

The following table sets forth the County's General Fund balance sheets for Fiscal Years 2011-12 through 2015-16.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2012 THROUGH JUNE 30, 2016
(In Thousands)**

	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
ASSETS:					
Cash & Marketable Securities	\$ 151,845	\$ 128,655	\$ 129,305	\$ 133,487	\$ 135,255
Taxes Receivable	14,046	10,931	9,849	9,243	9,772
Accounts Receivable	9,196	9,167	11,281	10,846	14,674
Interest Receivable	643	687	650	785	2,002
Advances to Other Funds	3,342	3,342	5,842	7,442	7,369
Due from Other Funds	14,227	9,071	11,157	11,854	9,355
Due from Other Governments	328,817	308,532	333,728	317,901	345,183
Inventories	1,187	2,059	1,682	1,638	2,006
Prepaid items	298	818	--	--	--
Restricted Assets	<u>299,673</u>	<u>307,452</u>	<u>350,158</u>	<u>358,985</u>	<u>332,543</u>
Total Assets	<u>\$ 823,274</u>	<u>\$ 780,714</u>	<u>\$ 853,652</u>	<u>\$ 852,181</u>	<u>\$ 858,159</u>
LIABILITIES:					
Accounts Payable	\$ 75,996	\$ 24,234	\$ 61,288	\$ 24,756	\$ 28,234
Salaries & Benefits Payable	57,391	57,519	68,156	79,116	99,724
Due To Other Funds	1,466	9,190	248	2,172	3,247
Due to Other Governments	40,804	23,377	20,395	32,894	51,497
Deferred Revenue	311,003	66,855	65,929	48,535	50,155
Deposits Payable	16	19	61	43	52
Advances from other funds	--	--	5,000	--	--
Advances from grantors and third parties	--	<u>242,271</u>	<u>268,899</u>	<u>269,276</u>	<u>253,740</u>
Total Liabilities	<u>\$ 486,676</u>	<u>\$ 423,465</u>	<u>\$ 489,976</u>	<u>\$ 456,792</u>	<u>\$ 486,649</u>
FUND BALANCE:⁽¹⁾					
Nonspendable	\$ 1,834	\$ 3,247	\$ 2,045	\$ 2,001	\$ 2,369
Restricted	101,651	101,440	117,595	122,967	99,639
Committed	52,439	42,183	32,820	39,422	40,310
Assigned	8,674	10,460	7,772	5,144	11,870
Unassigned	<u>171,910</u>	<u>199,919</u>	<u>203,444</u>	<u>225,855</u>	<u>217,322</u>
Fund Balance	\$ 336,598	\$ 357,249	\$ 363,676	\$ 395,389	\$ 371,510
Total Liabilities and Fund Balance	<u>\$ 823,274</u>	<u>\$ 780,714</u>	<u>\$ 853,652</u>	<u>\$ 852,181</u>	<u>\$ 858,159</u>

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2008 THROUGH JUNE 30, 2016
(In Thousands)**

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

	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>	<i>Total</i>
2011 ⁽¹⁾	\$2,214	\$ 98,552	\$50,097	\$ 3,463	\$189,236	\$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598
2013	3,247	101,440	42,183	10,460	199,919	357,249
2014	2,045	117,595	32,820	7,772	203,444	363,676
2015	2,001	122,967	39,422	5,144	225,855	395,389
2016	2,369	99,639	40,310	11,870	217,322	371,510

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

Source: County Auditor-Controller.

Short-Term Obligations of County

On July 1, 2017, the County issued its 2017 Tax and Revenue Anticipation Note (the "2017 TRAN") in the principal amount of \$340,000,000 to provide funds to meet the County's Fiscal Year 2017-18 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2017 TRAN is due on June 29, 2018. The 2017 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2017-18 Fiscal Year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

As described under the caption "—Teeter Plan," the County issued its 2017 Notes in the original aggregate principal amount of \$78,735,000 on October 10, 2017. The 2017 Notes mature on October 25, 2018 and are payable from delinquent property taxes. It is expected that the 2017 Notes will be paid from the proceeds of the County's 2018 Series A Teeter Notes, together with delinquent taxes received through June 30, 2018.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of September 1, 2017, the County had \$849,035,207 in direct general fund obligations and \$286,535,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of September 1, 2017.

**COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF SEPTEMBER 1, 2017)**

2017-18 Assessed Valuation: \$ 268,996,541,058 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/17</u>
Metropolitan Water District	6.309%	\$ 4,725,607
Community College Districts	1.220-100.	642,073,716
Unified School Districts	1.246-100.	2,715,407,413
Perris Union High School District	100.	106,622,301
Elementary School Districts	100.	102,401,699
City of Riverside	100.	10,280,000
Eastern Municipal Water District Improvement Districts	100.	32,505,000
Riverside County Flood Control, Zone 4 Benefit Assessment District	100.	16,750,000
San Gorgonio Memorial Hospital District	100.	110,540,000
Community Facilities Districts	50.225-100.	2,802,133,258
Riverside County 1915 Act Bonds	100.	1,355,000
City and Special District 1915 Act Bonds (Estimated)	100.	193,771,820
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 6,738,605,814

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	100.%	\$ 849,035,207⁽¹⁾
Riverside County Pension Obligations	100.	286,535,000
School Districts General Fund and Lease Tax Obligations	1.246-100.	494,663,584
City of Corona General Fund Obligations	100.	41,770,458
City of Moreno Valley General Fund Obligations	100.	69,750,000
City of Indio General Fund and Pension Obligation Bonds	100.	35,585,000
City of Palm Springs Certificates of Participation and Pension Obligation Bonds	100.	132,885,512
City of Riverside Certificates of Participation	100.	218,704,544
City of Riverside Pension Obligation Bonds	100.	92,935,000
Other City General Fund Obligations	100.	88,431,102
Other Special District Certificates of Participation	100.	1,344,646
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 2,311,640,053
Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)		4,847,240
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 2,306,792,813

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 2,369,872,154

GROSS COMBINED TOTAL DEBT \$ 11,420,118,021⁽²⁾
NET COMBINED TOTAL DEBT \$ 11,415,270,781

Ratios to 2017-18 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.51%
Combined Gross Direct Debt (\$1,135,570,207).....	0.42%
Combined Net Direct Debt (\$1,130,722,967).....	0.42%
Gross Combined Total Debt	4.25%
Net Combined Total Debt.....	4.24%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$72,438,057,285):

Total Overlapping Tax Increment Debt	3.27%
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⁽¹⁾ Excludes the 2017 Notes and the Bonds.

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

Source: California Municipal Statistics, Inc.

Lease Obligations

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

As of November 1, 2017, the total principal amount of the County's current outstanding lease obligations is \$823,218,008. The County's annual lease obligation, including interest, is approximately \$78,811,704, and the maximum annual lease payment is approximately \$128,713,733.

The table on the following page sets forth the County's outstanding lease obligations and the respective annual lease requirements as of November 1, 2017.

**COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(AS OF NOVEMBER 1, 2017)**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental</i>
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	\$ 41,170,073	\$ 31,350,767	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B ⁽¹⁾	2019	90,530,000	54,475,000	\$ 19,514,247 ⁽¹⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	2,200,000	825,000 ⁽²⁾
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) ⁽³⁾	2021	36,100,000	13,330,000	2,552,563
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	4,617,241	
Series 2002	2020	925,000	230,000	1,827,764 ⁽⁴⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A ⁽⁵⁾	2032	78,895,000	68,245,000	6,487,648
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	13,165,000	1,156,494
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) ⁽⁶⁾	2040	45,685,000	44,905,000	1,918,600
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	2,205,000	677,836
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) ⁽⁷⁾	2031	33,360,000	25,800,000	2,508,788
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) ⁽⁸⁾	2033	17,640,000	14,005,000	1,385,025
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	61,665,000	4,278,488
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project) ⁽⁹⁾	2044	44,380,000	42,980,000	3,112,250
County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A & 2014 B (Taxable) ⁽¹⁰⁾	2033	18,495,000	11,055,000	2,350,687
County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds)	2046	325,000,000	319,655,000	20,855,000
County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds) ⁽¹¹⁾	2037	72,825,000	70,085,000	5,874,706
County of Riverside Infrastructure Financing Authority (2016 A & 2016 A-T Lease Revenue Refunding Bonds) ⁽¹²⁾	2031	39,985,000	39,985,000	3,486,608
TOTAL		<u>\$ 968,545,073</u>	<u>\$ 823,218,008</u>	<u>\$ 78,811,704</u>

⁽¹⁾ Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds were used to pay for improvements of the Medical Center Campus.

⁽²⁾ Annual base rental estimated at assumed interest rate of 9.00%. The average interest rate for the twelve-month period ending August 29, 2017 was approximately 0.92%.

⁽³⁾ The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

⁽⁴⁾ Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

⁽⁵⁾ The 2008 Series A refunded the 2000 Series B SWJC Project.

⁽⁶⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

⁽⁷⁾ The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

⁽⁸⁾ The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.

⁽⁹⁾ Expected to be refunded with the proceeds of the Bonds.

⁽¹⁰⁾ The 2014 Series A & B (Taxable) County of Riverside Lease Revenue Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2003 Series B, County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).

⁽¹¹⁾ The 2015 Series A Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2005 Series A, County of Riverside Certificates of Participation (Historic Courthouse Refunding Project) 2005 Series B and the County of Riverside Certificates of Participation (Capital Facilities Projects) 2006 A.

⁽¹²⁾ The 2016 A & A-T Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A.

Source: County Executive Office.

Lease Lines of Credits

On December 15, 2015, the County entered into a \$40 million multi-year lease line of credit with Banc of America Public Capital Corp., to finance various capital equipment needs of County departments. The initial line of credit is \$20 million with an option for an additional \$20 million after the initial funds are exhausted. The County started using the initial line of credit on December 16, 2015, and there is an available

balance of approximately \$_____ of unused credit as of November 1, 2017. The County expects to pay for existing capital equipment purchase commitments of approximately \$1.7 million from the remaining balance of the initial line of credit and funds from the additional line of credit.

Facilities Lease Agreements

[On April 18, 2017, the County entered into a Facilities Lease Agreement with TC Riverside MOB, LLC to fund the proposed construction, operation, and maintenance of an approximately 200,000 square foot \$113,400,000 surgery center and medical office building complex (the "Medical Office Building") next to the Riverside University Health System ("RUHS") Medical Center. The County has the right to terminate the Facilities Lease Agreement if it does not approve the final project budget, the final rent schedule, or the final construction schedule. The final project budget and final rent schedule have not been determined or approved by the County. If such approval is given, it is anticipated that RUHS would commence rental payments upon substantial completion of construction and occupancy of the Medical Office Building, currently anticipated to be April 2020, and that RUHS would continue to pay rental payments for approximately 25 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment is projected to be approximately \$9.3 million, escalating at 3% annually thereafter. If RUHS is unable to make Facilities Lease Payments from its operating revenues, the County may be required to advance monies from its General Fund.]

Capital Lease Purchase Agreements

On January 29, 2013, the County entered into a Master Equipment Lease Purchase Agreement with Banc of America Capital Corp. in the amount of \$16,000,000 to finance the purchase and installation of Cisco voice, video, wireless and data converged network equipment to replace all of the County's phones, auto attendants, Interactive Voice Response System, call centers, voicemail and wireless networks. On June 25, 2013, the County entered into an amendment to the Master Equipment Lease Purchase Agreement to provide for an additional \$3,250,000 in lease financing for additional equipment. As of November 1, 2017, approximately \$_____ principal amount remained outstanding under the original lease and \$_____ principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019 and 2020, respectively. On September 22, 2015, the County entered into a subsequent Master Equipment Lease Purchase Agreement to finance the last of the required equipment in an additional amount of \$6,368,180 and which is scheduled to be repaid in full by 2022. As of November 1, 2017, approximately \$_____ principal amount of this Master Equipment Lease Purchase Agreement remained outstanding.

On October 30, 2014, the County entered into a Lease Purchase Agreement with Banc of America Public Capital Corp. in the amount of \$54,573,300 to finance the purchase and installation of certain solar equipment for the purpose of reducing County energy costs. As of March 31, 2017, the financing was restructured to a principal balance of \$57,977,325. As of November 1, 2017, approximately \$_____ principal amount remained outstanding.

Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is reviewed annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement was novated in January

2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated "Aa2" by Moody's, "AA-" by Standard & Poor's and "AA" by Fitch as of September 1, 2017. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below "BBB" (in the case of S&P) or "Baa2" (in the case of Moody's), the County or the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement is negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of September 29, 2017, the swap agreement had a negative fair market value of approximately \$21,157,290 (based on the quoted market price from the Counterparty at such date).

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of "Baa2" from Moody's and "BBB" from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "AA-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of November 1, 2017, Assured Guaranty Corp. had a rating of ["AA" by S&P and "A2" from Moody's]. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

In July 2017, the United Kingdom's Financial Conduct Authority announced that it may discontinue the use of LIBOR by 2021. The County is unable to predict what benchmark rate will replace LIBOR for purposes of the swap agreement or the effect such replacement will have on the value of the swap agreement.

Employees

The following table sets forth the number of County employees for calendar years 2007 through 2017.

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2007 THROUGH 2017

<i>Year</i>	<i>Regular Employees⁽¹⁾</i>
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014	18,620
2015	19,244
2016	19,404
2017 ⁽²⁾	19,558

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

⁽²⁾ As of August 1, 2017.

Source: County Human Resources Department.

Labor Relations

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

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

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

The County's collective bargaining agreements with SEIU, LIUNA and RSA expired in 2016. The County is currently in negotiations with such labor organizations for new labor contracts and will continue operating under the terms of the expired contracts until new contracts are in place. Ongoing labor contract negotiations have been challenging, as LIUNA and SEIU implemented a 2-day strike in early September 2017

and a tentative agreement reached with RSA was subsequently rejected by RSA. The primary negotiation issues relate to certain merit increases sought by such labor organizations. Other than the 2-day strike by LIUNA and SEIU, there has been no major County employee work stoppage during the past 20 years. On October 17, 2017, following the rejection by the RSA of the tentative agreement that had been reached with the County, the Board of Supervisors voted to resolve the impasse with the RSA by imposing the terms of the County's last, best and final offer to RSA pursuant to Government Code Section 3505.7, which will govern the County's relations with the RSA in place of a memorandum of understanding.

**COUNTY OF RIVERSIDE
LABOR ORGANIZATIONS⁽¹⁾**

<i>Bargaining Units or Employee Group</i>	<i>Number of Employees⁽²⁾</i>	<i>Expiration Date of Contract</i>
Management, Confidential, and Other Unrepresented	1,412	N/A
Law Enforcement Management Unit (LEMU)	440	June 30, 2017 ⁽³⁾
Riverside County Deputy District Attorneys' Association (RCDDAA)	379	June 30, 2017 ⁽³⁾
Riverside Sheriffs' Association (RSA)	3,078	June 30, 2016 ⁽⁴⁾
Service Employees International Union (SEIU)	6,948	November 30, 2016 ⁽³⁾
Laborers' International Union of North America (LIUNA)	<u>7,301</u>	June 30, 2016 ⁽³⁾
Total	19,558	

⁽¹⁾ Includes all County districts.

⁽²⁾ As of August 1, 2017. Excludes Temporary, Per Diem, and Seasonal Employees.

⁽³⁾ The County is currently in negotiations with such labor organization for a new labor contract and will continue operating under the terms of the expired contract until a new contract is in place.

⁽⁴⁾ As described herein, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to the RSA pursuant to Government Code Section 3505.7 on October 17, 2017. Such terms will govern the County's relations with the RSA in place of a memorandum of understanding.

Source: County Human Resources Department.

Retirement Program

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

COUNTY OF RIVERSIDE
EMPLOYEES PER RETIREMENT TIER⁽¹⁾
(As of August 1, 2017)

<i>Tier Level</i>	<i>Number of Employees in Tier Level</i>
Tier 1	12,956
Tier 2	739
Tier 3	<u>5,863</u>
Total	19,558

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

Miscellaneous members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 60), Tier II (2% at 60), or Tier III (2% at 62). Safety members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 50), Tier II (2% at 50), or Tier III (2.7% at 57). The three tiers of retirement benefits all provide for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 20 of the Notes to Basic Financial Statements, June 30, 2016, which are included in APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

In September 2003, the County established the Pension Advisory Review Committee ("PARC"). The purpose of PARC is to develop a better institutional understanding of the County's pension plan (the "Plan"), currently managed by PERS and to advise the Board of Supervisors on important matters concerning the Plan. PARC reports annually to the Board of Supervisors on the performance of the Plan and evaluates strategies to address appropriate funding of the Plan. As part of such activities, PARC annually receives an independent, third party report on the County's pension cost projections from Bartel Associates, LLC in order to ensure that the County has adequate information concerning its long-term pension obligations. In addition to PARC's advisory role with respect to the Plan, PARC has been formally tasked with reviewing the County's other post-employment benefit ("OPEB") plans and advising the Board of Supervisors with respect thereto.

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

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

The new Tier III formulas for both Miscellaneous and Safety provide for a reduced benefit and was required to be implemented by all public agency employers unless the retirement formula in existence on December 31, 2012 had both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and 2.7% at 57 for Safety

members. PEPRAs mandated all new members be subject to a pensionable compensation cap, which limits the annual salary that can be used to calculate final compensation for all new members. Adjustments to the limits are permitted annually based on changes to the Consumer Price Index (CPI) for all urban consumers.

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

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2016 covered PERS' Fiscal Year 2014-15). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County's contribution rates derived from the actuarial valuation as of June 30, 2015, which was prepared in October 2016, is effective for the County's Fiscal Year 2017-18). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of the benefits that PERS will pay under the PERS Plans, which includes two components, the Normal Cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases and occurrences of disabilities. [confirm/revise] [In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will distribute under the PERS Plans to retirees and active employees upon their retirement. In prior years PERS converted past service cost to a percent of payroll and expressed the total required employer contribution as a single rate. Going forward the past service cost will no longer be converted to a percent of payroll and this cost will be invoiced to the employer as a monthly dollar contribution amount with the option to prepay the annual amount at the beginning of the fiscal year.] See the caption "—Historical Funding Status." The normal cost will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the payroll reporting process. It is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower.

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

In June 2012, the GASB issued Statement No. 68, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. GASB 68 became effective for fiscal years beginning after June 15, 2014. Prior to implementing GASB 68, employers participating in a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) administered by PERS did not need any additional information beyond what was included in CalPERS' audited financial statements. Similarly, employers participating in an agent multiple-employer defined benefit pension plan (agent plan) administered by PERS used information from the PERS funding actuarial valuation reports for accounting and financial reporting purposes. With the implementation of GASB 68, employers will be required to recognize a liability as employees accrue pension benefits. For the first time, employers will recognize their net pension liability, deferred outflows of resources, deferred inflows of resources and pension expenses.

On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period with experience gains and losses amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, PERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. For complete additional information, please contact PERS at California Public Employees Retirement System, Lincoln Plaza, 400 Q Street, Sacramento, CA 95811, Telephone: (888) 225-7377.

On February 19, 2014, the PERS Board of Administration adopted new demographic assumptions reflecting the (i) expected longer life spans of public agency employees and related increases in costs for the PERS system, and (ii) trend of higher rates of retirement for certain public agency employee classes, including police officers and fire fighters. The new actuarial assumptions were used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions was calculated in the 2014 actuarial valuation and amortized over a 20-year period including a 5-year ramp-up and a 5-year ramp-down.

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

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2015, the PERS actuary recommended an employer contribution rate of 10.192% be implemented as the required rate for Fiscal Year 2017-18, and an employer unfunded liability payment of approximately \$70.9 million, which the County anticipates will result in a contribution to PERS of approximately \$182.3 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately \$315,000 in County Offsets of Employee Contributions for Fiscal Year 2017-18, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2017-18 of approximately \$185.3 million. In the actuarial valuation for the Safety Plan as of June 30, 2015, the PERS actuary recommended an employer contribution rate of 17.912% be implemented as the required rate for Fiscal Year 2017-18, and an employer unfunded liability payment of \$34.5 million, which the County anticipates will result in a contribution to PERS of approximately \$97.0 million for that fiscal year. As of August 2016, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plans.

In the actuarial valuation for the Miscellaneous Plan as of June 30, 2016, the PERS actuary recommended an employer contribution rate of 10.458% be implemented as the required rate for Fiscal Year

2018-19, and an employer unfunded liability payment of approximately \$100.3 million, which the County anticipates will result in a contribution to PERS of approximately \$224.9 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately \$ _____ in County Offsets of Employee Contributions for Fiscal Year 2018-19, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2017-18 of approximately \$ _____ million. In the actuarial valuation for the Safety Plan as of June 30, 2016, the PERS actuary recommended an employer contribution rate of 18.464% be implemented as the required rate for Fiscal Year 2018-19, and an employer unfunded liability payment of approximately \$48.8 million, which the County anticipates will result in a contribution to PERS of approximately \$117.1 million for that fiscal year. As of August 2016, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plans.

On November 18, 2015, the PERS Board adopted a Funding Risk Mitigation Policy. The Policy seeks to reduce PERS funding risk over time. A mechanism will be established to reduce the discount rate, or assumed rate of return, by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate by at least four percentage points. The policy will incrementally lower the discount rate in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the PERS Board approved lowering the PERS discount rate assumption, the long-term rate of return, from 7.50% to 7.00% over the next three years. Lowering the discount rate will increase both the normal costs and the accrued liabilities. Starting in Fiscal Year 2018-19, such increases will result in higher required employer contributions. The reduction in the discount rate will result in additional County contributions of approximately \$40 million in Fiscal Year 2018-19 and totaling approximately \$148 million when fully phased in. The benefits of reducing the discount rate strengthen long-term sustainability, reduce negative cash flows, reduce the long-term probability of funded ratios falling below undesirable levels, improve likelihood of PERS investments earning the assumed rate of return, and reduce the risk of contribution increases in the future from volatile investment markets.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds") in the original principal amount of \$400,000,000, the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The 2005 Pension Obligations Bonds remain outstanding in the principal amount of \$304,520,000, with annual debt service payments of approximately \$31,639,000. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel Associates, LLC, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of approximately \$72 million as of February 15, 2017. A liability management fund was established in connection with the 2005 Pension Obligation Bonds. By Board policy, each year in its annual report, PARC recommends to the Board whether the funds in the liability management fund should be applied to purchase 2005 Pension Obligations Bonds or to transfer the funds to PERS to reduce the County's PERS unfunded liability. In 2016, PARC recommended to transfer the excess liability management funds to the Section 115 Supplemental Pension Trust. In the current year, the excess is recommended to be sent to the Section 115 Supplemental Pension Trust and in future years to be considered an administrative process.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2011 through June 30, 2016 and the total employer contributions of the County for Fiscal Year 2013-14 through Fiscal Year 2018-19. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Safety Plan)**

<i>Valuation Date</i> <i>June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount⁽¹⁾</i>	<i>County Offsets of Employee Contributions⁽²⁾</i>
2011	\$286,064,497	85.9%	2013-14	\$71,724,520	\$2,843,364
2012	225,792,281	89.2	2014-15	70,139,838	605,908
2013 ⁽³⁾	509,464,128	77.7	2015-16	80,459,918	698,338
2014	517,389,969	80.2	2016-17	84,437,591 ⁽⁴⁾	31,077
2015	705,377,373	75.2	2017-18	86,970,719 ⁽⁴⁾	0
2016	958,272,557	69.2	2018-19		0

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

(2) Reductions from prior years are due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The increase for Fiscal Year 2015-16 contributions is due to increased payroll of the plan's membership. Beginning Fiscal Year 2014-15, the County stopped paying towards the employee contribution rate to PERS for the Safety Plans for Tier I and Tier II employees. As of August 2016, the County also stopped paying towards the Classic employee contribution rate to PERS for Safety Plans for Tier III employees.

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

(4) [Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2016-17 and 2017-18.]

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

<i>Valuation Date</i> <i>June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount⁽¹⁾</i>	<i>County Offsets of Employee Contributions⁽²⁾</i>
2011	\$ 538,055,042	87.9%	2013-14	\$125,248,122	\$7,319,320
2012	536,480,531	88.6	2014-15	127,786,977	292,784
2013 ⁽³⁾	1,034,364,773	79.3	2015-16	151,557,834	307,423
2014	973,226,141	82.8	2016-17	178,554,572 ⁽⁴⁾	293,000 ⁽⁴⁾
2015	1,399,399,333	77.3	2017-18	183,911,209 ⁽⁴⁾	315,000 ⁽⁴⁾
2016	2,050,567,259	70.1	2018-19		

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

(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The County continues to pay 8% of the 8% required contributions for Miscellaneous [Tier 1] Plan members who are covered by Riverside County Deputy District Attorney Association bargaining unit.

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

(4) [Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2016-17 and 2017-18.]

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

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

Valuation Date June 30	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (Actuarial Value) (b/a)	Annual Covered Payroll (c)	UAAAL as a Percentage of Payroll ((a-b)/c)	Market Value of Assets (MVA)	Funded Ratio MVA
2011	\$2,032,001,280	\$1,745,936,783	\$286,064,497	85.9%	\$273,169,605	104.7%	\$1,565,799,198	77.1%
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1
2013	2,285,586,497	1,776,122,369 ⁽¹⁾	509,464,128	77.7	271,367,032	187.7	1,776,122,369	77.7
2014	2,615,686,777	2,098,296,808	517,389,969	80.2	295,171,068	175.2	2,098,296,808	80.2
2015	2,846,014,858	2,140,637,485	705,377,373	75.2	319,499,129	220.8	2,140,637,485	75.2
2016	3,110,254,402	2,151,981,845	958,272,557	69.2	338,809,025	282.8	2,151,981,845	69.2

⁽¹⁾ Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

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

Valuation Date June 30	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (Actuarial Value) (b/a)	Annual Covered Payroll (c)	UAAAL as a Percentage of Payroll ((a-b)/c)	Market Value of Assets (MVA)	Funded Ratio MVA
2011	\$4,461,553,672	\$3,923,498,630	\$ 538,055,042	87.9%	\$ 812,362,628	66.2%	\$3,525,640,733	79.0%
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8
2013	5,008,806,968	3,974,442,195 ⁽¹⁾	1,034,364,773	79.3	856,593,282	120.8	3,974,442,195	79.3
2014	5,656,121,103	4,682,894,962	973,226,141	82.8	897,506,714	108.4	4,682,894,962	82.8
2015	6,174,498,346	4,775,099,013	1,399,399,333	77.3	1,000,223,148	139.9	4,775,099,013	77.3
2016	6,850,143,825	4,799,576,566	2,050,567,259	70.1	1,090,295,411	188.1	4,799,576,566	70.1

⁽¹⁾ Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2013-14 through Fiscal Year 2018-19 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

<i>Valuation Date June 30,</i>	<i>Affects Contribution Rate for Fiscal Year:</i>	<i>Safety Plan</i>	<i>Employer Payment of Unfunded Liability</i>	<i>Miscellaneous Plan</i>	<i>Employer Payment of Unfunded Liability</i>
2011	2013-14	23.368%	N/A	15.001%	N/A
2012	2014-15	21.899	N/A	14.527	N/A
2013	2015-16	23.585	N/A	15.429	N/A
2014	2016-17	26.570	N/A	16.476	N/A
2015	2017-18	17.912*	\$35,778,888	10.192*	\$73,598,564
2016	2018-19	18.464	48,790,038	10.458	100,265,926

* Beginning in Fiscal Year 2017-18, PERS will collect employer contributions toward the plan’s unfunded liability as dollar amounts rather than contribution rate, which was the prior method of collection. [The County pays at the beginning of each fiscal year for its unfunded liability payment.] The plan’s normal cost contribution will continue to be collected as a percentage of payroll. See the caption “—The County’s PERS Contract.”
 Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

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

The County’s projected contribution rates are affected by the market rate of return in the PERS Plans and other changes that may be adopted by PERS from time to time, see “— The County’s PERS Contract” above.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the “Plan”) to employees who are not eligible for Social Security or PERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. The County has set a goal of ensuring that the Plan is at least 80% funded. Participants in the Plan are required to contribute 3.75% of their eligible compensation to the Plan in lieu of Social Security tax. Based on the actuarial valuation of June 30, 2016, the County’s current required contribution level is 1.87% to maintain a funded ratio of 80%. As of June 30, 2016, the plan was funded at 80%. The County’s contribution to the Plan was \$667,952 for Fiscal Year 2015-16, \$1.34 million for Fiscal Year 2016-17 and is estimated to be approximately \$700,000 for Fiscal Year 2017-18. The actuarial valuation projects the Plan to be approximately 80% funded as of June 30, 2017. The Plan’s unfunded liabilities as of June 30, 2016 were approximately \$6.6 million. Overall, the plan’s unfunded actuarial accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) demographic experience was different than expected, which resulted in a reduction in liabilities; 2) updates to the assumed mortality improvement scale resulted in a liability loss; 3) lower discount rate resulted in an increase in liabilities; 4) assets were lower than expected due to unfavorable investment return on plan assets (-0.36 percent compared to 6.0 percent assumed).

Other Post-Employment Benefits. [TO BE UPDATED] The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular

employees with a minimum service of five years and who are at least age 50, or age 52 if they became a CalPERS member on or after January 1, 2013, at retirement qualify to receive the post-retirement benefits.

The County obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated as of July 1, 2016 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an investment rate of 7.28%, the present value of benefits was estimated to be \$47.4 million, the accrued actuarial liability was estimated to be \$42.0 million and the annual normal cost was \$0.70 million. If the accrued actuarial liability of \$42.0 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$1.1 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to the California Employers' Retiree Benefit Trust (the "OPEB Trust"). On November 7, 2007 the irrevocable OPEB Trust was established with PERS and a payment of \$10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional \$2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, the overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$47.4 million most recently.

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

Riverside University Health System - Medical Center

RUHS is an approximately 520,000 square foot tertiary care and Level II trauma facility, licensed for 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RUHS is serviced by nearly 3,500 healthcare professionals and support staff, and provides training to 1,000 medical residents and students and 2,500 nursing students annually. RUHS has 12 operating rooms including one with a da Vinci Xi surgical robot, a helipad located directly adjacent to the trauma center, and digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT), and all single-bed rooms, and provides support to numerous hospital-based clinics. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services, including hyperbaric oxygen treatments, and one of only ten emergency psychiatric hospitals in the State.

The County has the legal responsibility to provide health care to all individuals, regardless of their ability to pay or insurance status, and provides these services by operating RUHS. RUHS provides services to patients covered by various reimbursement programs, principally Medi-Cal and Medicare, and some commercial insurance, while also providing services to the uninsured.

In response to several years of declining profitability and losses, in 2013, the County's Board of Supervisors retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RUHS. The engagement is complete and suggested changes were implemented. Toward the end of the Huron engagement, the County completed restructuring efforts at RUHS through permanent hires for the positions of the Chief Executive Officer and Chief Operating Officer of RUHS. Additionally, RUHS contracted to hire a new Chief Financial Officer. The new leadership team developed and deployed a strategy to lock in recent fiscal improvement, improve operational efficiency and prepare for anticipated challenges. In each of the two years following the completion of Huron's engagement, RUHS experienced net surpluses (\$59.5 million and \$43.6 million in Fiscal Years 2014-15 and Fiscal Year 2015-16, respectively), including an improvement in excess of \$120 million in the first year compared to the

prior year (RUHS experienced a loss of \$62.3 million in Fiscal Year 2013-14), and is projected to be near break-even (hit its budget target) in Fiscal Year 2017-18.

The original Huron engagement cost \$26 million and was paid for with proceeds of a temporary transfer from the County's Waste Management Enterprise Fund. RUHS is required to repay the remaining balance due on the original \$26 million cost, with interest calculated at the County's pool investment fund rate, in five annual installments which are to be paid over the five year period beginning June 2023 and ending in June 2027, reflecting a deferment for cash flow purposes of the original payment schedule that began in 2016 and ended in 2022. If RUHS is unable to repay this loan, any unpaid amounts will be transferred to the County's Waste Management Enterprise Fund from unencumbered amounts in the County's General Fund. Prior to the deferment of remaining loan payments until June 2023, RUHS made scheduled payments on the loan in the amount of \$3,693,711 in both Fiscal Years 2015-16 and 2016-17.

RUHS relies on a significant amount of governmental Medicaid waiver revenue including Disproportionate Share Hospitals (DSH) funding, Delivery System Reform Incentive Payments (DISRIP) and Realignment. In December 2015, several changes were adopted with respect to the Medicaid waiver to shift the focus of care away from hospital-based and inpatient care and instead towards outpatient, primary, and preventive care. RUHS organized to ensure a pay-for-performance transformation that accomplishes the goal of continuing support, maximizing federal funds and improving the system of care for the County. Fiscal Year 2016-17 represents the first year of operations that the renewed focus was implemented, and while efforts to date have been positive and are expected to yield revenues in excess of budget by 7%, the County cannot predict the long-term impact of the funding changes.

For Fiscal Year 2016-17, consistent with its past practice, the County contributed approximately \$10 million to RUHS from its tobacco settlement revenue receipts and \$5 million in redevelopment pass through funds to pay for operating expenses and debt service on the main RUHS facility. Additionally, the County committed \$11 million in Fiscal Year 2016-17 toward capital investment at RUHS and to partially compensate RUHS for the cost of providing care to beneficiaries enrolled in the County's medical insurance program, inpatient mental health services and hospital-based medical care for inmates. The County has budgeted to reduce its general fund contribution made to RUHS by approximately 6% in Fiscal Year 2017-18.

Insurance

The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to \$3.5 million for each occurrence with a \$2 million corridor and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each claim with a \$1.5 million limit on a claims-made basis in excess of the County's self-insured retention, followed by a \$20 million limit on an occurrence basis through CSAC Excess Insurance Authority, for a total limit of \$21.5 million in excess of the County's self-insured retention. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance of statutory limits (unlimited) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is \$100,000 per occurrence deductible within a 100-year flood zone and a \$50,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "Towers" and each Tower provides \$300 million in limits. There is also a \$300 million excess all-risk and flood rooftop layer sitting excess above the towers for a total of \$600 million in all-risk limits for all Towers. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each Tower of \$100 million with an additional \$440 million excess rooftop limit combined for Towers I through IV. Earthquake is subject to a deductible equal to 5% of total value per building per occurrence subject to a \$100,000 minimum. Boiler and Machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in

each Tower are shared with other counties within that Tower on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2017 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2017 was approximately \$142 million.

Litigation

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

The County is currently involved in litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2016-17, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately \$30,000,000, of which \$3,900,000 is allocable to the County. Should Agua Caliente be successful, the County would be prohibited from assessing, levying, and collecting the possessory interest tax in the future. In addition, taxpayers could have the right to seek a refund of possessory interest taxes paid for the previous four years with interest. The County estimates that its total liability for such refunds would be approximately \$16 million, plus accrued interest. The County denied the allegations of the complaint and defended the action. Finding that the County's imposition of the possessory interest tax was lawful, the U.S. District Court entered judgment in favor of the County on June 15, 2017. Agua Caliente has filed an appeal to the 9th Circuit Court of Appeal. Briefing of the matter is expected to be completed in early March 2018.

Approximately 410 taxpayers have filed two different lawsuits in Superior Court seeking refunds for such possessory interest taxes paid. The total amount of the claims is approximately \$10,895,104, of which the County's share is approximately \$1,961,119 plus interest. It is likely that if the taxpayers' suits are successful, others will also litigate similar claims. However, the County is defending the actions and expects to prevail.

In December 2014, a putative class action complaint was filed in federal court against the County. The complaint alleges that the County Department of Public Social Services violated the civil rights of the plaintiff and a class of similarly situated individuals by removing minor children from parental custody without a warrant and in the absence of exigent circumstances. The County has filed an answer denying all allegations and is defending the litigation. [A class-certification motion is set for a hearing on November 6, 2017, at which time the County's exposure will be more certain.] If a class is certified and the suit succeeds on the merits, the County's exposure could be substantial.

**NOTICE OF PUBLIC HEARING ON PROPOSED ISSUANCE
OF BONDS FOR RIVERSIDE COUNTY**

NOTICE IS HEREBY GIVEN pursuant to Section 6586.5 of the California Government Code, that a public hearing will be held by Riverside County (the "County"), in connection with plans by the Riverside County Infrastructure Financing Authority to issue up to \$55,000,000 aggregate principal amount of its Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the "Bonds"). The Bonds will be issued to acquire and refinance certain public improvements located in City of Indio and generally described as the Riverside County Law Building, a 90,000-square-foot facility housing the Indio branch of the Riverside County Law Library and the offices of the County's District Attorney, Public Defender and County Counsel (the "Project").

Members of the public are invited to attend the aforementioned hearing, which will provide a reasonable opportunity for interested individuals to express their views on the acquisition and refunding of the Project.

The hearing will commence at 9:00 a.m., local time, on November 14, 2017, or as soon thereafter as the matter can be heard and will be held in the Board Chambers, located in County Administrative Center, Board Chambers, Location First Floor, 4080 Lemon Street, Riverside 92501. Interested persons wishing to express their views on the issuance and sale of such Bonds or on the nature and location of the Project proposed to be acquired and refinanced may attend the public hearing or, prior to the time of the hearing, submit written comments.

Additional information concerning the above matter may be obtained from, and written comments should be addressed to, Clerk of the Board of Supervisors of Riverside County, 4080 Lemon Street, Riverside, California 92501.

Dated November __, 2017

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

William W. Bothwell, Esq.
ORRICK, HERRINGTON & SUTCLIFFE LLP
777 South Figueroa Street, Suite 3200
Los Angeles, California 90017

(Space above for Recorder's use)

This document is recorded for the benefit of the County of Riverside and the recording is fee-exempt under Section 6103 of the California Governmental Code.

FACILITY LEASE

by and between the

RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY

and

COUNTY OF RIVERSIDE

relating to the

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

Dated as of December 1, 2017

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EXHIBIT C CERTIFICATE OF THE COUNTY REGARDING INSURANCE 1

FACILITY LEASE

This Facility Lease (this "Facility Lease"), executed and entered into as of December 1, 2017, by and between the 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"), and the COUNTY OF RIVERSIDE, a political subdivision duly organized and existing under the Constitution and laws of the State of California (the "County");

WITNESSETH:

WHEREAS, concurrently with the execution of this Facility Lease, the County and the Authority are entering into a Site Lease (the "Site Lease"), dated as of December 1, 2017, whereby the Authority will lease certain real property and the improvements thereon from the County, more particularly described in Exhibit A attached hereto (the "Leased Property");

WHEREAS, the County will then sublease the Leased Property back from the Authority pursuant to this Facility Lease;

WHEREAS, concurrently with the execution of this Facility Lease the Authority, the County and U.S. Bank National Association, as trustee (the "Trustee"), are entering into an Indenture, dated as of December 1, 2017 (the "Indenture");

WHEREAS, to provide funds for the refinancing of the Project, the Authority will issue its Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the "Series 2017 Bonds"), in the aggregate principal amount of \$XX,000,000 ("the "Series 2017 Bonds");

WHEREAS, the Series 2017 Bonds will be secured by the payments to be made by the County pursuant to this Facility Lease;

WHEREAS, the County is authorized by law to sublease the Leased Property and the Leased Property is necessary and proper for public purposes; 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 Facility Lease 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 Facility Lease;

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

ARTICLE I
DEFINITIONS

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 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. All other capitalized terms used herein without definition shall have the meanings as set forth in the Indenture.

Additional Payments

“Additional Payments” means all amounts payable by the County pursuant to Section 5.01(b) hereof.

Assignment Agreement

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

Authority

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

Base Rental Payment Date

The term “Base Rental Payment Date” means 15th day of the month preceding each Interest Payment Date.

Base Rental Payments

“Base Rental Payments” means all amounts payable by the County as base rental pursuant to Section 5.01(a) hereof.

Closing Date

“Closing Date” means the date on which the Bonds are initially delivered to the Underwriter.

Code

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

County

“County” means the County of Riverside, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

Expiry Date

“Expiry Date” means November 1, 2044.

Facility Lease

“Facility Lease” means this Facility Lease, dated as of December 1, 2017, by and between the Authority and the County, as originally executed and entered into and as it may from time to time be amended in accordance herewith.

Fiscal Year

“Fiscal Year” means the fiscal year of the County which, as of the date hereof, is the period from July 1 to and including the following June 30.

Indenture

“Indenture” means that certain Indenture executed and entered into as of December 1, 2017, by and among the Trustee, the County and the Authority, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

Insurance Consultant

“Insurance Consultant” means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

Insurer

“Insurer” means the issuer or issuers, if any, of a policy or policies of municipal bond insurance obtained by the County to insure the payment of the principal of or 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. There is no Insurer with respect to the Series 2017 Bonds.

Leased Property

“Leased Property” means the real property more particularly described in Exhibit A attached hereto (as the same may be changed from time to time by Removal or Substitution), together with the improvements thereon or to be located thereon, subject to the following: The County shall have the right during term of this 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 this Facility Lease.

Lease Year

“Lease Year” means the period from each July 1 to and including the following June 30 during the term hereof; provided that the initial Lease Year shall commence on the Closing date and the final Lease Year shall terminate on the Expiry Date.

Opinion of Counsel

“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.

Owner

“Owner” means the registered owner of any Outstanding Bond.

Permitted Encumbrances

“Permitted Encumbrances” means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to Section 6.02, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) this Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Riverside; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of this Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds.

Removal

“Removal” means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease as provided in Section 2.06.

Site Lease

“Site Lease” means that certain Site Lease, executed and entered into as of December 1, 2017, by and between the County and the Authority, as originally executed and entered into and as it may from time to time be amended in accordance herewith and therewith.

Substitution

“Substitution” means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease, and the lease of substituted real property and improvements hereunder and under the Site Lease as provided in Section 2.06.

Trustee

“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, as trustee acting in its capacity as such under the Indenture, or any successor as therein provided.

The singular form of any word used herein, including the terms defined in this Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. All references herein to “Sections” and other subdivisions hereof are to the corresponding Sections or subdivisions of this Facility Lease as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Facility Lease as a whole and not to any particular Section or subdivision hereof.

ARTICLE II

THE LEASED PROPERTY

Section 2.01 Lease of the Leased Property. The Authority hereby leases to the County, and the County hereby rents and hires from the Authority, the Leased Property on the conditions and terms hereinafter set forth. The County hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and in the Indenture, and the County hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property.

Section 2.02 Quiet Enjoyment. The parties hereto mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 2.03 Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business

hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations hereunder and for all other lawful purposes.

Section 2.04 Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by Section 5.07 hereof. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided herein. Notwithstanding anything to the contrary herein contained, the County may assign, transfer or sublease any and all of the Leased Property or its other rights hereunder, *provided* that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority hereunder, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations hereunder, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other Section hereof, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to this Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted hereunder by an amendment to this Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Section 2.05 Liens. In the event the County shall at any time during the term hereof cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Section 2.06 Substitution or Removal of Leased Property.

(a) The County may amend this Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased

Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold hereunder and under the Site Lease.

(b) No Substitution or Removal shall take place hereunder until the County delivers to the Authority and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County: (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments payable hereunder attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; (B) stating with respect to any substitution of property only that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Leased Property for which it is being substituted; and (C) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of this Facility Lease;

(3) An Opinion of Counsel to the effect that the amendments hereto and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2017 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(6) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(7) Evidence that the County has complied with the covenants contained in clauses (1), (2) and (3) of Section 6.03 hereof with respect to the Substituted Property.

ARTICLE III

TERM OF THE FACILITY LEASE

Section 3.01 Commencement of the Facility Lease. The effective date of this Facility Lease is the Closing Date, and the term of this Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as hereinafter provided. If on the Expiry Date, the rental payable hereunder shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Facility Lease shall be extended until ten days after the rental payable hereunder shall be fully paid and all Bonds shall be fully paid, except that the term of this Facility Lease shall in no event be extended beyond November 1, 20__ . If prior to the Expiry Date, the rental payable hereunder shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with Article X of the Indenture, the term of this Facility Lease shall end ten days thereafter or ten days after written notice by the County to the Authority to the effect that the rental payable hereunder shall be fully paid and all Bonds have been fully paid, whichever is earlier, and this Facility Lease shall thereupon terminate.

ARTICLE IV

USE OF PROCEEDS; TAX COVENANTS

Section 4.01 Use of Proceeds. The parties hereto agree that the proceeds of the Series 2017 Bonds will be used by the Authority to refinance the Leased Property by refunding the Prior Bonds and to pay Costs of Issuance and incidental and related expenses.

Section 4.02 Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall

obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County hereby specifically agrees to ensure that the following requirements are met:

(1) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(2) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

(c) The provisions of this Section shall not apply to any Series of Bonds which the County 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.

ARTICLE V

RENTAL PAYMENTS

Section 5.01 Rental Payments. The County agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental hereunder as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, on each Base Rental Payment Date in the amounts set forth in the Base Rental Payment Schedule attached hereto as Exhibit B, and made a part hereof. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County hereunder.

If the term of this Facility Lease shall have been extended pursuant to Section 3.01 hereof, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of this Facility Lease. Upon such extension of this Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts (“Additional Payments”) in each year as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the County’s expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(ii) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in Section 8.03 of the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Facility Lease, the Site Lease or the Indenture; and

(iv) The reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with this Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of this Facility Lease, the Site Lease, the Bonds or the Indenture.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of this Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties hereto have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable hereunder in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under this Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties hereto hereby acknowledge that the parties hereto may amend this Facility Lease from time to time to increase the Base Rental Payments payable hereunder so that Additional Bonds may be executed, authenticated and issued pursuant to Section 5.07 hereof and Sections 2.11 and 2.12 of the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary herein contained, this Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County hereunder.

(d) Payment; Credit. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in Section 5.04 hereof, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due hereunder or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this Section 5.01(d) on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest

Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Section 5.02 Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under this Facility Lease in its operating budget for each Fiscal Year commencing after the date hereof (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Section 5.03 Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due hereunder, then to the principal components (including any prepayment premium components) of the Base Rental Payments due hereunder and thereafter to all Additional Payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 5.04 Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due hereunder with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights hereunder, as permitted by Section 2.04 hereof, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to this Facility Lease as provided in clause (d) of Section 2.04 hereof. Any abatement of rental payments pursuant to this Section shall not be considered an Event of Default as defined in Article X hereof. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Facility Lease by virtue of any such interference and this Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this Section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Section 5.05 Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to Section 7.01

hereof, all or any portion of the components of Base Rental Payments payable hereunder relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under this Facility Lease represented by the Series 2017 Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under this Facility Lease represented by the Series 2017 Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to Section 4.01(b) of the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under this Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under this Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2017 Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this Section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Section 5.06 Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained herein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained herein agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Section 5.07 Additional Bonds. In addition to the Series 2017 Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in Sections 2.11 and 2.12 of the Indenture, enter into a Supplemental Indenture to issue

Additional Bonds on a parity with the Series 2017 Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to this Facility Lease, providing for an increase in the Base Rental Payments to be made hereunder subject to the limitations set forth in Section 5.01(c)(ii) hereof.

ARTICLE VI

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES

Section 6.01 Maintenance of the Leased Property by the County. The County agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved and kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Section 6.02 Taxes, Other Governmental Charges and Utility Charges. The parties hereto contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as this Facility Lease is in effect.

Section 6.03 Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this Section 6.03. Such insurance shall consist of :

- (1) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or

other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable hereunder; *provided* that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss (except for flood, in which case the deductible may not exceed \$250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (1) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than \$500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage for rental interruption under this paragraph (1) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. The County's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of Section 6.06 hereof.

(2) In the event that such coverage is not included in paragraph (1) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than \$75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to \$75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to \$75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (2) may provide that amounts payable as coverage for rental interruption under this paragraph (2) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa. The County's obligations under this subsection may be

satisfied by self-insurance, provided that such self-insurance complies with the provisions of Section 6.06 hereof.

(3) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (1) or (2) above, as the case may be, in an amount sufficient at all times to pay the maximum total rent payable under this Facility Lease for a period of not less than two consecutive years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable for rental interruption under paragraph (1) or (2), as the case may be, for the same occurrence, and vice versa. [The County's obligations under this subsection may [NOT] be satisfied by self-insurance]; provided that such self-insurance complies with the provisions of Section 6.06 hereof.]

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided herein or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance herein required. The Trustee 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.

Any insurance policy issued pursuant to paragraph (1) or (2) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied as provided in Section 7.01 hereof. The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this Section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer, if any, not later than January 31 of each year, in substantially the form of Exhibit C hereto with necessary or appropriate insertions, omissions and variations as permitted or required hereby, certifying that the insurance policies required by this Section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which this Facility Lease requires to be so endorsed. The County will provide the Insurer, if any, with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required hereunder.

Section 6.04 Advances. In the event the County shall fail to maintain the full insurance coverage required hereby or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Section 6.05 Title Insurance. The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal component of all Base Rental Payments payable hereunder. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to Permitted Encumbrances.

Section 6.06 Self-Insurance. Any self-insurance maintained by the County pursuant to this Article shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by the County's professionally certified risk manager or by an independent insurance consultant;

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on a bi-annual basis by the County's professionally certified risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of the County's professionally certified risk manager or such independent insurance consultant, as applicable; and

(c) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the County's professionally certified risk manager or by an independent insurance consultant, shall be maintained.

ARTICLE VII

DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION

Section 7.01 Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term hereof (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due hereunder attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of Section 4.01(a) of the Indenture. Notwithstanding any other provision herein, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or redemption; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under this Facility Lease.

ARTICLE VIII

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE LEASED PROPERTY

Section 8.01 Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE

OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided hereby.

Section 8.02 Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE IX

ASSIGNMENT; INDEMNIFICATION; NON-LIABILITY

Section 9.01 Assignment by Authority. The parties understand that certain of the rights of the Authority hereunder and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County agrees to make all payments due hereunder to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the County may from time to time have against the Authority. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term hereof.

Section 9.02 Assignment by County. This Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by Section 2.04 hereof.

Section 9.03 Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Bonds, the entering into of this Facility Lease, the use of the Leased Property and each portion thereof or any accident in

connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this Section 9.03 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The County the Trustee and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following the learning thereof by such party.

Section 9.04 Non-Liability of the Authority. 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 this Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) 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 this Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under this Facility Lease.

The County 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 this Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder 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 upon notice from the Trustee, the County shall 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.

Section 9.05 Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the County shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Facility Lease; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Facility Lease.

ARTICLE X

DEFAULT

Section 10.01 Default.

(a) The following events shall be "Events of Default" under this Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Facility Lease, any one or more of the following events:

(1) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to Section 5.01(a) hereof, provided, that the failure to deposit any Base Rental Payments abated pursuant to Section 5.04 hereof shall not constitute an Event of Default;

(2) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to Section 5.01(b) hereof; or

(3) The County shall breach any other terms, covenants or conditions contained herein or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in Section 10.01(a) or (e) hereof, it shall be lawful for the Authority or its assignee, subject to the terms of this Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or hereunder.

(c) If the Authority does not elect to terminate this Facility Lease in the manner hereinafter provided for in subparagraph (d) hereof, the County agrees to and shall remain liable for the payment of all Base Rental Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the releasing of the Leased Property or, in the event the Authority is unable to re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of this Facility Lease, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Base Rental

Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of obtaining possession of the Leased Property or exercise of any other remedy by the Authority. The County hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the County to obtain possession and re-lease the Leased Property in the event of default by the County in the performance of any covenants herein contained to be performed by the County and to remove all personal property whatsoever situated upon the Leased Property and to place such property in storage or other suitable place in the County of Riverside, for the account of and at the expense of the County, and the County hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The County hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the County that may be in or upon the Leased Property. The County agrees that the terms of this Facility Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Facility Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Facility Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate this Facility Lease shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (d) hereof. The County further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its service in re-leasing the Leased Property.

(d) In any Event of Default hereunder, the Authority at its option may terminate this Facility Lease and re-lease all or any portion of the Leased Property. In the event of the termination of this Facility Lease by the Authority at its option and in the manner hereinafter provided on account of default by the County (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the County nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Base Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the County shall have no right thereto, nor shall the County be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Authority from the Leased Property. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any proceeding taken by the Authority shall of itself operate to terminate this Facility Lease, and shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate this Facility Lease. The County covenants and agrees that no surrender of the Leased Property or of the remainder of the term hereof or any termination of this Facility Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term hereof, if the County's interest herein or any part thereof be assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by Section 2.04 hereof), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by Section 2.04 hereof); then in each and every such case the County shall be deemed to be in default hereunder

(f) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(g) Neither the County nor the Authority shall be in default in the performance of any of its obligations hereunder (except for the obligation to make Base Rental Payments pursuant to Section 5.01 hereof) unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Notices. 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 Authority:

Riverside County Infrastructure Financing Authority
4080 Lemon Street, [4th Floor]
Riverside, CA 92501-3651
Attention: Chair

If to the County:

County of Riverside
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3651
Attention: County Finance Director

If to the Trustee:

U.S. Bank National Association
633 W. Fifth Street – 24th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Department

Section 11.02 Binding Effect. This Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Section 11.03 Trustee as Third Party Beneficiary. The Trustee is hereby designated a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee under the Assignment Agreement.

Section 11.04 Net Lease. It is the purpose and intent of the Authority and the County that lease payments hereunder shall be absolutely net to the Authority so that this Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as herein specifically otherwise provided. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of this Facility Lease shall be paid by the County.

Section 11.05 Amendments. This Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment hereof.

This Facility Lease and the rights and obligations of the Authority and the County hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved herein to or conferred herein

on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) 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 Authority or the County may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with Section 2.06 hereof;

(d) to facilitate the issuance of Additional Bonds as provided in Section 5.07 hereof; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

Section 11.06 Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable hereunder, all of the obligations of the County hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments hereunder pursuant to Section 10.01(b) of the Indenture, then the obligation of the County hereunder to make Base Rental Payments hereunder shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by Section 10.01(b) of the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Authority and the Trustee specified in the third paragraph of Section 5.05 hereof shall not apply incident to the payment to the Owners of all Outstanding Bonds in accordance with Section 10.01, including Section 10.01(b), of the Indenture.

Section 11.07 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 11.08 California Law. This Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 11.09 Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 11.10 Execution. This Facility Lease may be executed and entered into 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 entered into this Facility Lease by their officers thereunto duly authorized as of the day and year first written above.

**RIVERSIDE COUNTY
INFRASTRUCTURE FINANCING
AUTHORITY**

By: _____
Chairman

COUNTY OF RIVERSIDE

By: _____
County Executive Officer

EXHIBIT A

Description of the Leased Property

EXHIBIT B

Base Rental Payments Schedule

<u>Interest Payment Date *</u>	<u>Principal Component of Base Rental Payment</u>	<u>Interest Component of Base Rental Payment</u>	<u>Total Base Rental Payment</u>
5/1/2018			
11/1/2018			
5/1/2019			
11/1/2019			
5/1/2020			
11/1/2020			
5/1/2021			
11/1/2021			
5/1/2022			
11/1/2022			
5/1/2023			
11/1/2023			
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5/1/2032			
11/1/2032			
5/1/2033			
11/1/2033			
5/1/2034			
11/1/2034			
5/1/2035			
11/1/2035			
5/1/2036			

* Base Rental Payments are due on the 15th day of the month preceding each Interest Payment Date in accordance with Section 5.01(a) of this Facility Lease.

<u>Interest Payment Date *</u>	<u>Principal Component of Base Rental Payment</u>	<u>Interest Component of Base Rental Payment</u>	<u>Total Base Rental Payment</u>
11/1/2036			
5/1/2037			
11/1/2037			
5/1/2038			
11/1/2038			
5/1/2039			
11/1/2039			
5/1/2040			
11/1/2040			
5/1/2041			
11/1/2041			
5/1/2042			
11/1/2042			
5/1/2043			
11/1/2043			
5/1/2044			
11/1/2044			

* Base Rental Payments are due on the 15th day of the month preceding each Interest Payment Date in accordance with Section 5.01(a) of this Facility Lease.

EXHIBIT C

Certificate of the County Regarding Insurance

**RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY
[LEASE REVENUE REFUNDING BONDS
SERIES ____]**

CERTIFICATE OF THE COUNTY REGARDING INSURANCE

The undersigned hereby states and certifies:

(a) that the undersigned is the duly appointed and qualified [Senior Risk Analyst] of the County of Riverside (the "County"), the County's official responsible for risk management, and, as such, is familiar with the facts herein certified and is authorized to certify the same; and

(b) that Section 6.03 of the Facility Lease, dated as of December 1, 2017, by and between Riverside County Infrastructure Financing Authority (the "Authority") and the County provides that the County shall file a Certificate of the County with the Trustee and the Insurer, if any, not later than January 31 of each year certifying that the insurance policies required by Section 6.03 are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed; and

(c) that the requisite level of "all risk" coverage and rental interruption insurance with respect to the Leased Property has been secured and will be maintained for the current calendar year pursuant to Section 6.03 of the Facility Lease and the Authority and/or the Trustee is named as a loss payee on each such insurance policy.

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

Dated: _____, 20__

COUNTY OF RIVERSIDE

By: _____

Name:

Title: [Senior Risk Analyst]

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Facility Lease, dated as of December 1, 2017, by and between the Riverside County Infrastructure Financing Authority (the "Authority") and the County of Riverside (the "County"), from the Authority to the County, is hereby accepted by the undersigned on behalf of the County pursuant to authority conferred by resolution of the Board of Supervisors of the County adopted on _____, 2017, and the County consents to recordation thereof by its duly authorized officer.

Dated as of _____, 2017

COUNTY OF RIVERSIDE

By: _____
Authorized Officer

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

William W. Bothwell, Esq.
ORRICK, HERRINGTON & SUTCLIFFE LLP
777 South Figueroa Street, Suite 3200
Los Angeles, California 90017

(Space above for Recorder's use)

This document is recorded for the benefit of the County of Riverside and the recording is fee-exempt under Section 6103 of the California Governmental Code.

SITE LEASE

by and between the

COUNTY OF RIVERSIDE

and the

RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY

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**

SITE LEASE

This Site Lease (this "Site Lease"), dated as of December 1, 2017, by and between the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), and the 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, 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 to the Facility Lease, hereinafter defined (the "Project");

WHEREAS, pursuant to this Site Lease, the County will lease certain real property and the improvements thereon, described in Exhibit A hereto (the "Leased Property"), to the Authority;

WHEREAS, concurrently with the execution of this Site Lease, the County and the Authority are entering into a Facility Lease (the "Facility Lease"), dated as of December 1, 2017, whereby the Authority will lease back the Leased Property to the County;

WHEREAS, the County, the Authority, and U.S. Bank National Association, as trustee (the "Trustee"), are entering into an Indenture, dated as of December 1, 2017 (the "Indenture") pursuant to which the Authority will issue its Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A in an aggregate principal amount of \$XX,000,000 (the "Series 2017 Bonds") to provide funds for the refinancing of the Project;

WHEREAS, the Series 2017 Bonds will be secured by the payments to be made by the County pursuant to the Facility Lease;

WHEREAS, the County is authorized by law to lease the Leased Property and the Leased Property is necessary and proper for public purposes; 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 Site Lease 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 Site Lease;

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

Section 1. Leased Property. The County hereby leases to the Authority and the Authority hereby rents and hires from the County, on the terms and conditions hereinafter set forth, those certain real property and improvements thereon or to be located thereon, more particularly described in Exhibit A attached hereto and made a part hereof (the "Leased Property") (as the same may be changed from time to time by Removal or Substitution), together with the improvements thereon or to be located thereon, subject to the following: The County shall have the right during term of this Site 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 this Site Lease. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Site Lease.

Section 2. Term.

(a) The term hereof will commence on the Closing Date and shall end on the Expiry Date (as defined in the Facility Lease) unless such term is sooner terminated or is extended as hereinafter provided. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with Article X of the Indenture, the term hereof shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, this Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Section 3. Rent. The Authority shall pay to the County an advance rent of \$1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for this Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Section 4. Purpose. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the

County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Section 5. Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Section 6. Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights hereunder or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in this Site Lease to the Trustee pursuant to the Assignment Agreement.

Section 7. Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 8. Termination. The Authority agrees, upon the termination hereof, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination hereof shall remain thereon and title thereto shall vest in the County.

Section 9. Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate this Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Section 10. Quiet Enjoyment. The Authority at all times during the term hereof shall peaceably and quietly have, hold and enjoy the Leased Property.

Section 11. Waiver of Personal Liability. All liabilities hereunder on the part of the Authority shall be solely corporate liabilities of the Authority, and the County hereby releases each and every director, officer and employee of the Authority of and from any personal or individual liability hereunder. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

Section 12. Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Section 13. Amendments. This Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease, and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

Section 14. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 15. Notices. All written notices to be given shall be given by first class mail to the party entitled thereto as 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, Fourth Floor
Riverside, CA 92501-3651
Attention: County Finance Director

If to the Authority:

Riverside County Infrastructure Financing Authority
4080 Lemon Street, [Fourth Floor]
Riverside, CA 92501-3651
Attention: Chair

If to the Trustee:

U.S. Bank National Association
633 W. Fifth Street – 24th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Department

Section 16. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit scope of any provision hereof.

Section 17. Counterparts. This Site Lease may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 18. Governing Law. This Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Site Lease by their officers thereunder duly authorized as of the day and year first above written.

COUNTY OF RIVERSIDE

By: _____
County Executive Officer

RIVERSIDE COUNTY INFRASTRUCTURE
FINANCING AUTHORITY

By: _____
Chairman

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

All that certain real property, situated in the County of Riverside, State of California, described as follows:

ESCROW AGREEMENT

Relating To

RIVERSIDE COMMUNITY PROPERTIES DEVELOPMENT, INC.
LEASE REVENUE BONDS, 2013 (RIVERSIDE COUNTY LAW BUILDING PROJECT)

This ESCROW AGREEMENT, made and entered into as of December 1, 2017 (the "Agreement"), by and between the COUNTY OF RIVERSIDE, a political subdivision of the State of California (the "County"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, having a corporate trust office located in San Francisco, California, and being qualified to accept and administer the escrow hereby created (the "Escrow Agent");

WITNESSETH:

WHEREAS, Riverside Community Properties Development, Inc. (the "63-20 Issuer") previously executed and delivered its \$44,380,000 Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the "Prior Bonds"), pursuant to an Indenture of Trust, dated as of October 1, 2013 (the "Prior Indenture") by and between the 63-20 Issuer and The Bank of New York Mellon Trust Company, as prior trustee, (the "Prior Trustee" and the Escrow Agent) and secured by rental payments made by the County pursuant to that 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 the 63-20 Issuer and the County;

WHEREAS, the Riverside County Infrastructure Financing Authority (the "Authority") and the County have determined, pursuant to its Resolution, duly adopted on _____, 2017 to cause the issuance of Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A in an aggregate principal amount of \$XX,000,000 (the "Refunding Bonds") pursuant to an Indenture, dated as of December 1, 2017 (the "Refunding Indenture"), among the County, the Authority and U.S. Bank National Association, as trustee (the "Trustee"), for the purpose of providing moneys which will, among other things, be sufficient (a) to provide for the payment when due of the principal and interest on the Prior Bonds due on and prior to October 15, 2023, (the "Prior Bonds Redemption Date") and (b) to redeem the remaining outstanding Prior Bonds on the Prior Bonds Redemption Date, at the redemption price equal to 100% of the outstanding principal amount of the Prior Bonds plus accrued interest (the sum of the amounts referred to in clauses (a) and (b) of this preamble are hereinafter referred to as the "Redemption Price");

WHEREAS, the Refunding Indenture contemplates the setting aside of a portion of the proceeds of the Refunding Bonds in order to provide for the payment of the Redemption Price and that such proceeds shall be deposited in a special escrow fund to be created hereunder to be known as the Escrow Fund to be maintained by the Escrow Agent; and

WHEREAS, the County has taken action to cause to be issued or delivered to the Escrow Agent for deposit in or credit to the Escrow Fund certain securities and investments consisting of U.S. Treasury Securities (the "Investment Securities"), all as listed on Appendix A attached hereto and made a part hereof, in an amount which, together with interest, income or other increment to accrue on such securities, to be sufficient to pay when and as due the Redemption Price, as shown in the Verification Report of Causey Demgen & Moore P.C. attached hereto as Appendix B;

NOW, THEREFORE, the County and the Escrow Agent hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund. Pursuant to the Refunding Indenture, the County has caused the Trustee to transfer to the Escrow Agent for deposit in the Escrow Fund the sum of \$ _____ from the proceeds of the Refunding Bonds. The Escrow Agent as Prior Trustee under the Prior Indenture is hereby irrevocably instructed to transfer to the Escrow Agent for deposit in the Escrow Fund the amount of \$ _____ from amounts on deposit in the Prior Indenture. The Escrow Agent hereby accepts and acknowledges receipt of all such monies. The Escrow Agent agrees to establish and maintain until the Redemption Price has been paid in full a fund designated as the "Escrow Fund," and to hold such securities, investments and moneys therein at all times as a special and separate trust fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Agent). All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 hereof, to secure the payment of the Redemption Price.

Section 2. Investment of the Escrow Fund.

(a) The County hereby directs the Escrow Agent to accept, for the account of the Escrow Fund, the Investment Securities listed on Appendix A hereto. Except as otherwise provided in this Section 2, the Escrow Agent shall not reinvest the balance of the funds transferred to it by the County, in the amount of \$ _____, and shall hold such portion uninvested in the Escrow Fund.

(b) Upon the written direction of the County, but subject to the conditions and limitations herein set forth, the Escrow Agent shall purchase substitute Investment Securities with the proceeds derived from the sale, transfer, redemption or other disposition of Investment Securities then on deposit in the Escrow Fund in accordance with the provisions of this Section 2(b); *provided* that such substituted Investment Securities shall be limited to U.S. Treasury Securities. Such sale, transfer, redemption or other disposition of such Investment Securities then on deposit in the Escrow Fund and substitution of other Investment Securities are permitted hereunder but only by a simultaneous transaction and only if: (i) a nationally recognized firm of Independent Certified Public Accountants shall certify that (A) the Investment Securities to be substituted, together with the Investment Securities which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Investment Securities held in the Escrow Fund together with any uninvested moneys, to make all payments required by Section 3 hereof which have not previously been made, and (B) the amounts and dates of the anticipated payments by the Escrow

Agent of the Redemption Price will not be diminished or postponed thereby; and (ii) the Escrow Agent shall receive an opinion of nationally recognized bond counsel to the effect that the sale, transfer, redemption or other disposition and substitution of Investment Securities will not adversely affect the exclusion of interest on the Refunding Bonds or the Prior Bonds from gross income for federal income tax purposes.

(c) Upon the written direction of the County, but subject to the conditions and limitations herein set forth, the Escrow Agent will apply any moneys received from the maturing principal of or interest or other investment income on any Investment Securities held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Investment Securities pursuant to Section 2(b) not required for the purposes of said Section, as follows:

(i) to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 3 hereof, as shall be certified to the Escrow Agent by a nationally recognized firm of Independent Certified Public Accountants, such moneys shall be paid over to the County upon the written direction of the County as received by the Escrow Agent, free and clear of any trust, lien, pledge or assignment securing the Prior Bonds or otherwise existing hereunder, after provision for payment of amounts due the Escrow Agent pursuant to Sections 5 and 12 hereof; and

(ii) to the extent such moneys will be required for such purpose at a later date, such moneys shall, to the extent practicable and at the written direction of the County, be invested or reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the Redemption Price (*provided* that (A) the amount of the funds to be realized from time to time from such investment or reinvestment shall be sufficient to make the principal, interest and premium, if any, due when payable on the Prior Bonds, as certified by a nationally recognized firm of Independent Certified Public Accountants or such other qualified firm selected by the County, and (B) the County shall deliver to the Escrow Agent an opinion of nationally recognized bond counsel to the effect that such investment or reinvestment will not adversely affect the exclusion of interest on the Refunding Bonds or the Prior Bonds from gross income for federal income tax purposes) and interest earned from such investments or reinvestment shall be retained by the Escrow Agent for such purpose.

(d) The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment or purchase of substitute securities made pursuant to this Agreement and in full compliance with the provisions hereof.

(e) 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 specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the County periodic cash transaction statements which shall include detail for all investment transactions made by the Escrow Agent hereunder.

(f) Except as provided in this Section 2 hereof, no moneys deposited with the Escrow Agent pursuant to this Agreement nor principal of, or interest payments or other investment income on, any such funds shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Prior Bonds as provided in Section 3 hereof.

(g) The Owners of the Refunded Bonds shall have a first and exclusive lien on the moneys in the Escrow Fund until such moneys are used and applied as provided in this Agreement.

Section 3. Payment and Redemption of the Prior Bonds. Except as otherwise provided in Section 2, the County hereby requests and irrevocably instructs the Escrow Agent to deposit in the Escrow Fund the principal of and interest on the Investment Securities held for the account of the Escrow Fund promptly as such principal and interest become due and, subject to the provisions of Section 2 hereof, to pay the Redemption Price of the Prior Bonds on and prior to the Prior Bonds Redemption Date. The Escrow Agent shall send all notices of redemption of the Prior Bonds as required by the Prior Indenture. Upon payment in full of the Redemption Price, the Escrow Agent shall transfer any moneys or securities remaining in the Escrow Fund to the Trustee, in accordance with the wire instructions listed in Appendix C, hereto, for deposit in the Revenue Fund established under the Refunding Indenture. After provision for payment of amounts due the Escrow Agent pursuant to Section 5 and 12 hereof, and this Agreement shall terminate.

Section 4. Possible Deficiencies.

(a) If at any time a responsible officer of the Escrow Agent has actual knowledge that the moneys in the Escrow Fund will not be sufficient to make all payments required by Section 3 hereof, the Escrow Agent shall notify the County in writing of such fact, the amount of such deficiency and, if known, the reason therefor.

(b) Upon receipt of any notice specified in subsection (a) of this Section, the County shall deposit in the Escrow Fund, from any legally available moneys, such additional moneys as may be required to pay fully the aggregate amounts to become due and payable in connection with the payment of the Redemption Price.

(c) The Escrow Agent shall in no manner be responsible for the failure by the County to make any such deposit.

Section 5. Fees and Costs.

(a) The County shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered under this Agreement and the County shall reimburse the Escrow Agent for all of its expenses (including legal fees and expenses) incurred by it hereunder. The parties hereto agree that the duties and obligations of the Escrow Agent shall be as expressly provided herein, and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

(b) The fees of and the costs incurred by the Escrow Agent hereunder shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund, except and until the Escrow Agent shall have paid the Redemption Price in full.

Section 6. Merger or Consolidation. Any entity into which the Escrow Agent may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, *provided* such entity shall be eligible under this Agreement, shall be the successor of such Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

Section 7. Resignation of Escrow Agent. The Escrow Agent may at any time resign by giving written notice to the County of such resignation. The County shall promptly appoint a successor Escrow Agent. Resignation of the Escrow Agent will be effective only upon written acceptance of appointment of a successor Escrow Agent. If the County does not appoint a successor within 60 days of the Escrow Agent's notice of resignation, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the County may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the County appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the County shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

Section 8. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

Section 9. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 11. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Refunding Indenture.

Section 12. Indemnification. The County agrees to indemnify, hold harmless and defend the Escrow Agent and its officers, directors, agents and employees against any and all losses, damages, claims, actions, liabilities, costs and expenses of whatever nature, kind or character (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) which may be imposed on, or incurred by or asserted against the Escrow Agent or its officers, directors, agents or employees directly or indirectly arising out of or related to the acceptance and performance by the Escrow Agent of its

duties hereunder; *provided, however*, that this indemnification shall not cover any liabilities, losses or expenses incurred by such persons as a result of their negligence or willful misconduct.

The agreements of the County hereunder shall survive termination of this Agreement and the payment for the Prior Bonds and the earlier removal or resignation of the Escrow Agent.

Section 13. Immunities and Liability of Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

(b) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages, even if the Escrow Agent knows of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under this Agreement in the case of any default in the performance of the covenants or agreements contained in the Refunding Indenture or in the case of any default by any other party in the performance of the covenants or agreements contained in the Prior Indenture. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Agreement.

(c) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the County) and the opinion of such counsel shall be full and complete authorization to take or suffer in the absence of negligence or willful misconduct any action hereunder in accordance with such opinion of counsel.

(d) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein, in the Prior Indenture or in the Refunding Indenture, other than recitals or representations specifically made by the Escrow Agent.

(e) The Escrow Agent may become the owner of, or acquire any interest in, any of the Refunding Bonds with the same rights that it would have if it were not the Escrow Agent and may engage or be interested in any financial or other transaction with the County.

(f) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or securities deposited with it to pay the principal of or interest or premium on the Prior Bonds.

(g) The Escrow Agent shall not be liable for any action or omission of the County under this Agreement, the Prior Indenture or the Refunding Indenture.

(h) Whenever in the administration of this Agreement the Escrow Agent 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, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of any authorized

representative of the County, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

(i) The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in connection with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(j) None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability other than by the terms hereof, financial or otherwise, in the performance of any of its duties hereunder.

(k) The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

Section 14. Amendments. This Agreement is irrevocable and no provisions herein may be amended except as specifically set forth herein. The County and the Escrow Agent may, without the consent of, or notice to, the owners of the Prior Bonds, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of the owners of the Prior Bonds and as shall not be inconsistent with the terms and provisions of this Agreement or of the Prior Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Prior Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds, securities or properties; *provided* that no such change shall adversely affect the exclusion of interest on any Prior Bond or Refunding Bond from gross income for federal income tax purposes. The Escrow Agent shall be entitled to rely conclusively upon an opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Prior Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Section 15. Notices. 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 Authority:

Riverside County Infrastructure Financing Authority
4080 Lemon Street, [4th Floor]
Riverside, CA 92501-3651
Attention: Chair

If to the County:

County of Riverside
4080 Lemon Street, 4th Floor
Riverside, CA 92501-3651
Attention: County Finance Director

If to the Prior Trustee and Escrow Agent:

The Bank of New York Mellon Trust Company, N.A.
101 Pine Street, Suite 3200
San Francisco, CA 94111
Attention: Corporate Trust, Gordon Fung, Client Services Manager
Tel: (415) 263-2090
e-mail: Gordon.fung@bnymellon.com

If to the Trustee:

U.S. Bank National Association
633 W. Fifth Street – 24th Floor
Los Angeles, CA 90017
Attention: Corporate Trust Department, Ashraf Almurdaah
Tel: (213) 615-6002
e-mail: ashraf.almurdaah@usbank.com

Section 16. Termination of Agreement. Upon payment in full of the principal, premium and interest with respect to the Prior Bonds and all of the fees and expenses of the Escrow Agent as described above, all obligations of the Escrow Agent under this Agreement shall cease and terminate, except for the obligation of the Escrow Agent to pay or cause to be paid to the owners of the Prior Bonds not presented for payment all sums due thereon and the obligation of the County to pay to the Escrow Agent any amounts due and owing to the Escrow Agent hereunder; *provided, however*, the obligations of the Escrow Agent with respect to the payment of any Prior Bonds shall cease and terminate two years after the date on which the same shall have become due as described hereunder and in accordance with the Prior Indenture.

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IN WITNESS WHEREOF, the County of Riverside and The Bank of New York Mellon Trust Company, N.A., as escrow agent, have caused this Agreement to be executed each on its behalf as of the day and year first above written.

COUNTY OF RIVERSIDE

By _____
County Executive Officer

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Agent

By _____
Authorized Officer

APPENDIX A

Investment Securities

<u>Type</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Cost</u>
Treasury Note				
Treasury Note				
Treasury Note				
Treasury Note				
Treasury Note				
Treasury Note				

APPENDIX B

Verification Report of Causey Demgen & Moore P.C.

[See Tab __ of the Transcript]

APPENDIX C

Wire Transfer Instructions for US Bank

Recording Requested By And)
When Recorded Mail To:)
)
ORRICK, HERRINGTON & SUTCLIFFE, LLP)
777 South Figueroa Street, Suite 3200)
Los Angeles, California 90017)
Attention: William W. Bothwell, Esq.)

(Space above for Recorder's Use)

This transaction is exempt from California documentary transfer tax pursuant to Section 11929 of the California Revenue and Taxation Code. This document is recorded for the benefit of the County of Riverside and the recording is fee-exempt under Section 6103 of the California Government Code.

ASSIGNMENT AGREEMENT

by and between

RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY

and

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

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

Dated as of December 1, 2017

ASSIGNMENT AGREEMENT

This Assignment Agreement (the "Assignment Agreement"), executed and entered into as of December 1, 2017, by and between the Riverside County Infrastructure financing Authority (the "Authority"), a joint powers authority duly organized and existing under and pursuant to California Government Code Sections 6500 *et seq.* and U.S. Bank National Association (the "Trustee"), a banking association existing under and by virtue of the laws of the United States, as trustee under the Indenture (as hereinafter defined);

WITNESSETH:

WHEREAS, the Authority and the County of Riverside (the "County") have executed and entered into the Site Lease*, dated as of December 1, 2017 (the "Site Lease"), pursuant to which the County has leased that certain real property, as more particularly described in the Site Lease (the "Leased Property") to the Authority, as described in Exhibit A attached hereto and incorporated herein; and

WHEREAS, the Authority and the County of Riverside (the "County") have executed and entered into the Facility Lease*, dated as of December 1, 2017 (the "Facility Lease"), pursuant to which the Authority has leased the Leased Property to the County, as described in Exhibit A attached hereto and incorporated herein; and

WHEREAS, under and pursuant to the Facility Lease, the County is obligated to make rental payments to the Authority for the lease of the Leased Property to it; and

WHEREAS, the Authority desires to assign without recourse all its rights to receive the Base Rental Payments (as defined in the Facility Lease) and certain other payments scheduled to be paid by the County under and pursuant to the Facility Lease to the Trustee; and

WHEREAS, in consideration of such assignment and the execution and entering into of an Indenture (the "Indenture"), dated as of December 1, 2017, by and among the Trustee, the Authority and the County, the Authority has agreed to issue the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A in an aggregate principal amount of \$XX,000,000 (the "Bonds"); 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 Assignment Agreement 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 Assignment Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR

* Recorded concurrently herewith.

OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

SECTION 1. Assignment. The Authority, for good and valuable consideration, the receipt of which is hereby acknowledged, does hereby unconditionally grant, transfer and assign to the Trustee without recourse (i) all its rights to receive Revenues (as defined in the Indenture) under and pursuant to the Facility Lease, (ii) the right to take all actions under the Site Lease and the Facility Lease, (iii) the right of access more particularly described in the Site Lease and the Facility Lease, and (iv) any and all other rights and remedies of the Authority in the Site Lease, as lessee thereunder, and in the Facility Lease as lessor thereunder; *provided*, such assignment shall not include any of the Authority's rights to indemnification and payment or reimbursement for any costs or expenses under the Facility Lease, including without limitation, those rights specified in Section 5.01(b) and Section 9.03 of the Facility Lease; *and provided further*, that so long as no default in payment of Base Rental Payments under the Facility Lease shall have occurred or be continuing, the Authority shall have and may exercise all rights of the Authority under the Site Lease and the Facility Lease other than the right to receive the Base Rental Payments.

SECTION 2. Acceptance. The Trustee hereby accepts the foregoing assignment for the benefit of the Owners of the Bonds, subject to the conditions and terms of the Indenture, and all such Base Rental Payments shall be applied and all such rights so assigned shall be exercised by the Trustee as provided in the Indenture.

SECTION 3. Conditions. This Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

SECTION 4. California Law. This Assignment Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 5. Severability. If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

SECTION 6. Execution in Counterparts. This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Assignment Agreement.

[This space intentionally left blank]

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

RIVERSIDE COUNTY INFRASTRUCTURE
FINANCING AUTHORITY

By _____
Chairman

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

All that certain real property, situated in the County of Riverside, State of California, described as follows:

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2017

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “__”
(See “RATING” herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

§ _____ *

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

Dated: Date of Delivery

Due: November 1, as shown on inside cover

The Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds, (Riverside County Indio Law Building), Series 2017A (the “Bonds”) are payable from Revenues consisting primarily of base rental payments (the “Base Rental Payments”) to be made by the County of Riverside (the “County”) for the right to use certain real property consisting of the County’s Law Building, located in Indio, California (the “Leased Property”) pursuant to a Facility Lease, dated as of December 1, 2017 (the “Facility Lease”), by and between the County, as lessee, and the Riverside County Infrastructure Financing Authority (the “Authority”), as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Bonds are being issued to provide funds to (i) refund the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the “Prior Bonds”), and (ii) pay the costs incurred in connection with the issuance of the Bonds. See “THE REFUNDING PLAN.” The County has covenanted under the Facility Lease to make all Base Rental Payments provided for therein, to include all such payments in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The County’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Leased Property, or any defects in title to the Leased Property, there is substantial interference with the County’s right to use and occupy any portion of the Leased Property. See “RISK FACTORS—Abatement.”

The Authority is not establishing nor funding a debt service reserve with respect to the Bonds.

The Bonds will be issued pursuant to an Indenture, dated as of December 1, 2017 (the “Indenture”) by and among the County, the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2018. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS—Book-Entry Only System” herein.

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS—Redemption.”

The Bonds are limited obligations of the Authority, payable solely from Base Rental Payments paid by the County pursuant to the Facility Lease and the other assets pledged therefor under the Indenture. 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 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 has no taxing power.

The obligation of the County to make Base Rental Payments and to pay Additional Rent does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation to make Rental Payments and to pay Additional Rent constitutes an indebtedness of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is acting as Disclosure Counsel to the County. Certain legal matters will be passed upon for the County and the Authority by the County Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about _____, 2017.

[RAYMOND JAMES LOGO]

* Preliminary, subject to change.

MATURITY SCHEDULE*

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

<i>Maturity Date (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP†</i>
2018	\$	%	%		
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					

\$ _____ % Term Bonds Due September 1, 2040, Yield _____ % Price _____ % CUSIP † No. _____
 \$ _____ % Term Bonds Due September 1, 2044, Yield _____ % Price _____ % CUSIP † No. _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the County, the Underwriter or the Municipal Advisor guarantee the accuracy of the CUSIP data.

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

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "RISK FACTORS" and in APPENDIX A - "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The County maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

COUNTY OF RIVERSIDE

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

Board of Supervisors and Authority Board

John Tavaglione, Second District, Chairman
Chuck Washington, Third District, Vice Chairman
Kevin Jeffries, First District
V. Manual Perez, Fourth District
Marion Ashley, Fifth District

County Officials

George Johnson, County Executive Officer
Jon Christensen, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Peter Aldana, Assessor-County Clerk-Recorder
Gregory P. Priamos, County Counsel
Don Kent, Finance Director

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel

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

Municipal Advisor

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

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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OFFICIAL STATEMENT

\$ _____ *

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

INTRODUCTION

General. This Official Statement (which includes the cover page and the appendices hereto) (the “Official Statement”), provides certain information concerning the sale and delivery of the Riverside County Infrastructure Financing Authority Lease Revenue Refunding Bonds (Riverside County Indio Law Building), Series 2017A (the “Bonds”).

The net proceeds of the sale of the Bonds will be used to (i) refund the outstanding Riverside Community Properties Development, Inc. Lease Revenue Bonds, 2013 (Riverside County Law Building Project) (the “Prior Bonds”) currently outstanding in the aggregate principal amount of \$42,980,000, and (ii) pay the costs incurred in connection with the issuance of the Bonds.

The Bonds will be issued pursuant to an Indenture, dated as of December 1, 2017 (the “Indenture”), by and among the Riverside County Infrastructure Financing Authority (the “Authority”), the County of Riverside (the “County”) and U.S. Bank National Association, as trustee (the “Trustee”). Under the Indenture, the Bonds will be payable solely from and secured by Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of lease payments (the “Base Rental Payments”) to be made by the County for the right to use certain real property consisting of the County’s Law Building located in Indio, California (the “Leased Property”) pursuant to a Facility Lease, dated as of December 1, 2017 (the “Facility Lease”), by and between the County, as lessee, and the Authority, as lessor. See “THE LEASED PROPERTY.”

Pursuant to the Indenture, the Authority may not issue additional bonds payable from amounts due under the Facility Lease except as described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.”

Pursuant to a Site Lease, dated as of December 1, 2017 (the “Site Lease”), by and between the County and the Authority, the County has leased the Leased Property to the Authority. The Authority has subleased the Leased Property to the County under the Facility Lease. The Facility Lease obligates the County to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of December 1, 2017, pursuant to which the Authority has assigned to the Trustee for the benefit of the Owners substantially all of the Authority’s right, title and interest in and to the Site Lease and the Facility Lease, including its right to receive the Base Rental Payments due under the Facility Lease and to enforce any remedies in the event of a default by the County.

The County will covenant under the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments (which include taxes and assessments affecting the Leased Property, administrative costs of the Authority relating to the Leased Property, fees and expenses of the Trustee and other amounts payable under the Facility Lease) due under the Facility Lease in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described herein.

* Preliminary, subject to change.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the County's right to use and occupy the Leased Property or any portion thereof. See "RISK FACTORS — Abatement." Abatement of Base Rental Payments under the Facility Lease, to the extent that payment is not made from alternative sources as set forth below, would result in all Owners receiving less than the full amount of principal of and interest on the Bonds. The Base Rental Payments (or a portion thereof) are not subject to abatement if and to the extent that net proceeds of rental interruption insurance are available therefor.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS PAID BY THE COUNTY PURSUANT TO THE FACILITY LEASE AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. 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 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 AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The Authority is not establishing nor funding a debt service reserve for the Bonds.

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of listed events and a summary description of the terms of the continuing disclosure certificate pursuant to which such reports are to be made.

U.S. Bank National Association will act as Trustee with respect to the Bonds. The Bonds will be issued subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County and the Authority by the County Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. The County's financial statements for the fiscal year ended June 30, 2016 included as Appendix C hereto have been audited by Brown Armstrong Accountancy Corporation, Bakersfield, California (the "Auditor"). See APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2016" herein. The County's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the County.

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2017-18, is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See Appendix A for financial and operating information related to the County.

The summaries or references to the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Facility Lease shall have the meanings set forth therein, some of which are summarized in APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE BONDS

General

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Bonds will be paid semiannually on May 1 and November 1 (each, an "Interest Payment Date") of each year, commencing May 1, 2018.

Each Bond will 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 is (i) prior to the close of business on _____, 2017, in which case such Bond will bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Bond will 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 Bond will bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest is in default, each Bond will bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. Interest will be paid in lawful money of the United States on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. The Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS — Book-Entry Only System."

Redemption

Optional Redemption. The Bonds maturing prior to November 1, 20__ are not subject to optional redemption. The 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 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Mandatory Redemption. The Bonds maturing on November 1, 20__ (the "20__ Term Bonds") 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 Bonds maturing on November 1, 20__ (the "20__ Term Bonds") 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

Extraordinary Redemption. The 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 Bonds plus accrued interest thereon to the date fixed for redemption, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Application of Insurance Proceeds and Condemnation Awards Fund."

Book-Entry Only System

General. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F — "BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

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 the Indenture, 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 is overdue, and the Trustee will 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 will be made only to such Owner, which payments will 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 is surrendered for transfer, the Trustee will execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee will 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 will 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 will not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor will 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. "Revenues" is defined in the Indenture to mean:

- (a) all Base Rental Payments pursuant to the Facility Lease, and

(b) 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 the Indenture.

Pursuant to the Assignment Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the Bonds, certain of its rights under the Facility Lease, including its right to receive Base Rental Payments for the purpose of securing the payment of debt service on the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS PAID BY THE COUNTY PURSUANT TO THE FACILITY LEASE AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. 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 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 AUTHORITY HAS NO TAXING POWER.

Base Rental Payments; Covenant to Appropriate

The County covenants under the Facility Lease to make Base Rental Payments as rental for the right to use and occupy the Leased Property under the Facility Lease. Amounts of the scheduled Base Rental Payments are calculated to be sufficient to pay debt service on the Bonds when due. Base Rental Payments will be paid by the County semiannually to the Trustee by the fifteenth day of the month preceding each Interest Payment Date. Upon receipt, the Trustee will deposit the Base Rental Payments in the Revenue Fund for the purposes of paying principal of and interest on the Bonds.

The County covenants under the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments in its annual budgets and to make the necessary annual appropriations for all such rental payments.

Under certain circumstances described in the Facility Lease, however, Base Rental Payments are subject to abatement during periods of substantial interference with the County's use and occupancy of all or a portion of the Leased Property, as described in "— Abatement" below.

Scheduled Base Rental Payments relating to the Bonds are set forth below under the heading "BASE RENTAL PAYMENT SCHEDULE."

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Payments

For the right to use and occupy the Leased Property, the Facility Lease requires the County to pay in each year, as Additional Payments thereunder, in addition to the Base Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated thereby but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the County's expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee,

(b) all reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in the Indenture, as and when the same become due and payable,

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Facility Lease, the Site Lease or the Indenture, and

(d) the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of the Facility Lease, the Site Lease, the Bonds or the Indenture.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted therein, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein. Any abatement of rental payments pursuant to the Facility Lease shall not be considered an Event of Default as defined therein. The County will waive the right to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall

continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to the Facility Lease due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Substitution or Removal of Leased Property

The Authority and the County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

The Facility Lease provides that no Substitution or Removal thereunder shall take place until the County delivers the following to the Authority and the Trustee:

(a) a Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(b) a Certificate of the County: (i) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; (ii) stating with respect to any substitution of property only that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Leased Property for which it is being substituted; and (iii) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(c) an Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(d) (i) in the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds and any Additional Bonds, and (ii) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(e) in the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (d) above do not interfere with

the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(f) an Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(g) evidence that the County has complied with the covenants contained in the Facility Lease with respect to the Substituted Property.

Action on Default

If the County fails to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required under the Facility Lease (subject to abatement thereunder) or upon the happening of any other of the Events of Default specified in the Facility Lease, the Authority at its option may terminate the Facility Lease and re-lease all or any portion of the Leased Property. In the event of the termination of the Facility Lease by the Authority at its option and in the manner provided in the Facility Lease on account of default by the County (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the County nevertheless agrees under the Facility Lease to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Base Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the County shall have no right thereto, nor shall the County be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Authority from the Leased Property.

Under the terms of the Facility Lease, if the Authority does not elect to terminate the Facility Lease in the manner described above, the County will remain liable for the payment of all Base Rental Payments and the performance of all conditions under the Facility Lease and will reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property or, in the event the Authority is unable to re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of the Facility Lease, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided for the payment of Base Rental Payments under the Facility Lease, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of obtaining possession of the Leased Property or exercise of any other remedy by the Authority. The County will irrevocably appoint the Authority as the agent and attorney-in-fact of the County to obtain possession and re-lease the Leased Property in the event of default by the County in the performance of any covenants contained in the Facility Lease to be performed by the County and to remove all personal property whatsoever situated upon the Leased Property and to place such property in storage or other suitable place in the County, for the account of and at the expense of the County, and the County will exempt and agree to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. The County further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and will convey and release such excess to the Authority as compensation to the Authority for its service in re-leasing the Leased Property.

Additionally, the Trustee may pursue remedies at law or in equity to enforce the Facility Lease.

In the event of a default, notwithstanding anything in the Facility Lease or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable.

See "RISK FACTORS — Limited Recourse on Default; No Acceleration of Lease" and APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — FACILITY LEASE — Default."

Although the Facility Lease and Indenture provide that the Trustee, as assignee of the Authority, may take possession of the Leased Property if there is a default by the County, and the Facility Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of the Leased Property may not be easily recoverable and, even if recovered, could be of little value to others. There can be no assurance that the Leased Property can be re-let for an amount equal to all outstanding Base Rental Payments. Due to the essential nature of the governmental functions of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting. In addition, the remedy of repossession and re-letting may prove to be unavailable or not economically viable with respect to all or portions of the Leased Property because the Authority has only a leasehold or other possessory right to some of the Lease Property. Therefore, repossession of the Leased Property in such instances may not be an available remedy. In addition, assuming the Leased Property could be repossessed, it may prove functionally impossible to re-lease.

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 a portion of the Revenues and/or additional Revenues subject to the terms below. 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 the Indenture and subject to the following specific conditions, which are 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 under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the 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 the Indenture; and

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

Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to the Indenture, 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. For additional information regarding the requirements for the issuance of Additional Bonds, see APPENDIX B — “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — INDENTURE — Proceedings for Authorization of Additional Bonds.”

No Reserve Fund

The Authority has not established nor funded a debt service reserve fund in connection with the issuance of the Bonds.

Insurance

The Facility Lease requires the County to secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility the coverage on the Leased Property set forth below:

(a) A policy or policies of insurance against loss or damage to the Leased Property known as “all risk,” including flood, but excluding earthquake, which will be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, any other property that is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations will have been issued or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease; *provided* that the amount of coverage required may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County’s maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy that covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss (except for flood, in which case the deductible may not exceed \$250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County that may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (a) and that may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than \$500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (a) may provide that amounts payable as coverage for rental interruption under this paragraph (a) may be reduced by amounts payable under paragraph (c) below for the same occurrence, and vice versa. The County currently holds a blanket earthquake insurance policy covering, subject to policy limits and insured amounts, all County-owned buildings, including the Leased Property; however, the County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. See “RISK FACTORS - Seismic Events; Force Majeure.” The County’s obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Facility Lease.

(b) In the event that such coverage is not included in paragraph (a) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than \$75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy that covers the Leased Property and one or more additional parcels of real property leased or owned by the County that may be limited in amount to \$75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County that may be limited in amount to \$75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (b) may provide that amounts payable as coverage for rental interruption under this paragraph (b) may be reduced by amounts payable under paragraph (c) below for the same occurrence, and vice versa. The County's obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Facility Lease.

(c) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (a) or (b) above, as the case may be, in an amount sufficient at all times to pay the maximum total rent payable under the Facility Lease for a period of not less than two consecutive years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (a) or (b) above without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy that covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (c) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (a) or (b) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (c) may provide that amounts payable as coverage under this paragraph (c) may be reduced by amounts payable for rental interruption under paragraph (a) or (b) above, as the case may be, for the same occurrence, and vice versa. The County's obligations under this paragraph may NOT be satisfied by self-insurance.

The County will collect, adjust and receive all moneys that may become due and payable under any policies contemplated by paragraphs (a) and (b) above, and, may compromise any and all claims thereunder and will transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture.

Any insurance policy issued pursuant to paragraph (a) or (b) above will be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear, and the net proceeds of such insurance applied as provided in the Facility Lease including by deposit to the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (c) above will be payable to the Trustee and deposited into the Revenue Fund. Each insurance policy described above will contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

See APPENDIX B — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — FACILITY LEASE — Insurance."

The County is required under the Facility Lease to provide a CLTA title insurance policy for the Leased Property, in the aggregate amount equal to the principal component of all Base Rental Payments payable under the Facility Lease, insuring the County's leasehold estate in the Leased Property under the Facility Lease, subject only to Permitted Encumbrances.

Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property will 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 will, upon written request of the County, immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the manner provided in the Facility Lease.

Application of Insurance Proceeds and Condemnation Awards Fund

Except as provided in the Indenture, 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 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 the Facility Lease. The Trustee shall hold said proceeds in 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 the Indenture. 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 the Indenture; 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 of the Indenture, 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 the Indenture.

See the caption "THE BONDS-Redemption—Extraordinary Redemption" for a description of the redemption provisions applicable in the event that such insurance and condemnation proceeds are used to redeem the Bonds.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Bonds are shown below.

Sources

Principal Amount of Bonds	\$
Original Issue [Premium/Discount]	
Moneys held in connection with the Prior Bonds	_____
Total Sources	<u>\$</u>

Uses

Escrow Fund for Prior Bonds	\$
Cost of Issuance Fund ⁽¹⁾	_____
Total Uses	<u>\$</u>

⁽¹⁾ Includes legal, municipal advisory, rating agency, Underwriter's Discount, printing fees and other miscellaneous costs of issuance.