> | <u>\$ 1,362,016,000</u> | <u>\$ 1,313,650,000</u> | <u>\$ 1,275,776,000</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 opened in March 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 the Ontario International Airport Authority and was transferred by the City of Los Angeles to the 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 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 which occurred between 2011 and 2015. On May 9, 2016, as a result of persistent severe drought conditions in many areas of California, the governor issued an additional executive order that, among other things, made permanent many of the conservation measures set in the governor’s previous executive orders. On April 1, 2017, as a result of the recent record rain and snowfall that have occurred in California, the governor declared an end to the drought emergency in California (except with respect to four counties mostly located in California’s agricultural Central Valley). However, the conservation measures put in place by the governor’s 2016 executive order will remain in place. Such conservation measures prohibit wasteful practices such as: (i) hosing off sidewalks, driveways and other hardscapes, (ii) washing automobiles with hoses not equipped with a shut-off nozzle, (iii) using non-recirculated water in a fountain or other decorative water feature, (iv) water laws in a manner that causes runoff, or within forty-eight hours of measurable precipitation, and (v) irrigating ornamental turf on public street medians.

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 plant. 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.

Five-Year Forecast. To ensure prudent financial management, the County maintains a five-year budget forecast (the “County Budget Forecast”) based on conservative revenue assumptions derived from information provided by external consultants. The current County Budget Forecast reflects a continuing trend of cost increases outpacing revenue growth, such that the 25% reserve target implemented by the Board of Supervisors is unlikely to be met for the next several years. Consistent with the County Budget Forecast projections, the County was required to use reserves and fund transfers to balance the Fiscal Year 2017-18 budget, adopted by the Board of Supervisors on September 26, 2017 (the “Adopted Budget”). Factors driving cost increases include labor concessions, increasing pension costs and inmate health care expenses. See “— Retirement Program” and “— Labor Relations.” The County has a number of strategies to address these challenges, such as the deferral of staffing for the new John J. Benoit Detention Center, which is scheduled to be completed in 2018, and closing out vacant full-time positions. With the County actively pursuing such cost mitigation strategies, the County Budget Forecast projects a return to structural balance in Fiscal Year 2019-20, a rebuilding of reserves beginning in Fiscal Year 2020-21 and a restoration of such reserves in Fiscal Year 2021-22 to the target level of 25% of revenues set by the Board of Supervisors.

Fiscal Year 2017-18 Budget

The Adopted Budget includes total general fund appropriations of approximately \$3.2 billion. For Fiscal Year 2017-18, approximately 63% of the County’s General Fund budget revenues in the Adopted Budget consists of payments from the State and Federal government. Discretionary revenue is budgeted at approximately \$752.5 million for Fiscal Year 2017-18, a decrease of approximately 1% from the Fiscal Year 2016-17 adopted budget estimates. The decrease was primarily attributable to an expected reduction in revenues from fines, forfeitures and penalties as compared to the Fiscal Year 2016-17 adopted budget. The Adopted Budget includes discretionary spending of approximately \$756 million, a decrease of approximately

8% from the Fiscal Year 2016-17 adopted budget. The \$3.5 million gap between discretionary revenue and discretionary spending is covered by the use of reserves. Property tax revenue is budgeted at approximately \$351 million (including \$101 million in redevelopment tax increment pass-through funds) for Fiscal Year 2017-18, and represents approximately 47% of the County's discretionary revenue. Property tax revenues reflected in the Adopted Budget assume an increase in assessed valuation in Fiscal Year 2017-18 of 5% from Fiscal Year 2016-17.

Impacts of State Budget

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 2016-17, the County received a \$68.32 million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2017-18, the County expects to receive an appropriation of approximately \$69.55 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.

Final Budget Comparison

The Adopted Budget describes substantial cost increases affecting the County's finances, which include costs shifted back to counties by the State relating to the In-Home Supportive Services program, costs related to the County's pension obligations and labor agreements, costs associated with necessary increases in insurance coverage, and higher costs to certain County departments resulting from the restructured distribution of internal services charges (to more accurately reflect actual usage of services). Additionally, the County has incurred certain costs in connection with the settlement of a lawsuit filed on behalf of inmates in the County's jails, including the hiring of additional health and mental health professionals, costs for office and treatment space, and related costs associated with providing security for the additional health care workers and their patients.

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

**COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2013-14 THROUGH 2017-18
(IN MILLIONS)**

| | <i>2013-14</i> | <i>2014-15</i> | <i>2015-16</i> | <i>2016-17</i> | <i>2017-18</i> |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <i>Budget</i> | <i>Budget</i> | <i>Budget</i> | <i>Budget</i> | <i>Budget</i> |
| REQUIREMENTS | | | | | |
| General Government | \$ 179.5 | \$ 178.0 | \$ 216.1 | \$ 209.1 | \$ 220.4 |
| Public Protection | 1,132.4 | 1,190.6 | 1,276.2 | 1,345.7 | 1,379.1 |
| Health and Sanitation | 485.9 | 481.4 | 562.5 | 534.9 | 601.1 |
| Public Assistance | 835.7 | 902.7 | 1,004.8 | 1,003.8 | 996.0 |
| Education | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 |
| Recreation and Cultural | 0.4 | 0.3 | 0.3 | 0.5 | 0.5 |
| Debt Retirement-Capital Leases | 4.9 | 4.9 | 4.7 | 5.1 | 10.6 |
| Contingencies | 20.0 | 23.2 | 35.5 | 20.0 | 20.0 |
| Increase to Reserves | 2.3 | 2.0 | 0.0 | 0.0 | 0.0 |
| Total Requirements ⁽²⁾ | <u>\$ 2,661.7</u> | <u>\$ 2,783.7</u> | <u>\$ 3,100.8</u> | <u>\$ 3,119.8</u> | <u>\$ 3,228.4</u> |
| AVAILABLE FUNDS | | | | | |
| Use of Fund Balance and Reserves | \$ 78.3 | \$ 48.5 | \$ 76.8 | \$ 67.7 | \$ 84.9 |
| Estimated Revenues: | | | | | |
| Taxes | 229.9 | 256.6 | 280.2 | 301.0 | 303.0 |
| Other Taxes | 31.0 | 27.0 | 25.0 | 24.0 | 21.0 |
| Licenses, Permits and Franchises | 17.6 | 18.2 | 17.5 | 18.3 | 18.1 |
| Fines, Forfeitures and Penalties | 49.3 | 45.3 | 44.4 | 39.5 | 38.4 |
| Use of Money and Properties | 6.3 | 10.7 | 16.6 | 10.5 | 11.4 |
| Aid from Other Governmental Agencies: | | | | | |
| State | 1,097.4 | 1,194.0 | 1,356.1 | 1,357.4 | 1,407.1 |
| Federal | 544.9 | 551.8 | 615.3 | 634.1 | 627.5 |
| Charges for Current Services | 469.1 | 496.7 | 528.9 | 523.3 | 562.7 |
| Other Revenues | 137.9 | 134.9 | 139.9 | 144.0 | 154.3 |
| Total Available Funds ⁽²⁾ | <u>\$ 2,661.7</u> | <u>\$ 2,783.7</u> | <u>\$ 3,100.8</u> | <u>\$ 3,119.8</u> | <u>\$ 3,228.4</u> |

(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.

Source: County Auditor-Controller.

Riverside County Treasurer's Pooled Investment Fund

[To be updated as of October 31] The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of August 31, 2017, the portfolio assets comprising the PIF had a market value of \$6,355,419,645.31.

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, 2016, 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, mandatory deposits constituted approximately 77.87% of the funds on deposit in the County Treasury, while approximately 22.13% 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 County desires 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 2017 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-Tax Collector to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the PIF as of August 31, 2017, were as follows:

| | <i>% of Pool</i> |
|--------------------------------------|------------------|
| Federal Agency Securities | 49.64% |
| Commercial Paper | 18.23 |
| Cash Equivalent & Money Market Funds | 14.45 |
| Municipal Notes | 7.76 |
| U.S. Treasury Securities | 6.05 |
| NCD | 2.75 |
| Medium Term Notes | 1.12 |
| Local Agency Obligations* | <u>0.00</u> |
| Total | <u>100.00%</u> |
| Book Yield: | 1.23% |
| Weighted Average Maturity: | 1.23 Years |

* Represents County obligations issued by Riverside District Court Financing Corporation.
Source: County Treasurer-Tax Collector.

As of August 31, 2017, the market value of the PIF was 99.93% 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 County has obtained a rating on the PIF of "Aaa-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

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

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county wide or less than city wide special 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 30. 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-Tax Collector.

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

The following tables set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2005-06 through Fiscal Year 2016-17.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2005-06 THROUGH 2016-17
SECURED PROPERTY TAX ROLL⁽¹⁾

| <i>Fiscal Year</i> | <i>Secured Property Tax Levy</i> | <i>Current Levy Delinquent June 30</i> | <i>Percentage of Current Taxes Delinquent June 30⁽²⁾</i> | <i>Total Collections⁽³⁾</i> | <i>Percentage of Total Collections to Current Levy⁽³⁾</i> |
|--------------------|----------------------------------|--|---|--|--|
| 2005-06 | \$2,094,068,686 | \$88,930,195 | 4.25% | \$2,122,973,130 | 101.38% |
| 2006-07 | 2,559,448,076 | 180,175,146 | 7.04 | 2,533,225,935 | 98.98 |
| 2007-08 | 2,964,341,768 | 255,672,935 | 8.62 | 2,928,205,634 | 98.78 |
| 2008-09 | 3,029,936,136 | 222,218,035 | 7.33 | 3,146,419,870 | 103.84 |
| 2009-10 | 2,791,941,475 | 139,427,699 | 4.99 | 2,957,072,395 | 105.91 |
| 2010-11 | 2,698,915,858 | 95,454,538 | 3.54 | 2,826,336,496 | 104.72 |
| 2011-12 | 2,676,613,483 | 70,921,563 | 2.65 | 2,805,588,954 | 104.82 |
| 2012-13 | 2,677,034,057 | 58,215,544 | 2.17 | 2,800,820,511 | 104.62 |
| 2013-14 | 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 | 45,956,538 | 1.43 | 3,318,638,318 | 103.53 |
| 2016-17 | 3,368,109,165 | 45,522,477 | 1.35 | 3,486,155,109 | 103.50 |

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

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

⁽³⁾ Includes current and prior years' redemptions, penalties and interest in current secured taxes.

Source: County Auditor-Controller.

UNSECURED PROPERTY TAX ROLL⁽¹⁾

| <i>Fiscal Year</i> | <i>Unsecured Property Tax Levy</i> | <i>Total Collections⁽²⁾</i> | <i>Percentage of Total Collections to Original Levy⁽²⁾</i> |
|--------------------|------------------------------------|--|---|
| 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 | 84,381,854 | 88,526,356 | 104.91 |
| 2016-17 | 91,527,259 | 97,904,720 | 106.97 |

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

⁽²⁾ Includes current and prior years' redemptions, penalties and interest in current unsecured taxes.

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 2016-17:

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2005-06 THROUGH 2016-17**

| <i>Fiscal Year</i> | <i>Tax Levy for Increased Assessments^{(1),(2),(3)}</i> | <i>Refunds for Decreased Assessments^{(1),(3)}</i> | <i>Net Supplemental Tax Levy⁽²⁾</i> | <i>Collections^{(1),(2)}</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 ⁽⁴⁾ | 60,817,712 | 46,478,150 | 14,339,562 | 74,316,444 |
| 2009-10 | 27,019,730 | 35,212,651 | (8,192,922) ⁽⁵⁾ | 19,632,809 |
| 2010-11 | 34,612,092 | 27,686,887 | 6,925,205 | 16,813,302 |
| 2011-12 | 26,497,836 | 18,807,091 | 7,690,745 | 17,105,096 |
| 2012-13 | 35,389,177 | 16,720,188 | 18,668,989 | 23,487,988 |
| 2013-14 | 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 |
| 2016-17 | 85,097,029 | 7,733,087 | 77,363,942 | 70,527,505 |

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

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

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

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

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

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 2017-18:

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2013-14 THROUGH 2017-18
(IN MILLIONS)

| <i>Category</i> | <i>2013-14</i> | <i>2014-15</i> | <i>2015-16</i> | <i>2016-17</i> | <i>2017-18⁽³⁾</i> |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|
| SECURED PROPERTY: | | | | | |
| Land | \$ 65,635 | \$ 69,805 | \$ 73,305 | \$ 76,443 | \$ 79,668 |
| Structures | 138,000 | 150,275 | 160,030 | 169,097 | 179,595 |
| Personal Property | 878 | 919 | 875 | 829 | 789 |
| Utilities | <u>3,618</u> | <u>4,630</u> | <u>4,768</u> | <u>5,350</u> | <u>5,327</u> |
| Total Secured | \$ 208,131 | \$ 225,629 | \$ 238,978 | \$ 251,719 | \$ 265,379 |
| UNSECURED PROPERTY: | | | | | |
| Land | \$ 13 | \$ 5 | \$ 9 | \$ 3 | \$ 1 |
| Structures | 227 | 203 | 193 | 134 | 113 |
| Improvements | 3,683 | 3,519 | 3,543 | 3,738 | 3,814 |
| Fixtures | <u>3,691</u> | <u>3,700</u> | <u>3,736</u> | <u>4,083</u> | <u>4,195</u> |
| Total Unsecured ⁽²⁾ | \$ 7,614 | \$ 7,427 | \$ 7,481 | \$ 7,958 | \$ 8,123 |
| GRAND TOTAL | <u>\$ 215,745</u> | <u>\$ 233,056</u> | <u>\$ 246,459</u> | <u>\$ 259,677</u> | <u>\$ 273,502</u> |

⁽¹⁾ 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 1975-76 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

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

⁽³⁾ Assessed valuation for Fiscal Year 2017-18 is based on Preliminary Roll by the County and by the State BOE.

Source: County Auditor-Controller/County Assessor.

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. Following the decline in housing prices in the County during the most recent recession, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, in each year from Fiscal Year 2010-11 to Fiscal Year 2013-14, which resulted in a net decline in assessed valuation in each of those years. In Fiscal Years 2014-15, 2015-16 and 2016-17, there were no additional proactive Proposition 8 reductions. Housing prices in the County have been showing increases in recent years. Assessed valuation in the County increased from Fiscal Year 2013-14 to Fiscal Year 2014-15 by approximately 8.02%, from Fiscal Year 2014-15 to 2015-16 by approximately 5.75%, from Fiscal Year 2015-16 to 2016-17 by approximately 5.36% and from Fiscal Year 2016-17 to 2017-18 by approximately 5.53%.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2016-17 totaling approximately \$11.097 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 \$369 million of assessed value was reduced from the County tax roll in Fiscal Year 2014-15 and Fiscal Year 2015-16 due to appeals, representing \$3.69 million in general purpose taxes over the two-fiscal year period. 28% of the Fiscal Year 2016-17 assessment appeals have been completed. The majority of the remaining Fiscal Year 2016-17 assessment appeals are expected to be completed by June 2018.

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 2017-18 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2016-17 assessment appeals still to be completed; and (ii) a portion of the Fiscal Year 2016-17 assessment appeals being completed during Fiscal Year 2017-18.

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 2016-17, taxing agencies representing approximately 56.03% of the secured roll 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 2017, of County of Riverside 2017 Series A Teeter Obligation Notes (Tax-Exempt) (the "2017 Notes") in the amount of \$78.735 million. The proceeds of the 2017 Notes refunded the outstanding County of Riverside 2016 Series A Teeter Obligation Notes originally issued in the amount of \$81.77 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and paid costs of issuance related to the 2017 Notes. The 2017 Notes funded approximately \$36.4 million representing Fiscal Year 2016-17 delinquent property taxes and approximately \$84.2 million representing prior years' delinquent property taxes. The 2017 Notes mature on October 25, 2018. The County's General Fund is pledged to the repayment of the 2017 Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the 2017 Notes.

Largest Taxpayers

The following table shows the 25 largest property taxpayers by individual tax levied in the County for Fiscal Year 2016-17:

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2016-17
BY TAX LEVIED⁽¹⁾**

| <i>TAXPAYER</i> | <i>TOTAL TAXES LEVIED</i> | <i>PERCENTAGE OF TOTAL TAX CHARGE</i> |
|--|-------------------------------|---|
| Southern California Edison Company | \$ 51,917,678.80 | 1.46% |
| Southern California Gas Company | 11,008,435.34 | 0.31 |
| Verizon California, Inc. | 9,157,733.26 | 0.26 |
| CPV Sentinel, LLC | 7,966,498.54 | 0.22 |
| Lennar Homes of California Inc. | 3,730,590.56 | 0.10 |
| Costco Wholesale Corporation | 3,366,079.86 | 0.09 |
| Blythe Energy, LLC | 3,267,804.78 | 0.09 |
| Ross Dress For Less Inc. | 3,230,665.11 | 0.09 |
| Chelsea GCA Realty Partnership | 3,222,305.56 | 0.09 |
| Time Warner Cable Pacific West LLC | 3,152,522.53 | 0.09 |
| Walgreen Co. | 3,149,418.49 | 0.09 |
| Tyler Mall Limited Partnership | 3,035,403.84 | 0.09 |
| KB Home Coastal Inc. | 2,941,724.11 | 0.08 |
| Castle & Cooke Corona Crossings | 2,744,758.84 | 0.08 |
| Inland Empire Energy Center, LLC | 2,735,325.96 | 0.08 |
| Lowe's HIW Inc. | 2,519,099.40 | 0.07 |
| Wal-Mart Real Estate Business Trust | 2,478,899.94 | 0.07 |
| AT&T Mobility LLC | 2,261,213.50 | 0.06 |
| Roripaugh Valley Restoration | 2,253,379.80 | 0.06 |
| Standard Pacific Corporation | 2,241,796.99 | 0.06 |
| Los Angeles SMSA Ltd. dba Verizon Wireless | 2,241,524.14 | 0.06 |
| Garden of Champions | 2,228,337.94 | 0.06 |
| Kaiser Foundation Health Plan Inc. | 2,214,768.65 | 0.06 |
| Ralphs Grocery Co. | 2,197,336.32 | 0.06 |
| Wal-Mart Stores Inc. | 2,191,169.13 | 0.06 |
| Total | \$ 137,454,471.39 | 3.86% |
| Total Tax Charge for 2016-17 | \$ 3,561,547,870.49 | |

⁽¹⁾ 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 2016-17, are shown below:

**COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2016-17
BY ASSESSED VALUE**

| <i>ASSESSEE</i> | <i>ASSESSED VALUE</i> |
|--------------------------------------|-----------------------------------|
| Eisenhower Memorial Hospital | \$ 342,580,765 |
| Kaiser Foundation Hospitals | 236,941,948 |
| Loma Linda University Medical Center | 203,350,249 |
| Chelsea GCA Realty Partnership | 154,487,330 |
| Tyler Mall Ltd. Partnership | 149,349,798 |
| DB RREEF Perris Ca. Inc. | 137,356,033 |
| DS Hotel | 134,000,000 |
| HF Logistics SKX T1 | 132,533,167 |
| Temecula Towner Center Association | 126,041,695 |
| Wea Palm Desert L.P. | <u>125,513,340</u> |
| Subtotal | \$ 1,742,154,325 |
| All Others | <u>253,310,903,698</u> |
| Total | \$ 255,053,158,023 ⁽¹⁾ |

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

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. The majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2016-17, the County retained approximately 18% of the total amount collected (and is budgeted to retain 18% in Fiscal Year 2017-18). 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 2017-18.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2005-06 THROUGH 2017-18**

| <i>Fiscal Year</i> | <i>Frozen Base Value</i> | <i>Full Cash Value Increments⁽¹⁾</i> | <i>Total Tax Allocations^{(2) (3)}</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 |
| 2016-17 | 16,352,657,201 | 69,510,642,793 | 816,260,103 |
| 2017-18 | 16,352,657,201 | 72,438,057,285 ⁽³⁾ | 841,472,466 ⁽⁴⁾ |

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

(2) 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.

(3) Full cash value increment including State Assessed properties; has not been adjusted for negative project area increment.

(4) Includes general purpose and debt; excludes negative increment and is based on preliminary roll and estimate using prior year's debt service.

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 2017, the County received approximately \$9.3 million in residual funds for Fiscal Year 2016-17.

In Fiscal Years 2014-15 and 2015-16, the County received approximately \$94 million and \$97 million, respectively, in pass-through payments pursuant to agreements with various city redevelopment agencies. The County received approximately \$102 million in Fiscal Year 2016-17 and is projected to receive

\$106 million in Fiscal Year 2017-18. Pursuant to ABx1 26 and its following clarifying legislation, the County's negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency.

Financial Statements and Related Issues

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

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for Fiscal Year 2015-16 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

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, 2016, which are included in APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2011-12 through 2015-16.

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2011-12 THROUGH 2015-16
(In Thousands)

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------------------|---------------------|---------------------|---------------------------|---------------------|
| BEGINNING FUND BALANCE | \$ 343,562 | \$ 336,598 | \$ 357,249 | \$ 364,676 ⁽¹⁾ | \$ 395,389 |
| REVENUES | | | | | |
| Taxes | 216,746 | 246,144 | 256,746 | 267,708 | 279,945 |
| Licenses, permits and franchises | 17,648 | 16,442 | 16,588 | 17,829 | 19,100 |
| Fines, forfeiture and penalties | 88,979 | 85,241 | 81,037 | 77,770 | 73,198 |
| Use of money and property—Interest | 4,740 | 1,676 | 4,629 | 4,372 | 6,728 |
| Use of money and property— | | | | | |
| Rents and concessions | 3,798 | 3,670 | 12,269 | 7,758 | 10,491 |
| Government Aid—State | 931,652 | 1,000,545 | 1,107,878 | 1,224,095 | 1,238,292 |
| Government Aid—Federal | 475,221 | 478,791 | 462,291 | 542,934 | 572,267 |
| Governmental Aid—Other | 80,332 | 81,169 | 83,169 | 94,217 | 97,888 |
| Charges for current services | 354,451 | 374,750 | 396,904 | 431,323 | 465,333 |
| Other revenues | 40,852 | 26,253 | 41,248 | 34,851 | 20,069 |
| TOTAL REVENUES | <u>\$ 2,214,419</u> | <u>\$ 2,315,681</u> | <u>\$ 2,462,759</u> | <u>\$ 2,702,857</u> | <u>\$ 2,783,311</u> |
| EXPENDITURES | | | | | |
| General government | \$ 127,195 | \$ 103,895 | \$ 106,045 | \$ 109,900 | \$ 113,779 |
| Public protection | 1,010,999 | 1,043,017 | 1,116,621 | 1,189,466 | 1,256,765 |
| Public ways and facilities | - | - | - | 8 | - |
| Health and sanitation | 369,165 | 388,325 | 416,005 | 478,047 | 468,272 |
| Public assistance | 719,670 | 735,057 | 795,309 | 865,309 | 918,963 |
| Education | 579 | 564 | 586 | 590 | 669 |
| Recreation and cultural | 324 | 346 | 287 | 317 | 325 |
| Capital Outlay | 2,671 | 1,721 | 2,965 | 54,529 ⁽²⁾ | 11,829 |
| Debt service | 21,426 | 19,576 | 15,475 | 12,877 | 20,755 |
| TOTAL EXPENDITURES | <u>\$ 2,252,029</u> | <u>\$ 2,292,501</u> | <u>\$ 2,453,293</u> | <u>\$ 2,711,043</u> | <u>\$ 2,791,357</u> |
| Excess (deficit) of revenues over (under) expenditures | (37,610) | 23,180 | 9,466 | (8,186) | (8,046) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer from other reserves | \$ 123,587 | \$ 92,297 | \$ 95,017 | \$ 87,924 | \$ 114,185 |
| Transfer to other funds | (98,045) | (96,547) | (101,021) | (103,554) | (141,847) |
| Capital Leases | 2,671 | 1,721 | 2,965 | 54,529 ⁽²⁾ | 11,829 |
| Total other Financing Sources (Uses) | <u>\$ 28,213</u> | <u>\$ (2,529)</u> | <u>\$ (3,039)</u> | <u>\$ 38,899</u> | <u>\$ (15,833)</u> |
| NET CHANGE IN FUND BALANCES | \$ (9,397) | \$ 20,651 | \$ 6,427 | \$ 30,713 | \$ (23,879) |
| FUND BALANCE, END OF YEAR ⁽¹⁾ | \$ 336,598 | \$ 357,249 | \$ 363,676 | \$ 395,389 | \$ 371,510 |

(1) Restated.

(2) Increase in capital outlay and capital leases expenditures in Fiscal Year 2014-15 primarily reflects costs related to a capital lease for the County Sheriff and the construction of the Riverside County Law Building for the Riverside Economic Development Agency.

Source: County Auditor-Controller.