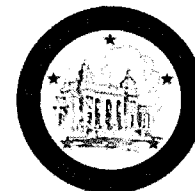


**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**ITEM**  
5.2  
(ID # 10724)

**MEETING DATE:**

Tuesday, August 27, 2019

**FROM:** EXECUTIVE OFFICE:

**SUBJECT:** EXECUTIVE OFFICE: Adopt Resolution No. C2019-02 Authorizing the Issuance by the County of Riverside Asset Leasing Corporation of its Taxable Lease Revenue Refunding Bonds, Series 2019A, Approving the Form of an Amendment 2 to Lease Agreement, First Supplemental Indenture of Trust, Escrow Deposit Agreement and Bond Purchase Agreement and Approving the Form of a Preliminary Official Statement, Each Related to the Issuance by the County of Riverside Asset Leasing Corporation Taxable Lease Revenue Bonds, Series 2019, Refunding a portion of the Lease Revenue Bonds Series 2013A, All Districts. [\$300,000 - Bond Proceeds 100%] (Companion Item with MT#10725) (Vote on Separately)

**RECOMMENDED MOTION:** That the Board of Directors:

1. Adopt Resolution No. C2019-02 Authorizing The Issuance by the County Of Riverside Asset Leasing Corporation of its Taxable Lease Revenue Refunding Bonds, Series 2019A, Approving the Form of an Amendment 2 to Lease Agreement, First Supplemental Indenture of Trust, Escrow Deposit Agreement and Bond Purchase Agreement and Approving the Form of a Preliminary Official Statement, Each Related to the Issuance by the County of Riverside Asset Leasing Corporation Taxable Lease Revenue Bonds, Series 2019, Refunding a portion of the Lease Revenue Bonds Series 2013A; and

**ACTION:**Policy

  
Stephanie Perez, Principal Management Analyst 8/20/2019

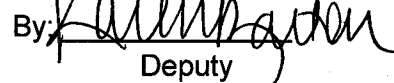
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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: August 27, 2019  
xc: EO

Kecia R. Harper  
Clerk of the Board

By:   
Deputy

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

2. Authorize the President of the Board of Directors to Execute Resolution No. C2019-02 on behalf of the County of Riverside Asset Leasing Corporation; and
3. Authorize the Clerk of the Board to Attest the Signature of the President of the Board of Directors and the Signature of any Authorized Officer in Connection with the Execution and Delivery of Documents They are Authorized to Sign; and
4. Recommend Approval of the Issuance of the \$13,500,000 (estimated) County of Riverside Asset Leasing Corporation Taxable Lease Revenue Bonds, Series 2019, (Federally Taxable) (the "2019 Bonds"), Refunding a portion of the Lease Revenue Bonds Series 2013A (the "2013 Bonds"); and
5. Authorize Certain Other Actions in Connection with the Issuance of the 2019 Bonds and the Refunding of the 2013 Bonds.

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 300,000	\$ 0	\$ 300,000	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: Bond Proceeds – 100%</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	19/20

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

In July 2013, the County, through the County of Riverside Asset Leasing Corporation, issued the County of Riverside Asset Leasing Corporation, Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "Prior Bonds") to fund a set of capital projects, including the remodel of the Public Defender and Probation Department Building and the purchase of the Riverside County Technology Solutions Center.

At this time, the County's Information Technology Department has the opportunity to diversify the County's revenue sources through the use of space in the data center by additional private parties. As that private use and the payments for private use would be inconsistent with the restrictions of the tax-exempt financing, the County desires to refinance the portion of the outstanding Prior Bonds related to the County's Data Center and other portions of the original project that involve private business use and/or private payments. After discussions with bond counsel, the County has determined that a taxable refunding of a portion of the Prior Bonds would release the properties from tax-exempt financing restrictions.

The Prior Bonds are subject to redemption on November 1, 2023 at par and are secured by a reserve fund sized at 50% of the maximum annual debt service. Current market conditions allow the County to refund a portion of the Prior Bonds on a taxable basis and release some funds from the reserve for use as additional sources towards the refunding. The refunding will be issued through the County of Riverside Asset Leasing Corporation (the "Corporation"). The Series 2019A Lease Revenue Refunding Bonds will be issued in the aggregate principal

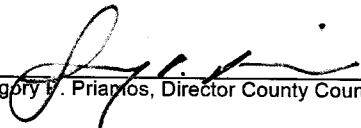
**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

amount of approximately \$13 million and would not be secured by a reserve fund. Although the refunding is primarily intended to release IRS restrictions, the refunding is currently estimated to provide the County with approximately \$513,000 in net present value savings or 4.6% of the aggregate refunded par amount. This exceeds the Board Policy B-24 requirement of at least a 3% savings threshold. The estimated aggregate gross savings are approximately \$924,000 through the life of the bonds based on current market conditions. In addition, this refunding will not extend the maturity date per the policy. The all-in true interest cost of the bonds is estimated to be 3.50%, with net proceeds received by the Corporation estimated at \$12.54 million after approximate finance charges, which includes cost of issuance, of \$300,000. To final maturity, the total debt service cost to the borrower is estimated at \$18.8 million. The average annual debt service is anticipated to be approximately \$785,000. If approved, staff recommends issuing the approximately \$13 million in fixed interest rate bonds.

The financing was recommended for approval by the Debt Advisory Committee on August 8, 2019.

**Impact on Residents and Businesses**

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

  
\_\_\_\_\_  
Gregory P. Priamos, Director County Counsel      8/22/2019

1 Board of Supervisors

County of Riverside

2 Ex Officio Board of Directors

Asset Leasing Corporation

3  
4 RESOLUTION NO. C2019-02

5  
6 RESOLUTION OF THE BOARD OF DIRECTORS OF THE COUNTY OF  
7 RIVERSIDE ASSET LEASING CORPORATION AUTHORIZING THE  
8 ISSUANCE BY THE COUNTY OF RIVERSIDE ASSET LEASING  
9 CORPORATION OF ITS TAXABLE LEASE REVENUE REFUNDING  
10 BONDS, SERIES 2019A, APPROVING THE FORM OF AN  
11 AMENDMENT 2 TO LEASE AGREEMENT, FIRST SUPPLEMENTAL  
12 INDENTURE OF TRUST, ESCROW DEPOSIT AGREEMENT AND  
13 BOND PURCHASE AGREEMENT AND APPROVING THE FORM OF A  
14 PRELIMINARY OFFICIAL STATEMENT, EACH RELATED TO THE  
15 ISSUANCE BY THE COUNTY OF RIVERSIDE ASSET LEASING  
16 CORPORATION TAXABLE LEASE REVENUE BONDS, SERIES 2019,  
17 REFUNDING A PORTION OF THE LEASE REVENUE BONDS SERIES  
18 2013A

19 WHEREAS, the County of Riverside (the "County") and County of Riverside Asset Leasing  
20 Corporation, a California public benefit, nonprofit public benefit corporation (the "Corporation"),  
21 have determined that it is in the interests of the County to refinance a portion of the acquisition,  
22 construction and improvement of the County of Riverside Collaboration Center (the "2013  
23 Projects") originally financed with the issuance of its \$66,015,000 Lease Revenue Bonds Series  
24 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center  
25 Projects) (the "2013 Bonds");

26 WHEREAS, the Corporation intends to issue its Taxable Lease Revenue Refunding Bonds  
27 (the "2019 Bonds") pursuant to an Indenture of Trust (the "Indenture"), between the Corporation  
28 and the bank identified therein as trustee (the "Trustee"), dated as of July 1, 2013, as  
supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Indenture"), for  
the purpose of refinancing a portion of 2013 Bonds on a taxable basis for the benefit of the County;

FORM APPROVED COUNTY COUNSEL  
BY *David M. McCarthy* 22 August 2019  
DATE  
DAVID M. MCCARTHY



1           WHEREAS, the 2013 Bonds were payable from Lease Payments under a Lease  
2 Agreement, dated as of July 1, 2013, between the County and the Corporation, and that the Lease  
3 Agreement should be amended by an Amendment No. 2 to Lease Agreement to accommodate  
4 the refinancing of a portion of the 2013 Projects financed by the 2013 Bonds; and  
5

6           WHEREAS, the Corporation has determined that the 2019 Bonds should be offered for  
7 ~~sale on a negotiated basis and has presented a form of Purchase Contract (the "Purchase~~  
8 ~~Contract") among the Corporation, the County and UBS Financial Services, Inc. (the~~  
9 ~~"Underwriter") and a proposed form of Official Statement describing the 2019 Bonds, to be used~~  
10 in connection with the marketing thereof; and  
11

12           WHEREAS, the Board of Directors of the Corporation (the "Board") has duly considered  
13 such transactions and has determined that it approves said transactions in the public interests of  
14 the County and the Corporation;  
15

16           NOW, THEREFORE, THIS BOARD OF DIRECTORS DOES HEREBY FIND, RESOLVE,  
17 DETERMINE AND ORDER as follows:

18           SECTION 1. The Board hereby finds that the above foregoing recitals are true and correct.  
19

20           SECTION 2. The Board hereby authorizes and approves the issuance and sale by the  
21 Corporation of the Taxable Lease Revenue Refunding Bonds, Series 2019A (Information  
22 Technology Refunding Projects), in one or more series as taxable bonds to provide funds for  
23 refinancing of a portion of the 2013 Projects and for certain other matters related thereto, in a total  
24 aggregate principal amount not to exceed \$13,500,000, provided that the true interest cost of the  
25 Bonds shall not exceed 4.25%, the Underwriter's discount shall not exceed 0.40% of the principal  
26  
27  
28



1 substantially the form on file with the Secretary of the Corporation. The Authorized  
2 Representatives are hereby authorized and directed to execute and deliver the Purchase  
3 Agreement, provided, that conditions set forth in Section 2 of this Resolution are met.  
4


5 SECTION 5. Official Statement; Continuing Disclosure Certificate. The Board of Directors  
6 hereby approves the preparation of, and hereby authorizes the Authorized Representatives to  
7 deem final within the meaning of Rule 15c2-12 of the Securities and Exchange Commission,  
8 except for permitted omissions, a preliminary form of Official Statement of the 2019 Bonds. The  
9 Authorized Representatives are hereby authorized to execute the final Official Statement in the  
10 name and on behalf of the Corporation, including any modifications resulting from additions  
11 thereto and changes therein as Bond Counsel or Disclosure Counsel shall deem necessary,  
12 desirable or appropriate, with the execution of the final Official Statement by the Authorized  
13 Representatives to be conclusive evidence of the approval of any such additions and changes.  
14 The Underwriter is hereby authorized to distribute and otherwise use the preliminary and final  
15 Official Statement in connection with the offering of the 2019 Bonds. The Authorized  
16 Representatives are further authorized to sign on behalf of the Corporation a continuing disclosure  
17 certificate with respect to the financing, in such form as may be deemed necessary by Disclosure  
18 Counsel.  
19  
20

21 SECTION 6. The President and the Secretary of the Corporation, and any other  
22 authorized officers of the Corporation acting on behalf of the President and the Secretary (each  
23 an "Authorized Representative" and collectively, the "Authorized Representatives") are, and  
24 each of them acting alone is, hereby authorized to take any and all actions and execute and  
25 deliver such documents as they deem necessary or advisable to carry out the purposes of this  
26 Resolution and to consummate the transactions contemplated by the Financing Documents, the  
27  
28

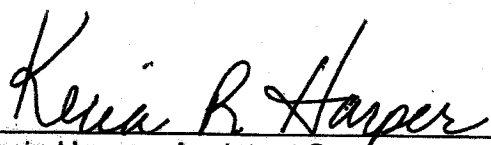
1 Purchase Contract, the Official Statement and a continuing disclosure certificate, including  
2 obtaining a rating and any credit enhancement for the 2019 Bonds, and all actions heretofore  
3 taken by any of them with respect to the issuance and sale of the 2019 Bonds or in connection  
4 with or related to any of the agreements referenced herein or the financing and refinancing of a  
5 portion of the 2013 Project, are hereby approved, confirmed and ratified.  
6

7 SECTION 7. The Assistant Secretary of the Corporation shall certify to the passage of this  
8 Resolution, shall transmit a copy hereof to the County, and shall cause this action of the Board of  
9 Directors in adopting the same to be entered in the official minutes of the Board of Directors.  
10

11 The foregoing Resolution was duly and regularly adopted by the Board of Directors of the  
12 County of Riverside Asset Leasing Corporation on the 27th day of August, 2019.  
13  
14  
15

16   
17 \_\_\_\_\_  
18 Kevin Jeffries, President  
19 County of Riverside Asset Leasing Corporation

20 ATTEST:

21   
22 By: \_\_\_\_\_  
23 Kecia Harper, Assistant Secretary,  
24 County of Riverside Asset Leasing Corporation  
25  
26  
27  
28

1 STATE OF CALIFORNIA )  
2 ) SS.  
3 COUNTY OF RIVERSIDE )

4 I, Kecia Harper, Assistant Secretary of the Board of Directors of the County of Riverside  
5 Asset Leasing Corporation, DO HEREBY CERTIFY that the foregoing Resolution was introduced  
6 at a regular meeting of the Board of Directors duly held on the 27th day of August, 2019, and was  
7 duly passed and adopted by such Board of Directors, and signed and approved by the President  
8 of such Board of Directors and that the foregoing Resolution was passed and adopted by the  
9 following vote:

10 AYES: Directors: Jeffries, Spiegel, Washington, Perez and Hewitt

11 NAYS: Directors: None

12 ABSENT: Directors: None

13 By: Kecia R. Harper  
14 Kecia Harper, Assistant Secretary,  
15 County of Riverside Asset Leasing Corporation

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

18 Kecia R. Harper, Clerk of said Board  
19 By: Karim Washington  
20 Deputy

\$ \_\_\_\_\_  
County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds, Series 2019A  
(Riverside County Technology Refunding Projects)

\_\_\_\_\_, 2019

BOND PURCHASE AGREEMENT

County of Riverside Asset Leasing Corporation  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501

County of Riverside  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501

Ladies and Gentlemen:

UBS Financial Services Inc. (the "Underwriter") offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the County of Riverside (the "County") and the County of Riverside Asset Leasing Corporation (the "Corporation") with regard to the Bonds (as defined herein), which will be issued and delivered by the Corporation pursuant to the First Supplemental Indenture of Trust, dated as of \_\_\_\_\_ 1, 2019 (the "First Supplemental Indenture"), which supplements the Indenture of Trust, dated as of July 1, 2013 (the "Original Indenture" and, together with the First Supplemental Indenture, the "Indenture"), each by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"). This offer is made subject to the written acceptance of this Bond Purchase Agreement by the County and the Corporation and the delivery of such acceptance to the Underwriter at or prior to 11:59 p.m., Pacific time, on the date hereof, and, if it is not so accepted, such offer may be withdrawn by the Underwriter upon written notice to the County and the Corporation by the Underwriter at any time before its acceptance. Upon acceptance, this Bond Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the County, the Corporation and the Underwriter.

Capitalized terms used and not defined herein shall have the same meanings as set forth in the Indenture, the Lease Agreement (as defined herein) and the Official Statement (as defined herein).

The County and the Corporation each acknowledge and agree that (i) the primary role of the Underwriter is to purchase the Bonds pursuant to this Bond Purchase Agreement in an arm's-length commercial transaction between the Corporation and the Underwriter, (ii) in connection therewith and with the discussions, undertakings, and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal

and is not acting as “municipal advisor” (as defined in Section 15B of the Securities and Exchange Act of 1934, as amended), (iii) the Underwriter has financial and other interests that differ from those of the County and the Corporation, (iv) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the County or the Corporation with respect to the offering contemplated hereby or the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the County or the Corporation on other matters) and the Underwriter has no obligation to the County or the Corporation with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) or the rules of the Municipal Securities Rulemaking Board (“MSRB”), and (v) each of the Corporation and the County has consulted its own legal, financial, and other advisors to the extent it has deemed appropriate. The Underwriter has provided the County and the Corporation with certain Underwriter disclosures required under Rule G-17 of the MSRB and the County and the Corporation have acknowledged receipt of such disclosures.

#### **1. Purchase and Sale of the Bonds**

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Corporation, and the Corporation hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of County of Riverside Asset Leasing Corporation Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects) (the “Bonds”) at a purchase price of \$\_\_\_\_\_ (being the principal amount of the Bonds less an Underwriter’s discount of \$\_\_\_\_\_). The Bonds will be issued on the Closing Date (as defined herein), will bear interest from the Closing Date at the respective rates and will mature in the principal amounts on the respective dates set forth on Exhibit A attached hereto.

#### **2. Description and Purpose of the Bonds**

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indenture. The Bonds are subject to redemption as provided in the Indenture and as described in Exhibit A attached hereto.

The Bonds are limited obligations of the Corporation payable from and secured by a pledge of the Revenues comprised primarily of Lease Payments to be made by the County pursuant to the Lease Agreement, dated as of July 1, 2013, as amended by Amendment No. 1 to Ground Lease and Lease Agreement, dated as of July 1, 2018, and Amendment No. 2 to Lease Agreement, dated as of July 1, 2019 (collectively, the “Lease Agreement”), by and between the Corporation and the County.

The County has covenanted to annually budget for the Lease Payments (which, in turn, constitute the primary source of the Revenues that are pledged to secure the repayment of the Bonds).

The proceeds of the sale of the Bonds will be used to (i) currently refund a portion of the outstanding County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "Refunded Bonds") issued pursuant to the Original Indenture, and (ii) pay the costs of issuance in connection with the issuance of the Bonds.

### **3. Public Offering**

(A) The Underwriter agrees to make a bona fide public offering of all the Bonds initially at prices not in excess of the public offering prices (or less than the yields) set forth on Exhibit A attached hereto and incorporated herein by this reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter, at prices lower than such initial public offering prices. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

(B) The Corporation and the County hereby authorize the use by the Underwriter of the Indenture, the Lease Agreement, the Ground Lease, dated as of July 1, 2013, by and between the County and the Corporation, as supplemented (the "Ground Lease"), and the Escrow Deposit and Trust Agreement, dated as of \_\_\_\_\_ 1, 2019 (as the "Escrow Agreement") by and between the Corporation and Wells Fargo Bank, N.A., as escrow bank (the "Escrow Bank") in connection with the public offering and sale of the Bonds.

### **4. Delivery of Official Statement; Continuing Disclosure**

(A) Preliminary Official Statement. The Corporation and the County have delivered or caused to be delivered to the Underwriter prior to the execution of this Bond Purchase Agreement, copies, including electronic copies, of the Preliminary Official Statement dated \_\_\_\_\_, 2019 relating to the Bonds (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the Corporation and the County for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") and approved for distribution by the Underwriter by resolution of the Board of Directors of the Corporation and by the Board of Supervisors of the County. The Corporation and the County hereby ratify and confirm their authorization of the use by the Underwriter prior to the date hereof of the Preliminary Official Statement.

(B) Final Official Statement. Within seven (7) business days from the date hereof, and in any event not later than two business days prior to the Closing Date, the Corporation and the County shall deliver to the Underwriter a final Official Statement, which may be in electronic form, executed on behalf of the Corporation and the County



by authorized representatives thereof, which shall include information permitted to be omitted from the Preliminary Official Statement by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Corporation, the County and the Underwriter (the "Final Official Statement") and such additional conformed copies thereof, which may be electronic copies, as the Underwriter may reasonably request in sufficient quantities to comply with the Rule and rules of the MSRB and to meet potential customer requests for copies of the Final Official Statement. The Corporation and the County hereby agree to deliver to the Underwriter an electronic copy of the Final Official Statement in a form that permits the Underwriter to satisfy its obligations under the rules and regulations of the MSRB and the SEC. Electronic copies of the Final Official Statement shall be filed and posted by the Underwriter on the MSRB's Electronic Municipal Market Access System in connection with the offer and sale of the Bonds as provided herein, which may be in lieu of hard copies of the Final Official Statement. The County and the Corporation hereby authorize the Underwriter to use the Final Official Statement and the information contained therein in connection with the offering and sale of the Bonds.

(C) Escrow Agreement. The Corporation and the County further agree to provide the Underwriter with the refunding documents (i.e. the refunding escrow trust agreement or its equivalent) in a word-searchable PDF format, as described in the MSRB's Rule G-32, and shall provide such electronic copy of the word-searchable PDF format of the advance refunding documents to the Underwriter no later than four (4) business days after the Closing Date to enable the Underwriter to comply with MSRB Rule G-32.

(D) Continuing Disclosure Certificate. In order to enable the Underwriter to comply with the Rule, the County will execute a Continuing Disclosure Certificate concurrently with issuance of the Bonds substantially in the form attached as Appendix E to the Final Official Statement (the "Continuing Disclosure Certificate").

## 5. Closing

At 9:00 a.m. Pacific time on \_\_\_\_\_, 2019, or such other time as shall be agreed upon by the Underwriter, the County and the Corporation (the "Closing Date"), the Corporation will deliver or cause to be delivered to the Underwriter at the offices of Best Best & Krieger LLP ("Bond Counsel") in Riverside, California (or such other location as may be designated by the Underwriter and approved by the County and the Corporation) the closing documents hereinafter mentioned and, through the F.A.S.T. facilities of The Depository Trust Company ("DTC"), the Bonds in the form of registered book-entry bonds evidenced by one certificate for each maturity of the Bonds (which may be typewritten) in denominations of \$5,000 or any multiple thereof, duly executed by the Corporation and authenticated by the Trustee, and subject to the terms and conditions hereof the Underwriter will accept delivery of the Bonds in book-entry form, and the Underwriter will pay the purchase price of the Bonds set forth in Section 1 by Federal Funds wire (such delivery and payment being herein referred to as "Closing").

**6. Representations, Warranties and Agreements of the Corporation.** For purposes of this Section 6, “to the best of the Corporation’s knowledge” means to the best knowledge of the officers thereof.

The Corporation represents, warrants and covenants with the County and the Underwriter that:

(A) the Corporation is a nonprofit public benefit corporation duly organized and validly existing under and pursuant to the laws of the State, with full legal right, power and authority to issue, sell and deliver the Bonds to the Underwriter pursuant to the Indenture, and execute, deliver and perform its obligations, as the case may be, under this Bond Purchase Agreement, the Lease Agreement, the Ground Lease, the Escrow Agreement and the Indenture (collectively, the “Legal Documents”) and the Bonds and to carry out and consummate all transactions on its part contemplated by each of the aforesaid documents and the Final Official Statement, and compliance by the Corporation with the provisions of the Legal Documents will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, administrative regulation, court order or consent decree or any applicable judgment or decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the Corporation is a party or may be otherwise subject;

(B) the resolution adopted by the Board of Directors of the Corporation on \_\_\_\_\_, 2019 approving and authorizing the execution and delivery by the Corporation of the First Supplemental Indenture, the Ground Lease, the Lease Agreement, the Escrow Agreement, this Bond Purchase Agreement, the Bonds and approving the preparation and distribution of the Preliminary Official Statement and the Final Official Statement (the “Corporation Resolution”) was duly adopted at a meeting of the Corporation called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed;

(C) when delivered by the Corporation and paid for by the Underwriter in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, issued and delivered by, and will constitute the valid and binding limited obligations of, the Corporation in conformity with, and entitled to the benefit and security of, the Indenture;

(D) the Corporation has duly authorized and approved the execution and delivery of the Legal Documents and when fully executed and delivered, the Legal Documents, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally;

(E) at the date hereof and as of the Closing Date, except as otherwise disclosed in the Final Official Statement, the Corporation will be in compliance with the

covenants and agreements contained in the Legal Documents, and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would, to the knowledge of the Corporation, constitute an event of default thereunder;

(F) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the due performance by the Corporation of its obligations under the Legal Documents have been duly obtained or made, and are, and will be as of the Closing Date, in full force and effect;

(G) any certificate signed by any duly authorized officer of the Corporation and delivered to the Underwriter pursuant to the Legal Documents or any document contemplated hereby or thereby shall be deemed a representation and warranty by the Corporation to the Underwriter as to the statements made therein;

(H) to the best knowledge of the Corporation as of the date hereof, after due inquiry, there is no public vote or referendum pending or proposed, the results of which could materially adversely affect the transactions contemplated by the Legal Documents or the Final Official Statement or the validity or enforceability of the Bonds;

(I) the Corporation has full legal right, power and authority to pledge the Revenues, and the pledge of the Revenues pursuant to the Indenture constitutes a valid first priority lien and pledge of the Revenues purported to be pledged thereby, subject to no prior pledges or security interests other than as described in the Final Official Statement;

(J) the information under the headings "THE CORPORATION" and "ABSENCE OF LITIGATION" (as it relates to the Corporation) in the Preliminary Official Statement, as of the date of the Preliminary Official Statement and as of the date hereof, was and is true and correct in all material respects, and did not and does not contain a misstatement of any material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(K) the information under the headings "THE CORPORATION" and "ABSENCE OF LITIGATION" (as it relates to the Corporation) in the Final Official Statement is, and at all times subsequent to the date of the Final Official Statement up to and including the Closing will be, true and correct in all material respects, and such information in the Final Official Statement contains, and up to and including the Closing will contain, no misstatement of any material fact and does not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(L) the Corporation will advise the Underwriter and the County promptly of any proposal to amend or supplement the Final Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter

and the County, which consents will not be unreasonably delayed or withheld, and the Corporation will advise the Underwriter and the County promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Final Official Statement in connection with the offering, sale or distribution of the Bonds;

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

(N) as of the time of acceptance hereof and the Closing, except as disclosed in the Preliminary Official Statement and the Final Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, notice of which has been given to the Corporation, before or by any court, government agency, public board or body, is pending or to the best of the Corporation's knowledge, after due inquiry, threatened (i) in any way questioning the corporate existence of the Corporation or the titles of the Members, Chairman, Vice Chairman, Executive Director, Secretary or Treasurer of the Corporation to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the Legal Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from gross income for Federal income tax purposes or contesting the powers of the Corporation or its authority to issue the Bonds; (iii) which may result in any material adverse change relating to the Corporation; or (iv) contesting the completeness or accuracy of the Preliminary Official

Statement or the Final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, nor, to the knowledge of the Corporation, is there any basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this paragraph;

(O) for purposes of the Rule, the Corporation has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule;

(P) the Corporation has not entered into any contract or agreement that would limit or restrict the Corporation's ability to redeem the Refunded Bonds or enter into this Bond Purchase Agreement for the sale of the Bonds to the Underwriter; and

(Q) except as otherwise disclosed in the Preliminary Official Statement and the Final Official Statement, the Corporation has not within the last five years failed to comply in any material respect with any continuing disclosure obligation undertaken pursuant to the Rule.

All representations, warranties and agreements of the Corporation shall remain operative and in full force and effect, regardless of any investigations made by or on the Underwriter's behalf, and shall survive through the delivery of the Bonds.

**7. Representations, Warranties, and Agreements of the County.** For purposes of this Section 7, "to the best knowledge of the County" and "to the best of the County's knowledge" means to the best knowledge of the County Executive Officer, the Finance Director, and the County Counsel.

The County represents, warrants and covenants with the Underwriter that:

(A) the County is a political subdivision of the State duly organized and existing under and by virtue of the laws of the State, with full legal right, power, and authority to execute, deliver and perform its obligations, as the case may be, under this Bond Purchase Agreement, the Continuing Disclosure Certificate, the Ground Lease and the Lease Agreement (collectively, the "County's Legal Documents") and to carry out and consummate all transactions on its part contemplated by each of the County's Legal Documents, and compliance by the County with the provisions of the County's Legal Documents will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, charter provision, administrative regulation, court order or consent decree or any applicable judgment or decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the County is a party or may be otherwise subject;

(B) the resolution of the Board of Supervisors of the County adopted on \_\_\_\_\_, 2019 approving and authorizing, among other things, the issuance by the Corporation of the Bonds and the execution and delivery by the County of the Lease

Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement and approving the preparation and distribution of the Preliminary Official Statement and the Final Official Statement (the "County Resolution") was duly adopted at a meeting of the Board of Supervisors of the County called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and have not been amended or repealed;

(C) as of the time of acceptance hereof and the Closing, except as otherwise disclosed in the Preliminary Official Statement and the Final Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity, notice of which has been given to the County, or by or before any court, governmental agency, public board or body pending or, to the best knowledge of the County, after due inquiry, threatened against or affecting the County (i) which in any way contests the existence, organization or powers of the County or the title of the officers of the County to their respective offices, or (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or the collection or payment of Lease Payments with respect to the Lease Agreement, or (iii) in any way contesting or affecting the validity or enforceability of the County's Legal Documents, or (iv) contesting the power of the County or its authority with respect to the Bonds or the County's Legal Documents, or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; nor, to the best knowledge of the County, is there any basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (v) of this paragraph;

(D) the execution and delivery of the County's Legal Documents, the adoption of the County Resolution and compliance by the County with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject;

(E) the County has duly authorized and approved the execution and delivery of the County's Legal Documents and when executed and delivered, the County's Legal Documents, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute the legally valid and binding obligations of the County enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally;

(F) except as otherwise disclosed in the Preliminary Official Statement and the Final Official Statement, the County is not in violation or breach of or default under any applicable law or administrative regulation of the State or the United States of

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

(G) as of the date hereof, the County is, and as of the Closing Date will be, except as otherwise disclosed in the Preliminary Official Statement and the Final Official Statement, in compliance with the covenants and agreements contained in the County's Legal Documents, and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would, to the knowledge of the County, constitute an event of default thereunder;

(H) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the preparation and distribution of the Preliminary Official Statement and the Final Official Statement or the due performance by the County of its obligations under the County's Legal Documents have been duly obtained or made and are in full force and effect;

(I) any certificate signed by any duly authorized officer of the County and delivered to the Underwriter pursuant to the County's Legal Documents or any document contemplated thereby shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein;

(J) to the best knowledge of the County as of the date hereof, after due inquiry, there is no public vote or referendum pending or proposed, the results of which could adversely affect the transactions contemplated by the Final Official Statement, the County's Legal Documents or the Bonds, or the Revenues securing the Bonds, or the validity or enforceability of the Bonds;

(K) the County will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the County will pay the Lease Payments as and to the extent required under the Lease Agreement;

(L) the information in the Preliminary Official Statement, as of its date and as of the date hereof, was and is true and correct in all material respects, and contained and contains no untrue statement of any material fact, and did not and does not omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading, provided, however, the County makes no representation or warranty with respect to the information concerning DTC and its book-entry system, or with respect to any statements or omissions made in reliance upon and in conformity with information furnished to the County in writing by the Underwriter expressly for use in the Preliminary Official Statement which the parties agree consists only of the identity of the Underwriter on the bottom of the cover page of the Preliminary Official Statement and the information under the heading "UNDERWRITING" in the Preliminary Official Statement;

(M) the information in the Final Official Statement is, and at all times subsequent to the date of the Final Official Statement up to and including the Closing Date will be, true and correct in all material respects, and the Final Official Statement contains, and up to and including the Closing Date will contain, no untrue statement of any material fact and does not, and up to and including the Closing Date will not, omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading, provided, however, (i) the County makes no representation or warranty with respect to any information concerning DTC and its book-entry system or with respect to any statements or omissions made in reliance upon and in conformity with any information furnished to the County in writing by the Underwriter expressly for use in the Final Official Statement and any amendment or supplement thereto, and (ii) the County acknowledges that the only information relating to the Underwriter furnished to the County in writing by the Underwriter expressly for use in the Final Official Statement and any amendment or supplement thereto is the identity of the Underwriter on the bottom of the cover page of the Final Official Statement and the information under the heading "UNDERWRITING" in the Final Official Statement and the pricing information appearing on the inside front cover of the Final Official Statement;

(N) the County will advise the Underwriter and the Corporation promptly of any proposal to amend or supplement the Final Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter and the Corporation which consents will not be unreasonably delayed or withheld, and the County will advise the Underwriter and the Corporation promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Final Official Statement in connection with the offering, sale or distribution of the Bonds;



(O) for purposes of the Rule, the County has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule;

(P) the financial statements of the County contained in Appendix C to the Preliminary Official Statement and the Final Official Statement fairly present the financial position of the County and results of operations thereof as of the dates and for the periods therein set forth, and the County believes that such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied;

(Q) except as otherwise disclosed in the Preliminary Official Statement and the Final Official Statement, there shall not have been any material adverse changes in the financial condition of the County since June 30, 2018; and

(R) except as otherwise disclosed in the Preliminary Official Statement and the Final Official Statement, within the last five years the County has not failed to comply in any material respect with any continuing disclosure obligation undertaken pursuant to the Rule.

All representations, warranties and agreements of the County shall remain operative and in full force and effect, regardless of any investigations made by or on the Underwriter's behalf, and shall survive through the delivery of the Bonds.

#### **8. Conditions to the Obligations of the Underwriter**

The Underwriter hereby enters into this Bond Purchase Agreement in reliance upon the representations and warranties of the Corporation and the County contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Corporation, the County and the Trustee of their respective obligations both on and as of the date hereof and on and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Corporation and the County contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation, the County and the Trustee made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the Corporation, the County and the Trustee of their respective obligations to be performed hereunder and under the Legal Documents and the County's Legal Documents at or prior to the date hereof and at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(A) On the Closing Date, the Legal Documents and the County's Legal Documents shall have been duly authorized, executed and delivered by the Corporation and by the County where each is a party, all in substantially the forms submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and

effect such resolutions and ordinances of the Board of Directors of the Corporation and the Board of Supervisors of the County as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(B) On the Closing Date, all necessary action of the Corporation and the County relating to the issuance and sale of the Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented;

(C) On or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) one copy of the Legal Documents and the County's Legal Documents, each duly executed and delivered by the respective parties thereto;

(ii) the approving opinion, dated the date of the Closing and addressed to the Corporation, of Bond Counsel in substantially the form of Appendix C to the Final Official Statement, and a letter of such counsel, dated the Closing Date, and addressed to the Underwriter to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(iii) a supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(1) the County and the Corporation have duly and validly executed the Bond Purchase Agreement, and, assuming the due authorization, execution and delivery by and validity against the Underwriter, the Bond Purchase Agreement constitutes the legal, valid and binding agreement of the County and the Corporation, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases;

(2) the statements contained in the Final Official Statement on the cover page and under the captions "INTRODUCTION," "THE 2019A BONDS (other than information relating to DTC and its book-entry only system, as to which no opinion need be expressed)," ["THE REFINANCING PLAN,"] "THE LEASED PREMISES AND THE PROJECTS," "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS," "TAX MATTERS," and in Appendices C and D thereto, are accurate in all material respects insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Ground Lease, the Lease Agreement and Bond Counsel's final approving opinion relating to the Bonds;

(3) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(4) the Refunded Bonds have been legally defeased and are no longer outstanding under the Original Indenture or secured by a pledge of Revenues under the Original Indenture;

(iv) a letter from Kutak Rock LLP (“Disclosure Counsel”), dated the Closing Date and addressed to the Corporation and the County, substantially to the effect that based upon such firm’s participation in the preparation of the Final Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents in the Final Official Statement, such firm is of the view, subject to certain limitations to be set forth in such letter, that as of the Closing Date such firm has no reason to believe that the Final Official Statement (excluding therefrom financial, engineering and statistical data, forecasts, projections, estimates, assumptions and expressions of opinion, and information relating to DTC and the book-entry only system, including any of the appendices thereto, as to all of which such firm expresses no view) as of its date and as of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and a reliance letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that its letter to the Corporation and the County may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(v) an opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, dated the Closing Date, and addressed to the Underwriter, substantially to the effect that:

(1) during the course of serving as counsel to the Underwriter in connection with the issuance of the Bonds and without having undertaken to determine or verify independently, or assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Final Official Statement, no facts have come to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would cause such firm to believe that the Final Official Statement (excluding therefrom the financial engineering and statistical data, forecasts, charts, numbers, estimates, projections, assumptions and expressions of opinion included in the Final Official Statement, information regarding DTC and its book-entry system, and the appendices to the Final Official Statement as to all of which no opinion need be expressed), as of the date thereof or the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(2) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(3) the Continuing Disclosure Certificate contains the elements required for the written agreement set forth in paragraphs (b)(5)(i), (b)(5)(ii) and (b)(5)(iv) of the Rule;

(vi) the opinion of the County Counsel, as counsel to the Corporation, dated the Closing Date and addressed to Bond Counsel and the Underwriter, substantially to the effect that:

(1) the Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California (the "State");

(2) the Corporation Resolution was duly adopted at a regular meeting of the Corporation that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed;

(3) other than as otherwise disclosed in the Final Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the Corporation, to restrain or enjoin the execution, delivery or sale of the Bonds or the collection or payment of Revenues that are the source of security for the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds or the Legal Documents, or in any way contesting or affecting the existence of the Corporation or the title of any official of the Corporation to such person's office, or contesting the power of the Corporation or its authority with respect to the Bonds or the Legal Documents or contesting the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(4) the execution and delivery of the Legal Documents, the adoption of the Corporation Resolution, and compliance by the Corporation with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Corporation a breach or default under any agreement or other instrument to which the Corporation is a party (and

of which such counsel is aware after reasonable investigation) or by which it is bound or by any existing law, regulation, court order or consent decree to which the Corporation is subject;

(5) the Legal Documents to which the Corporation is a party have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Corporation enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the limitations on legal remedies against public agencies in the State and the application of equitable principles if equitable remedies are sought; and

(6) no authorization, approval, consent, or other order of the United States of America, the State, or any other governmental authority or agency within the State having jurisdiction over the Corporation is required for the valid authorization, execution, delivery and performance by the Corporation of the Legal Documents or for the adoption of the Corporation Resolutions which has not been obtained;

(vii) the opinion of the County Counsel, as counsel to the County, dated the Closing Date and addressed to Bond Counsel, the Corporation and the Underwriter, substantially to the effect that:

(1) the County is a political subdivision of the State, validly existing under the Constitution and laws of the State;

(2) the County Resolution was duly adopted at a meeting of the Board of Supervisors of the County that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed;

(3) except as set forth in the Final Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the County, to restrain or enjoin the execution, delivery or sale of the Bonds or the collection or payment of Lease Payments with respect to the Lease Agreement or in any way contesting or affecting the validity or enforceability of the Bonds or the County's Legal Documents, or in any way contesting or affecting the existence of the County or the title of any official of the County to such person's office, or contesting the power of the County or its authority with respect to the County's Legal Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Final Official Statement contained any untrue statement of a material

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

(4) the execution and delivery of the County's Legal Documents, the adoption of the County Resolution and compliance by the County with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach or default under any agreement or other instrument to which the County is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the County is subject;

(5) the County's Legal Documents have been duly authorized, executed and delivered by the County, and assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the County enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the limitations on legal remedies against public agencies in the State and the application of equitable principles if equitable remedies are sought; and

(6) no authorization, approval, consent or other order of the United States of America, the State or any other governmental authority or agency within the State having jurisdiction over the County is required for the valid authorization, execution, delivery and performance by the County of the County's Legal Documents or for the adoption of the County Resolution which has not been obtained;

(viii) the opinion, dated the Closing Date and addressed to the Underwriter, the Corporation and the County, of Counsel to the Trustee, to the effect that:

(1) the Trustee has been duly incorporated as a national banking association under the laws of the United States and is in good standing under the laws of the United States, and is qualified to exercise trust powers therein, having full power and authority to enter into and to perform its duties under the Indenture;

(2) the Trustee has duly authorized, executed and delivered the First Supplemental Indenture, and by all proper corporate action has authorized the acceptance of the trusts of the Indenture;

(3) the Indenture constitutes the legally valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms; and

(4) the Bonds have been validly authenticated and delivered by the Trustee;

(ix) the opinion, dated the Closing Date and addressed to the Underwriter, the Corporation and the County, of Counsel to Escrow Bank, satisfactory to the Underwriter, the Corporation and the County;

(x) a certificate of a duly authorized official of the Corporation, dated the Closing Date, in form and substance reasonably satisfactory to the Underwriter, to the effect that:

(1) the Corporation's representations and warranties contained in the Legal Documents are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date; and

(2) there is no misstatement of any material fact under the headings "THE CORPORATION" and "ABSENCE OF LITIGATION" (as it relates to the Corporation) in the Final Official Statement, and such statements or information in the Final Official Statement do not omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(xi) a certificate of a duly authorized official of the County, dated the Closing Date, in form and substance reasonably satisfactory to the Underwriter, to the effect that:

(1) the County's representations and warranties contained in the County's Legal Documents are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date; and

(2) no event has occurred since the date of the Final Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Final Official Statement, as then supplemented or amended or is not reflected in the Final Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, provided, however, the County makes no representation or warranty with respect to (i) any information furnished to the County or the Corporation in writing by the Underwriter expressly for use in the Final Official Statement and any amendment or supplement thereto, including, but not limited to, the pricing information appearing on the inside front cover of the Final

Official Statement; or (ii) information contained in the Final Official Statement with respect to DTC or the book-entry system;

(xii) a certificate of a duly authorized official of the Trustee, dated the Closing Date, to the effect that:

(1) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into the First Supplemental Indenture and perform its duties under the Indenture and to authenticate and deliver the Bonds to the Underwriter;

(2) the Trustee is duly authorized to enter into the First Supplemental Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the Indenture;

(3) when delivered to and paid for by the Underwriter at the Closing, the Bonds will have been duly authenticated and delivered by the Trustee;

(4) the execution and delivery of the First Supplemental Indenture and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), which conflict, breach or default would materially impair the ability of the Trustee to perform its obligations under the Indenture, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and

(5) the Trustee has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor, to the best knowledge of the Trustee, is any such action or other proceeding threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery of the Bonds or the collection of revenues to be applied to pay the principal, premium, if any, and interest with respect to the Bonds, or the pledge thereof, or in any way



contesting or affecting the validity or enforceability of the Bonds or the Indenture, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or funding would materially adversely affect the validity or enforceability of the Bonds or the Indenture or the power and authority of the Trustee to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds to or upon the order of the Underwriter;

(xiii) a certificate of a duly authorized official of Escrow Bank, dated the Closing Date, to the effect that:

(1) Escrow Bank is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Escrow Agreement;

(2) Escrow Bank is duly authorized to enter into the Escrow Agreement and to perform its duties thereunder;

(3) the execution and delivery of the Escrow Agreement and compliance with the provisions on Escrow Bank's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, material agreement or material instrument to which Escrow Bank is a party or is otherwise subject which conflict, breach or default would materially impair the ability of the Escrow Bank to perform its obligations under the Escrow Agreement, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by Escrow Bank pursuant to the lien created by the Escrow Agreement under the terms of any such law, administrative regulation, judgment, decree, material agreement or material instrument, except as provided by the Escrow Agreement; and

(4) to the knowledge of the undersigned, Escrow Bank has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor, to the best knowledge of Escrow Bank, is any such action or other proceeding threatened against Escrow Bank, affecting the existence of Escrow Bank, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery of Escrow Agreement or in any way contesting or affecting the validity or enforceability of the Escrow Agreement, or contesting the powers of Escrow Bank or its authority to enter into, adopt or perform its obligations under the Escrow Agreement, wherein an unfavorable decision, ruling or funding would materially adversely affect the validity

or enforceability of the Escrow Agreement or the power and authority of Escrow Bank to enter into and perform its duties under the Escrow Agreement;

(xiv) a copy of a CLTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the County's leasehold interest in the Leased Premises, subject only to permitted encumbrances or such other encumbrances approved in writing by the Underwriter;

(xv) one certified copy of the general resolution of the Trustee authorizing the execution and delivery of the First Supplemental Indenture;

(xvi) one certified copy of the Corporation Resolution;

(xvii) one certified copy of the County Resolution;

(xviii) evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the County;

(xix) a certificate, dated the date of the Preliminary Official Statement, of the County, as required under Rule 15c2-12;

(xx) a certificate, dated the date of the Preliminary Official Statement, of the Corporation, as required under Rule 15c2-12;

(xxi) a copy of the Notice of Proposed Sale and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission;

(xxii) evidence that the Bonds have been rated "\_\_\_" by S&P;

(xxiii) a certified copy of the Corporation's organizing documents and all amendments thereto and related certificates issued by the Secretary of State of the State of California;

(xxiv) a verification report from [Causey Demgen Moore P.C.] dated the Closing Date, in form and substance satisfactory to the Underwriter;

(xxv) a copy of the Blanket Letter of Representations to DTC, properly executed by all parties thereto; and

(xxvi) such additional legal opinions, certificates, instruments or evidences thereof and other documents as Underwriter's counsel or Bond Counsel may reasonably request to evidence the due authorization, execution and delivery of the Bonds and the conformity of the Bonds, the Legal Documents and the County's Legal Documents with the terms of the Bonds and the descriptions thereof in the Final Official Statement.

(D) the Underwriter shall have the right to terminate this Bond Purchase Agreement, without liability therefor, by written notification to the Corporation and the County if at any time at or prior to the Closing:

(i) any event shall occur or facts are discovered which causes any statement contained in the Final Official Statement to be materially misleading or results in a failure of the Final Official Statement to state a material fact necessary to make the statements in the Final Official Statement, in the light of the circumstances under which they were made, not misleading, provided, however, the Underwriter shall not terminate this Bond Purchase Agreement if prior to the Closing and prior to the distribution of the Final Official Statement to any public investor the County, the Corporation and the Underwriter agree to and shall have amended or supplemented the Final Official Statement so that the Final Official Statement as so amended or supplemented will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in light of the circumstances in which they were made, not misleading, and, in the sole and reasonable judgment of the Underwriter, such amendment or supplement shall not have an adverse effect on the market price of the Bonds or the ability of the Underwriter to enforce contracts with investors for the sale of the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Bond Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the County or the Corporation, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a

decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the SEC or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Final Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) there shall have occurred any outbreak or escalation of hostilities or terrorist activities or other local, national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States or agency thereof, or any city in the United States having a population of over one million, the effect of which on the financial markets of the United States will be such as in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds; or

(vi) S&P shall downgrade, suspend or withdraw any underlying rating of any obligation secured by a pledge of Revenues, which in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(vii) the declaration of a general banking moratorium by federal, New York or California authorities, the general suspension of trading on any national securities exchange or a material disruption in securities settlement, payment or clearance services, which event, in the reasonable judgment of the Underwriter, would materially adversely affect the market price of the Bonds; or

(viii) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to net capital requirements of, the Underwriter, which, in the reasonable judgment of the Underwriter, would materially adversely affect the market price of the Bonds; or

(ix) there shall have been any material adverse change in the financial affairs of the Corporation or the County which in the Underwriter's reasonable

judgment materially adversely affects the ability of the Underwriter to market the Bonds.

If the County or the Corporation shall be unable to satisfy the conditions contained in this Bond Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter, the County nor the Corporation shall be under further obligation hereunder, except as further set forth in Section 9 hereof.

#### **9. Expenses**

The Underwriter shall be under no obligation to pay, and the Corporation and the County shall pay or cause to be paid, the expenses incident to the performance of the obligations of the Corporation and the County hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Legal Documents and the County's Legal Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants, verification agents or other experts or consultants retained by the Corporation or the County, (c) the fees and disbursements of Bond Counsel, (d) the fees and disbursements of Disclosure Counsel, (e) the fees and disbursements of the Trustee, (f) the fees and disbursements of Escrow Bank, (g) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Final Official Statement and any supplements and amendments thereto, including the requisite number of copies thereof for distribution by the Underwriter, and (h) charges of rating agencies for the rating of the Bonds.

The Corporation or the County shall reimburse the Underwriter for actual expenses incurred or paid for by the Underwriter on behalf of the Corporation or the County in connection with the marketing, issuance, and delivery of the Bonds, including, but not limited to, transportation, lodging, and meals of Corporation or County employees and representatives; provided, however, that (i) reimbursement for such expenses shall not exceed an ordinary and reasonable amount for such expenses and (ii) such expenses are not related to the entertainment of any person and not prohibited from being reimbursed from the proceeds of an offering of municipal securities under MSRB Rule G-20 or to be paid from the Corporation or County's general fund and not from the proceeds of the Bonds or any other municipal securities. Such reimbursement may be in the form of inclusion in the expense component of the Underwriter's discount, or direct reimbursement as a cost of issuance.

All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, fees of Underwriter's counsel, CUSIP fees, DTC fees, and other expenses (except MSRB Underwriters and Transaction Assessment fees, Securities Industry and Financial Markets Association Municipal Assessment fees, GASB fees and the expenses as provided above), shall be included in the Underwriter's discount set forth in Section 1. Certain expenses of the Underwriter may be in the form of inclusion in the expense component of the Underwriter's Discount.

#### **10. Covenants of Corporation and County**

The Corporation and the County covenant with the Underwriter that:

(A) If between the date hereof and the date which is not less than 25 days after the End of the Underwriting Period for the Bonds (as defined below), an event occurs, or facts or conditions become known of which the Corporation or the County has knowledge which in the reasonable opinion of counsel to the Underwriter or counsel to the Corporation or the County, might or would cause the information contained in the Final Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading, the Corporation or the County, as applicable, will notify the Underwriter, and, if in the opinion of the Underwriter or the County, such event requires the preparation and publication of a supplement or amendment to the Final Official Statement, the Corporation and the County will forthwith prepare and furnish to the Underwriter (at the expense of the County) a reasonable number of copies of an amendment of or supplement to the Final Official Statement (in the form and substance satisfactory to the Underwriter) which will amend or supplement the Final Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Final Official Statement is delivered to prospective purchasers, not misleading. If such notification shall be subsequent to the Closing, the Corporation and the County shall forthwith provide to the Underwriter such certificates as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Final Official Statement. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the County will furnish such information with respect to itself and the Corporation as the Underwriter may from time to time reasonably request in writing;

(B) If the information contained in the Final Official Statement is amended or supplemented pursuant to subparagraph (A) of this Section 10, at the time of such supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Final Official Statement so supplemented or amended (including any financial and statistical data contained therein), excluding statements and information under the caption "UNDERWRITING," contained in APPENDIX F - "BOOK-ENTRY ONLY SYSTEM," and information as to bond prices on the inside front cover of the Final Official Statement, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading;

(i) As used in subparagraph (A) and (B) of this Section 10, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the Closing Date unless the Corporation and the County shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date or (ii)

the date on which the End of the Underwriting Period for the Bonds has occurred under the Rule, provided, however, that the Corporation and the County may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(C) The Corporation and the County will advise the Underwriter immediately of receipt by the Corporation or the County of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(D) The Corporation and the County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Corporation and the County shall not be required to register as a dealer or broker or foreign corporation in any such state or jurisdiction or consent to service of process therein;

(E) Between the date of this Bond Purchase Agreement and the Closing Date, except as disclosed in the Final Official Statement, the Corporation and/or the County will not, without prior written notice to the Underwriter, offer or issue any bonds, certificates, notes or other obligations for borrowed money secured by the Lease Payments; and

(F) The Corporation and the County will perform all actions as may be requested by the Underwriter (including delivery of an appropriate certificate with respect to the Preliminary Official Statement) in order for the Underwriter to comply with the applicable provisions of the Rule.

## **11. Notices**

Any notice or other communication to be given to the Corporation or the County under this Bond Purchase Agreement may be given by delivering the same in writing at the Corporation's and the County's addresses, respectively, set forth above and any such notice or other communication to be given to the Underwriter shall be delivered to the following address:

UBS Financial Services Inc.  
515 South Flower Street, Suite 5000  
Los Angeles, CA 90071  
Attention: Shawn Dralle, Executive Director

## **12. Parties in Interest**

This Bond Purchase Agreement is made solely for the benefit of the Corporation, the County and the Underwriter and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations and warranties of the parties hereto contained in this Bond

Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter, the County or the Corporation until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement.

**13. Counterparts**

This Bond Purchase Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

**14. Effectiveness**

This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the duly authorized officers of the Corporation and the County and shall be valid and enforceable as of the time of such acceptance.

**15. Choice of Law**

The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State, without regard to conflicts of law.

**16. Severability**

In the event any provision of this Bond Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**17. Entire Agreement**

The Bond Purchase Agreement, when accepted by the Corporation and the County in writing as heretofore specified, shall constitute the entire agreement among the Corporation, the County and the Underwriter.

**18. Headings**

The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be part hereof.

**19. No Assignment**

The rights and obligations created by this Bond Purchase Agreement shall not be subject to assignment by the Underwriter, the County or the Corporation without the prior written consent of the other parties hereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Bond Purchase Agreement, effective as of the day and year first above written.

Very truly yours,

UBS FINANCIAL SERVICES INC.

By: \_\_\_\_\_  
Authorized Representative

By: \_\_\_\_\_  
Authorized Representative

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

\_\_\_\_\_ p.m.:

**ACCEPTED:**

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By: \_\_\_\_\_  
President

**ACKNOWLEDGED AND AGREED TO:**

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Finance Director

**EXHIBIT A**

\$ \_\_\_\_\_  
County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds, Series 2019A  
(Riverside County Technology Refunding Projects)

<b>Maturity Date (November 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>
	\$	%	%	

**Redemption**

***Optional Redemption of the Bonds.***

The Bonds maturing prior to November 1, 20\_\_ shall not be subject to optional redemption. The Bonds maturing on or after November 1, 20\_\_ are subject to redemption on or after November 1, 20\_\_ at the option of the Corporation, upon the direction 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, together with accrued but unpaid interest to the redemption date, without premium.

***Mandatory Redemption of the Bonds.***

The Bonds maturing November 1, 20\_\_, November 1, 20\_\_ and November 1, 20\_\_, respectively, are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on November 1, 2029, November 1, 2034 and November 1, 2039, respectively, and each respective November 1 thereafter to and including the respective date of maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Bonds maturing November 1, 20\_\_, November 1, 20\_\_ and November 1, 20\_\_ have been redeemed pursuant to an optional or mandatory redemption, the total amount of Sinking Account payments to be made subsequent to

such redemption shall be reduced in an amount equal to the principal amount of the Bonds so redeemed pursuant to such optional or mandatory redemption by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Corporation with the Trustee.

**Bonds Maturing November 1, 20\_\_**

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2029	\$
2030	
2031	
2032	
20__ (maturity)	

**Bonds Maturing November 1, 20\_\_**

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2034	\$
2035	
2036	
2037	
20__ (maturity)	

**Bonds Maturing November 1, 20\_\_**

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2039	\$
2040	
2041	
2042	
20__ (final maturity)	

***Extraordinary Redemption of the Bonds.***

The Bonds shall be subject to redemption as a whole or in part on any date, from the proceeds of insurance or eminent domain required to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

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**ESCROW DEPOSIT AND TRUST AGREEMENT**

**by and between the**

**COUNTY OF RIVERSIDE ASSET LEARNING CORPORATION**

**and**

**WELLS FARGO BANK, N.A.,  
as Escrow Bank**

**Dated as of \_\_\_\_\_, 2019**

**Relating to:**

**\$ \_\_\_\_\_**

**County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds,  
Series 2019A  
(Riverside County Technology Refunding Projects)**

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## ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (the "Escrow Agreement") is made and entered into as of \_\_\_\_\_, 2019, by and between the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a non-profit public benefit corporation existing under the laws of the State of California, (the "Corporation") and WELLS FARGO BANK, N.A., as Escrow Bank (the "Escrow Bank") and as Prior Trustee, as hereinafter defined;

### WITNESSETH:

WHEREAS, the Corporation previously issued its Lease Revenue Bonds, Series 2013A (the "Prior Bonds") pursuant to an Indenture of Trust (the "Indenture") dated July 1, 2013, by and between the Corporation and Wells Fargo Bank, N.A. (the "Prior Trustee");

WHEREAS, the Prior Indenture provides that in the event that deposits of moneys and certain Federal Securities (as defined in the Prior Indenture) in an amount, together with investment earnings and certain funds held under the Prior Indenture (defined below), sufficient to pay and discharge all or a portion of the indebtedness of the Prior Bonds at or before maturity, then the obligations of the Corporation under the Prior Indenture shall cease and terminate with respect to the obligations so discharged, except only the obligation of the Corporation to pay or cause to be paid to the Corporation all sums due thereon out of the Escrow Fund with respect to the obligations so discharged; and

WHEREAS, the Corporation has determined that it is in the best interests of the Corporation at this time to refinance a portion of the Prior Bonds and to provide for the payment thereof through and including November 1, 2023 and to redeem such Prior Bonds on said November 1, 2023, at a redemption price of 100% of the principal amount thereof, plus accrued interest; and

WHEREAS, the Corporation proposes to make the deposit of moneys and Federal Securities referenced in the Prior Indenture and to appoint the Escrow Bank as its agent for the purpose of applying said deposit to the payment of a portion of the Prior Bonds in accordance with the instructions provided by this Escrow Agreement and redeeming a portion of the Prior Bonds in accordance with the Prior Indenture, and the Escrow Bank will accept said appointment; and

WHEREAS, to obtain moneys to make such deposit, the Corporation proposes to issue its \$ \_\_\_\_\_ aggregate principal amount Taxable Lease Revenue Refunding Bonds, Series 2019 A (the "Refunding Bonds") pursuant to a First Supplemental Indenture of Trust, dated as of \_\_\_\_\_, 2019 by and between the Corporation and Wells Fargo Bank, N.A., as Trustee (the "Trustee"); and

WHEREAS, the Corporation wishes to make such a deposit with the Escrow Bank and to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Bank has full powers to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Agreement.

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

Section 1. Definition of Federal Securities. As used herein, the term "Federal Securities" means direct non-callable obligations of the United States of America, Refcorp interest strips, or securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America has been pledged to any such obligation or guarantee.

Section 2. Appointment of Escrow Bank. The Corporation hereby appoints the Escrow Bank as escrow bank for all purposes of this Escrow Agreement and in accordance with the terms and provisions of this Escrow Agreement, and the Escrow Bank hereby accepts such appointment.

Section 3. Establishment of Escrow Fund. There is hereby created by the Corporation with, and to be held by, the Escrow Bank, as security for the payment of a portion of the Prior Bonds as hereinafter set forth, an irrevocable escrow to be maintained in trust by the Escrow Bank on behalf of the Corporation and for the benefit of the owners of the Prior Bonds, said escrow to be designated the "Escrow Fund." All moneys and Federal Securities deposited in the Escrow Fund shall be held as a special fund for the payment of the debt service on the portion of the Prior Bonds so designated by the Corporation (the "Prior Payments") in accordance with the provisions of the Prior Indenture. If at any time the Escrow Bank shall receive actual knowledge that the moneys and Federal Securities in the Escrow Fund will not be sufficient to make any payment required by Section 5 hereof, the Escrow Bank shall notify the Corporation of such fact and the Corporation shall immediately cure such deficiency.

The Escrow Bank may rely upon the conclusion of \_\_\_\_\_ (the "Verification Agent") in its reports each dated \_\_\_\_\_, 2019 (the "Verification Reports") that the Federal Securities listed on Exhibit A, together with interest to accrue thereon, and cash will be fully sufficient to pay the portion of debt service on the designated portion of the Prior Bonds.

Section 4. Deposit into Escrow Fund; Investment of Amounts. Concurrently with delivery of the Refunding Bonds, the Corporation shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund in immediately available funds in the following amounts: \$\_\_\_\_\_ from proceeds of the Refunding Bonds and \$\_\_\_\_\_ from the Bond Fund of the Prior Bonds, and \$\_\_\_\_\_ from amounts deposited in the Reserve Account for the portion of the Prior Bonds, and the Prior Trustee is hereby instructed to transfer such monies.

The Escrow Bank shall invest all of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the Federal Securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities"). The purchase price of the Escrowed Federal Securities is \$\_\_\_\_\_. The remainder in the Escrow Fund (\$\_\_\_\_\_) shall be held in cash uninvested (the "Cash"). The Escrowed Federal Securities

shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

The Escrow Bank shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 5. Instructions as to Application of Deposit; Corporation Retains Right of Optional Redemption. The Corporation hereby irrevocably directs and instructs the Escrow Bank to transfer to the Prior Trustee to apply the interest on and maturing principal amount of the Escrowed Federal Securities and Cash to pay the designated portion of the Prior Bonds, through and including November 1, 2023 and to redeem a portion of the remaining Prior Bonds in full on November 1, 2023 at a redemption price of 100% of the principal amount hereof, all as more particularly set forth in Exhibit B attached hereto and hereby made a part hereof. For such purpose of call and redemption prior to maturity of a portion of the Prior Bonds, the Corporation hereby instructs the Escrow Bank, as Prior Trustee, and the Escrow Bank, as Prior Trustee, hereby agrees to give notice of redemption, such notice of redemption, set forth in Exhibit D hereto, to be given timely for redemption of the designated portion of the Prior Bonds on the dates indicated in Exhibit B, in accordance with the applicable provisions of the Prior Indenture. Upon the receipt of funds, the Escrow Bank shall send a notice of defeasance substantially in the form of Exhibit C attached hereto.

Section 6. Investment of Any Remaining Moneys. At the written direction of the Corporation received at least two (2) Business Days in advance, the Escrow Bank shall invest and reinvest the proceeds received from any of the Escrowed Federal Securities originally deposited into the Escrow Fund for a period ending not later than the next succeeding Prior Payment date, in Federal Securities; provided, however, that such written directions of the Corporation shall be accompanied by the opinion of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions, that amounts in the Escrow Fund after such investment, together with interest to be derived therefrom, shall be at all times at least sufficient to make the payments specified in Section 5 hereof. In the event that the Corporation shall fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Bank. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 6 and not, in the opinion of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions, required for the purposes set forth in Section 5 shall be paid to the Trustee for deposit in the Debt Service Fund under the Indenture promptly upon the receipt of such interest income by the Escrow Bank.

Section 7. Application of Certain Terms of Prior Indenture. All of the terms of the Prior Indenture relating to the making of payments of principal and interest with respect to the Prior Bonds are incorporated in this Escrow Agreement as if set forth in full herein. The provisions of the Prior Indenture relating to the limitations from liability and protections afforded the Prior Trustee and the resignation and removal of the Prior Trustee are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedure to be followed with respect to any resignation or removal of the Escrow Bank hereunder.



Section 8. Compensation to Escrow Bank. The Corporation shall pay the Escrow Bank full compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, redemption or redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, fees, costs and expenses relating to the purchase of any Federal Securities after the date hereof, pursuant to a separate agreement between the Corporation and the Escrow Bank. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

Section 9. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the Corporation shall have deposited sufficient funds with the Escrow Bank to satisfy such obligation. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the Corporation or its agents relating to any matter or action as Escrow Bank under this Escrow Agreement.

The Escrow Bank undertakes such duties as specifically set forth herein and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Bank.

The Corporation hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; provided, however, that the Corporation shall not be required to indemnify the Escrow Bank against its own negligence or willful misconduct. The indemnities contained in this Section 10 shall survive the termination of this Escrow Agreement and the resignation and removal of the Escrow Bank.

The Escrow Bank shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special indirect or consequential damages.

The Escrow Bank may consult with counsel of its own choice and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

Whenever in the administration of this Escrow Agreement the Escrow Bank 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 Bank, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Corporation, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered by it under the provisions of this Escrow Agreement upon the faith thereof.

The liability of the Escrow Bank to make the payments required by this Escrow Agreement shall be limited to the moneys and Federal Securities in the Escrow Fund.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Federal Securities deposited with it to pay the principal, interest, or premiums, if any, on the Bonds.

No provision of this Escrow Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

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.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Corporation elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Corporation agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Corporation acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation the right to receive brokerage confirmations of security transactions as they occur, the Corporation specifically waives receipt of such confirmations to the extent permitted by law. The Corporation further understands that trade confirmations for securities transactions effected by the Escrow Bank will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Escrow Bank will furnish the Corporation periodic cash transaction statements which include detail for all investment transactions made by the Escrow

Bank hereunder. Upon the Corporation's election, such statements will be delivered via the Escrow Bank's online service and upon electing such service, paper statements will be provided only upon request.

Section 10. Amendment. This Escrow Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the Prior Bonds then outstanding shall have been filed with the Escrow Bank. This Escrow Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the Corporation, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not adversely affect the interests of the owners of the Prior Bonds or the Bonds, and that such amendment will not cause interest on the Prior Bonds or the Bonds to become subject to federal income taxation.

Section 11. Termination; Unclaimed Money. This Escrow Agreement shall terminate when the Prior Payments have been paid; provided, however, that (i) money held by the Escrow Bank pursuant to this Escrow Agreement for the payment and discharge of any of the Prior Payments (which shall not be payable as to interest from and after the date set for redemption) which remain unclaimed for two (2) years after such payments were due, shall be repaid by the Escrow Bank to the Corporation free from the trust created by the Prior Indenture and this Escrow Agreement, and the Escrow Bank shall thereupon be released and discharged with respect thereto and hereto and all liability of the Escrow Bank with respect to such money shall thereupon cease and (ii) excess moneys held by the Escrow Bank not needed for the payment and discharge of the Prior Payments shall be transferred to the Debt Service Fund under the Indenture.

Section 12. Severability. If any section, paragraph, sentence, clause or provision of this Escrow 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 Escrow Agreement.

Section 13. Notice of Escrow Bank and Corporation. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the principal corporate trust office of the Escrow Bank by being deposited postage prepaid in a post office letter box, delivered via courier or overnight mail or sent via fax or electronic transmission addressed as follows: Wells Fargo Bank, N.A., 333 S. Grand Avenue, Fifth Floor, Suite 5A, Los Angeles, California 90071, Attention: Robert Schneider, Vice President, (213) 972-5694, Email: \_\_\_\_\_.

Any notice to or demand upon the Corporation shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to such party as provided in the Prior Indenture (or such other address as may have been filed in writing by the Corporation with the Escrow Bank).

Section 14. Merger or Consolidation of Escrow Bank. Any company into which the Escrow Bank may be merged or converted or with which may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as Trustee under the Indenture and the Prior Indenture, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 15. Governing Law. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 16. Execution in Several Counterparts. This Escrow Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall constitute but one and the same instrument.

*(Signature page follows)*

IN WITNESS WHEREOF, the Corporation and the Escrow Bank have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

COUNTY OF RIVERSIDE ASSET LEASING  
CORPORATION

By: \_\_\_\_\_  
Richard Kerr  
President

WELLS FARGO BANK, N.A., as Escrow Bank  
and Prior Trustee

By: \_\_\_\_\_  
Authorized Officer

*-Signature Page-*  
*Escrow Deposit and Trust Agreement*

**EXHIBIT A**  
**IDENTIFICATION OF AND PAYMENT SCHEDULE FOR**  
**ESCROWED FEDERAL SECURITIES**

**ESCROW SUFFICIENCY**

**EXHIBIT B**

**DEBT SERVICE PAYMENTS ON THE PRIOR BONDS**

**EXHIBIT C**

**Outstanding  
\$66,015,000**

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, SERIES 2013A  
(PUBLIC DEFENDER/PROBATION BUILDING AND  
RIVERSIDE COUNTY TECHNOLOGY SOLUTIONS CENTER PROJECTS)**

**NOTICE OF PARTIAL DEFEASANCE**

OWNERS of certain maturities of the above-described Bonds (the "Defeased Bonds") are hereby NOTIFIED that, pursuant to an Escrow Deposit and Trust Agreement dated as of \_\_\_\_\_, 2019, by and between the County of Riverside Asset Leasing Corporation and Wells Fargo Bank, N.A., as Escrow Bank (the "Escrow Bank"), the Escrow Bank has received and holds in irrevocable trust, cash moneys or noncallable direct and general obligations of the United States of America or obligations of any Corporation or instrumentality of the United States the payment of principal of and interest on which is unconditionally guaranteed by the full faith and credit of the United States of America (collectively, the "Federal Securities") interest on and the principal of which obligations, when due, will provide moneys together with any such cash sufficient to pay a portion of interest on and the principal of the Defeased Bonds to November 1, 2023, as indicated on such Defeased Bonds and to prepay a portion of the Defeased Bonds on November 1, 2023, as indicated on such Defeased Bonds, all as verified by an independent certified public accountant. The Escrow Bank shall collect interest on and the principal of such obligations and shall pay the same, together with any such cash moneys held by the Escrow Bank, to owners of record of the Defeased Bonds, in such amounts and at such times as shall be required to pay interest on and the principal of the Defeased Bonds to the redemption date or maturity date, as applicable.

The Defeased Bond CUSIP numbers, maturity dates and principal amounts are listed below:

<u>CUSIP Number</u>	<u>Maturity Date (November 1)</u>	<u>Interest Rate</u>	<u>Par Amount</u>
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The Defeased Bonds are now deemed to have been paid, and the owners thereof shall hereafter be limited to the application of such cash moneys or Federal Securities for the payment of interest on and the principal of such Defeased Bonds as the same become due and payable as described above.

THIS IS NOT A NOTICE OF REDEMPTION. THIS NOTICE IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT REQUIRE OR SOLICIT THE PRESENT SURRENDER OR EXCHANGE OF THE DEFEASED BONDS.

*The CUSIP numbers have been assigned by an independent service for convenience of reference and none of the Corporation, the Trustee or the Escrow Bank shall be held liable for any inaccuracy in any such CUSIP number.*

DATED: \_\_\_\_\_, 2019

WELLS FARGO BANK, N.A., as Trustee and  
Escrow Bank, on behalf of the COUNTY OF  
RIVERSIDE ASSET LEASING  
CORPORATION

**EXHIBIT D**

**\$66,015,000**

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
LEASE REVENUE BONDS, SERIES 2013A  
(PUBLIC DEFENDER/PROBATION BUILDING AND  
RIVERSIDE COUNTY TECHNOLOGY SOLUTIONS CENTER PROJECTS)**

**NOTICE OF PARTIAL OPTIONAL REDEMPTION**

NOTICE IS HEREBY GIVEN that on November 1, 2023 (the "Redemption Date"), a portion of the above-captioned bonds (the "Bonds") have been called for redemption pursuant to the Indenture of Trust, dated as of July 1, 2013, by and between Wells Fargo Bank, N.A., as trustee (the "Trustee") and the County of Riverside Asset Leasing Corporation (the "Corporation"). The Bonds will be redeemed at 100% of the principal amount plus accrued interest (the "Redemption Price"). Interest will be paid in the usual manner.

The Bond CUSIP numbers and maturity dates are listed below:

<b><u>CUSIP Number</u></b>	<b><u>Maturity Date (November 1)</u></b>	<b><u>Interest Rate</u></b>	<b><u>Par Amount</u></b>
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[Balance of this page intentionally left blank.]

The Bonds are due and payable at the office of the Trustee on the Redemption Date. Interest will cease to accrue on the Bonds from and after the Redemption Date. The Bonds should be presented for redemption to the office of the Trustee at the following address:

*Air Courier Service*

Wells Fargo Bank, N.A.  
Attn: Corporate Trust Operations  
MAC N9300-070  
600 South Fourth Street, 7th Floor  
Minneapolis, MN 55415

*By Registered or Certified Mail*

Wells Fargo Bank, N.A.  
Attn: Corporate Trust Operations  
MAC N9300-070  
P.O. Box 1517  
Minneapolis, MN 55480-1517

The CUSIP number has been assigned by Standard & Poor's Corporation and is included solely for the convenience of the holders of Bonds. Neither the Corporation nor the Trustee shall be responsible for the selection or use of the CUSIP numbers nor is any representation made as to their correctness on the Bonds or as indicated in any redemption Notice.

Dated: \_\_\_\_\_

WELLS FARGO BANK, N.A., as Trustee for  
COUNTY OF RIVERSIDE ASSET LEASING  
CORPORATION

**IMPORTANT INFORMATION REGARDING TAX CERTIFICATION AND  
POTENTIAL WITHHOLDING**

Pursuant to U.S. federal tax laws, you have a duty to provide the applicable type of tax certification form issued by the U.S. Internal Revenue Service ("IRS") to Wells Fargo Bank, N.A. Corporate Trust Services to ensure payments are reported accurately to you and to the IRS. In order to permit accurate withholding (or to prevent withholding), a complete and valid tax certification form must be received by Wells Fargo Bank, N.A. Corporate Trust Services before payment of the redemption proceeds is made to you. Failure to timely provide a valid tax certification form as required will result in the maximum amount of U.S. withholding tax being deducted from any redemption payment that is made to you.

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**FIRST SUPPLEMENTAL  
INDENTURE OF TRUST**

Dated as of \_\_\_\_\_ 1, 2019

by and between

WELLS FARGO BANK, N.A.  
as trustee

and the

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Authorizing the Issuance of

\$ \_\_\_\_\_  
County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds,  
Series 2019A  
(Riverside County Technology Refunding Projects)

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## FIRST SUPPLEMENTAL INDENTURE OF TRUST

This FIRST SUPPLEMENTAL INDENTURE OF TRUST (this "First Supplemental Indenture"), made and entered into as of \_\_\_\_\_ 1, 2019, is by and between the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a non-profit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and WELLS FARGO BANK, N.A., a national banking association, duly organized and existing under the laws of the United States of America, as trustee (the "Trustee");

### WITNESSETH:

**WHEREAS**, the Corporation is a non-profit public benefit corporation duly organized and existing under the laws of the State and pursuant to its Articles of Incorporation; and

**WHEREAS**, the Corporation is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the County, and to provide financing and refinancing for public capital improvements including the land on which the public capital improvements are or will be located; and

**WHEREAS**, the County and the Corporation have previously entered into a Ground Lease dated as of July 1, 2013 (the "Ground Lease"), recorded July 17, 2013 as Document No. 2013-0345622 in the Official Records of the Riverside County Recorder's Office, under which the County leased to the Corporation the property set forth therein and described in Exhibit A thereto (the "Leased Property"); and

**WHEREAS**, concurrently with the execution of the Ground Lease, the Corporation leased the Leased Property to the County pursuant to a Lease Agreement (the "Lease Agreement"), dated as of July 1, 2013, and that certain Memorandum of Lease recorded July 17, 2013 as Document No. 2013-0345623 in the Official Records of the Riverside County Recorder's Office, for the purpose of securing payments made with respect to the \$66,015,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series 2013A (the "2013 Bonds"), which were issued pursuant to an Indenture of Trust (the "Original Indenture") dated as of July 1, 2013, by and between Corporation and Wells Fargo Bank, N.A.; and

**WHEREAS**, the County and the Corporation wish to refinance a portion of the 2013 Bonds proceeds allocable to finance the acquisition and construction of the Riverside County Collaborations Center and the Chapel on a taxable basis for the purposes of providing additional flexibility as to use of the facilities by the County; and

**WHEREAS**, the Corporation will issue its Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects) (the "2019 Bonds") for the purpose of refinancing a portion of the 2013 Bonds and refinancing a portion of the Lease Payments due under the Lease Agreement; and

**WHEREAS**, Section 8.03(v) of the Lease Agreement provides for the amendment of the Lease Agreement if such modification or amendment for the purpose of paying additional amounts of rental so long as the conditions thereof have been satisfied and Section 9.01(b)(v) of

the Original Indenture permits the issuance of additional bonds provided the provisions of Section 8.03(v) of the Lease Agreement are met; and

**WHEREAS**, the County finds that the security for payment of the 2013 Bonds will not be impaired, nor will the interests of the 2013 Bond Owners be adversely effected; and

**NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH**, that in order to secure the payment of the principal of and the interest and premium (if any) on all 2019 Bonds at any time issued and outstanding under this First Supplemental Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2019 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2019 Bonds by the owners thereof, and for other valuable considerations, the receipt and adequacy whereof is hereby acknowledged, the Corporation does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2019 Bonds, as follows:

## **ARTICLE I DEFINITIONS; RULES OF INTERPRETATION**

**Section 1.01 Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this First Supplemental Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. In addition, all capitalized terms used herein and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Lease Agreement.

**“Amendment No. 1 to Lease Agreement”** means the Amendment No. 1 to Ground Lease and Lease Agreement, dated as of July 1, 2018, between the County and the Corporation.

**“Amendment No. 2 to Lease Agreement”** means the Amendment No. 2 to Lease Agreement, dated the date hereof, by and between the County and the Corporation.

**“Authorized Representative”** means: (a) with respect to the Corporation, its President, Vice President, Secretary and Assistant Secretary, or any other person designated as an Authorized Representative of the Corporation by a Written Certificate of the Corporation signed by its President, Vice President, Secretary and Assistant Secretary and filed with the County and the Trustee; and (b) with respect to the County, its Chairman of the Board of Supervisors, Vice Chairman, County Executive Officer, Deputy County Executive Officer or any other person designated as an Authorized Representative of the County by a Written Certificate of the County signed by its Chairman of the Board of Supervisors, Vice Chairman, County Executive Officer, Deputy County Executive Officer and filed with the Corporation and the Trustee.

**“Bond Counsel”** means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Corporation of nationally-recognized experience in

the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Year” means each twelve-month period extending from November 2 in one calendar year to November 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year shall commence on the Closing Date and extend to and include November 1, 2019.

“Book-Entry Depository” means DTC or any successor as Book-Entry Depository for the 2019 Bonds, appointed pursuant to Section 2.11.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“Closing Date” means \_\_\_\_\_, 2019, being the date of delivery of the 2019 Bonds to the Underwriter.

“Continuing Disclosure Certificate” means, as applicable, that certain Certificate of the Corporation or the County, as applicable, by that name and dated as of the Closing Date.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the 2019 Bonds and the application of the proceeds of the 2019 Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Corporation, initial fees and expenses of the Trustee and its counsel, title insurance premiums, appraisal fees, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the 2019 Costs of Issuance Fund established and held by the Trustee pursuant to Section 3.03.

“County” means the County of Riverside.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period; (b) the minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period; and (c) the interest which would be due during such period on the aggregate principal amount of 2019 Bonds which would be Outstanding in such period if the 2019 Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of 2019 Bonds no longer Outstanding.

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

“Escrow Account” means the account by that name established under the Escrow Agreement.



“Escrow Agreement” means the Escrow Deposit and Trust Agreement, dated as of \_\_\_\_\_, 2019, between the Corporation and the Trustee, as Escrow Bank.

“Escrow Bank” means Wells Fargo Bank, N.A.

“Events of Default” means any of the events specified in Section 7.01.

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code; (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code; or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

“Federal Securities” means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America;

(b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and

(c) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and (i) which are rated, based on the escrow, in the highest rating category of S&P or Moody’s or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraphs (a) or (b) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“First Supplemental Indenture” means this First Supplemental Indenture, dated as of \_\_\_\_\_ 1, 2019, between the Corporation and the Trustee.

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

“Indenture” means the Original Indenture, as supplemented by this First Supplemental Indenture dated as of \_\_\_\_\_, 2019, and as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Corporation or the County, and who, or each of whom (a) is in fact independent and not under domination of the Corporation or the County; (b) does not have any substantial interest, direct or indirect, in the Corporation or the County; and (c) is not connected with the Corporation or the County as an officer or employee of the Corporation or the County but who may be regularly retained to make annual or other audits of the books of or reports to the Corporation or the County.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the Corporation may designate in a certificate delivered to the Trustee.

“Insurance and Condemnation Fund” means the 2019 Insurance and Condemnation Fund established and held by the Trustee pursuant to Section 5.08.

“Interest Account” means the 2019 Interest Account established in the Bond Fund pursuant to Section 5.02.

“Interest Payment Date” means each May 1 and November 1 commencing November 1, \_\_\_\_\_.

“Lease Agreement” means that certain Lease Agreement, dated as of July 1, 2013, by and between the Corporation, as lessor, and the County, as lessee, as amended by Amendment No. 1 to Lease Agreement and Amendment No. 2 to Lease Agreement.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Proceeds” means all amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Premises, or the proceeds of any taking of the Leased Premises or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Office” means with respect to the Trustee, the corporate trust office of the Trustee at Los Angeles, California, or at such other or additional offices as may be specified in writing to the

Corporation and the County, except that with respect to presentation of the 2019 Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee in Minneapolis, Minnesota.

“Original Indenture” means the Indenture of Trust, dated as of July 1, 2013, by and between the Corporation and the Trustee.

“Outstanding” when used as of any particular time with reference to the 2019 Bonds, means (subject to the provisions of Section 10.01) all 2019 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this First Supplemental Indenture except: (a) the 2019 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) the 2019 Bonds with respect to which all liability of the Corporation shall have been discharged in accordance with Section 10.02, including the 2019 Bonds (or portions thereof) described in Section 10.01; and (c) the 2019 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2019 Bonds shall have been authenticated and delivered by the Trustee pursuant to this First Supplemental Indenture.

“Owner” whenever used herein with respect to a 2019 Bond, means the person in whose name the ownership of such 2019 Bond is registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Farmers Home Administration (FmHA)  
Certificates of beneficial ownership
- b. Federal Housing Administration Debentures (FHA)
- c. General Services Administration  
Participation certificates
- d. Government National Mortgage Association (GNMA or “Ginnie Mae”)  
GNMA - guaranteed mortgage-backed bonds  
GHMA - guaranteed pass-through obligations (participation certificates)  
(not acceptable for certain cash-flow sensitive issues.)
- e. U.S. Maritime Administration  
Guaranteed Title XI financing

- f. U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Federal Home Loan Bank System  
Senior debt obligations (Consolidated debt obligations)
- b. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mae")  
Participation Certificates (Mortgage-backed securities)  
Senior debt obligations
- c. Federal National Mortgage Association (FNMA or "Fannie Mae")  
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal).
- d. Student Loan Marketing Association (SLMA or "Sallie Mae")  
Senior debt obligations
- e. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
- f. Farm Credit System  
Consolidated systemwide bonds and notes

4. Money market funds registered under the Federal Investment Company of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm, or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 including funds for which the Trustee or an affiliate advises or services.

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks (which may include the Trustee and its affiliates) whose term obligations are rated "A-1" or better by S&P and "Prime-1" by Moody's.

The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits (which may include the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

7. Investment agreements with a domestic or foreign bank or corporation, the long-term debt or financial strength of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guarantee insurance company, financial strength, of the guarantor is rated in at least the "double A" category by Moody's and S&P; provided, that, by the terms of the investment agreement:

a. interest payments are to be made to the Trustee at all times and in the amounts as necessary to pay debt service, applied as directed in Section 5.06 hereof on the 2019 Bonds;

b. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Corporation and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c. the investment agreement shall state that it is the unconditional and general obligation of; and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d. the Corporation or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Corporation and Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in a form and substance acceptable by the Corporation;

e. the investment agreement shall provide that if during its term

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the Corporation, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment (including such other amounts as are required to permit the Trustee to receive the initially contemplated yield through the term of the Agreement), or (c) assign its obligations thereunder to a financial counter-party, acceptable to the Corporation, and rated in the double A category by both Moody's and S&P; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Corporation), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or Trustee; and

f. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g. the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligation under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Corporation), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate; and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and the amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate; or

8. Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the highest long-term rating categories assigned by such agencies unless such obligations are issued by the State, in which case such obligations are rated in one of the two highest long-term rating categories of S&P and Moody's.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" or better by S&P.

11. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repos must be between the municipal entity and a dealer bank or securities firm.

(i) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody', or

(ii) Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services.

b. The written repo contract must include the following:

(i) Securities which are acceptable for transfer are:

(A) Direct U.S. governments.

(B) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC).

(ii) The term of the repo maybe up to 30 years.

(iii) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(iv) The trustee has perfected first priority security interest in the collateral.

(v) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repo or reverse repo.

(vi) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral.

(vii) Valuation of Collateral

(A) The securities must be valued weekly, marked-to-market at a current market price plus interest.

(B) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable

securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

c. Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

12. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

13. County of Riverside Investment Pool.

14. State of California Local Agency Investment Fund (LAIF).

"Principal Account" means the Principal Account established in the Bond Fund pursuant to Section 5.02.

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

"Redemption Fund" means the 2019 Redemption Fund established pursuant to Section 5.07.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.05 for the registration and transfer of ownership of the 2019 Bonds.

"Representation Letter" means the letter of representations from the Corporation to, or other instrument or agreement of the Corporation with, a Book-Entry Depository in which the Corporation, among other things, makes certain representations to such Depository with respect to the 2019 Bonds, the payment thereof and delivery of notices with respect thereto.

"Revenues" means: (a) all amounts received by the Corporation or the Trustee pursuant to or with respect to the Amendment No. 2 to Lease Agreement Exhibit B-2, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable under Section 4.08 of the Lease Agreement; (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this First Supplemental Indenture; and (c) the proceeds of rental interruption insurance policies carried with respect to Leased Premises pursuant to the Lease Agreement and Amendment No. 2 to Lease Agreement in accordance with this First Supplemental Indenture.

"S&P" means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc., its successors and assigns.



“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232 in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Corporation may designate in a Written Certificate of the Corporation delivered to the Trustee.

“Serial Bonds” means the 2019 Bonds maturing on November 1 in each of the years \_\_\_\_ through \_\_\_\_, inclusive.

“Sinking Account” means the 2019 Sinking Account established and held by the Trustee pursuant to Section 5.02.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Corporation and the Trustee, supplementing, modifying or amending the Indenture or this First Supplemental Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986, as amended.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Tax Code.

“Term Bonds” means the 2019 Bonds maturing on November 1, \_\_\_\_.

“Trustee” means Wells Fargo Bank, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

“2013 Bonds” means the \$66,015,000 original principal amount of County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects), authorized by and at any time Outstanding pursuant to the Original Indenture.

“2019 Bond Fund” means the 2019 Bond Fund established and held by the Trustee pursuant to Section 5.01.

“2019 Bonds” means the \$ \_\_\_\_\_ aggregate principal amount of County of Riverside Asset Leasing Corporation Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects), authorized by and at any time Outstanding pursuant to this First Supplemental Indenture.

“Underwriter” means \_\_\_\_\_ as the original purchasers of the 2019 Bonds upon their delivery by the Trustee on the Closing Date.

“Written Certificate,” “Written Request” and “Written Requisition” of the Corporation or the County mean, respectively, a written certificate, request or requisition signed in the name of

the Corporation or the County by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**Section 1.02 Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this First Supplemental Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this First Supplemental Indenture as a whole and not to any particular Article, Section or subdivision hereof.

**ARTICLE II  
THE 2019 BONDS**

**Section 2.01 Authorization of the 2019 Bonds.** The Corporation hereby authorizes the issuance hereunder of the 2019 Bonds, which shall constitute special obligations of the Corporation, for the purpose of providing funds to the Corporation to refinance the lease by the Corporation of the Leased Premises and the construction and acquisition of the Facilities. The 2019 Bonds are hereby designated the "County of Riverside Asset Leasing Corporation Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects)" in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) to be initially issued and Outstanding under this First Supplemental Indenture. This First Supplemental Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the 2019 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2019 Bonds, subject to the covenants, provisions and conditions herein contained.

**Section 2.02 Terms of the 2019 Bonds.** The 2019 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The 2019 Bonds shall mature on November 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<b><u>Maturity Date</u></b> <b><u>(November 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>
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Interest on the 2019 Bonds shall be payable semi-annually calculated based on a 360-day year of twelve thirty day months on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on the applicable Interest Payment Date by first class mail to the Owner at the address of such Owner as it appears on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of 2019 Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any 2019 Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the designated Office of the Trustee: Principal of and interest and premium (if any) on the 2019 Bonds shall be payable in lawful money of the United States of America.

Each 2019 Bond shall be dated as of the date of authentication thereof, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before \_\_\_\_\_, 2019, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any 2019 Bond, interest thereon is in default, such 2019 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Section 2.03 Transfer of 2019 Bonds.** Any 2019 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2019 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any 2019 Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of 2019 Bonds for redemption or if such 2019 Bond has been selected for redemption pursuant to Article IV. Whenever any 2019 Bond or 2019 Bonds shall be surrendered for transfer, the Corporation shall execute and the Trustee shall authenticate and shall deliver a new 2019 Bond or 2019 Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost

of printing the 2019 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the County.

**Section 2.04 Exchange of 2019 Bonds.** Any 2019 Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2019 Bonds of other authorized denominations and of like maturity. Exchange of any 2019 Bond shall not be permitted during the period established by the Trustee for selection of 2019 Bonds for redemption or if such 2019 Bond has been selected for redemption pursuant to Article IV. The Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing 2019 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the County.

**Section 2.05 Registration Books.** The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2019 Bonds, which shall at all reasonable times, upon reasonable notice, be open to inspection during regular business hours by the Corporation, the County and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2019 Bonds as hereinbefore provided.

**Section 2.06 Form and Execution of the 2019 Bonds.** The 2019 Bonds shall be signed in the name and on behalf of the Corporation with the manual or facsimile signature of its President and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Corporation, under the printed seal of the Corporation, and shall be delivered to the Trustee for authentication by it. In case any officer of the Corporation who shall have signed any of the 2019 Bonds shall cease to be such officer before the 2019 Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Corporation, such 2019 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Corporation as though the individual who signed the same had continued to be such officer of the Corporation. Also, any 2019 Bond may be signed on behalf of the Corporation by any individual who on the actual date of the execution of such 2019 Bond shall be the proper officer although on the nominal date of such 2019 Bond such individual shall not have been such officer.

Only such of the 2019 Bonds as shall bear thereon a certificate of authentication in substantially the forms set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this First Supplemental Indenture, and such certificate of the Trustee shall be conclusive evidence that the 2019 Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this First Supplemental Indenture.

**Section 2.07 Temporary 2019 Bonds.** The 2019 Bonds may be issued in temporary form exchangeable for definitive 2019 Bonds when ready for delivery. Any temporary 2019 Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Corporation, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this First Supplemental Indenture as may be

appropriate. Every temporary 2019 Bond shall be executed by the Corporation and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive 2019 Bonds. If the Corporation issues temporary 2019 Bonds it will execute and deliver definitive 2019 Bonds as promptly thereafter as practicable, and thereupon the temporary 2019 Bonds may be surrendered, for cancellation, at the designated Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary 2019 Bonds an equal aggregate principal amount of definitive 2019 Bonds of authorized denominations. Until so exchanged, the temporary 2019 Bonds shall be entitled to the same benefits under this First Supplemental Indenture as definitive 2019 Bonds authenticated and delivered hereunder.

**Section 2.08 Bonds Mutilated, Lost, Destroyed or Stolen.** If any 2019 Bond shall become mutilated, the Corporation, at the expense of the Owner of said 2019 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2019 Bond of like tenor in exchange and substitution for the 2019 Bond so mutilated, but only upon surrender to the Trustee of the 2019 Bond so mutilated. Every mutilated 2019 Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any 2019 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Corporation, at the expense of the Owner of such lost, destroyed or stolen 2019 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2019 Bond of like tenor in lieu of and in substitution for the 2019 Bond so lost, destroyed or stolen (or if any such 2019 Bond shall have matured or shall have been called for redemption, instead of issuing a substitute 2019 Bond, the Trustee may pay the same without surrender thereof). The Trustee may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2019 Bond issued under this Section 2.08 and of the expenses which may be incurred by the County, the Corporation and the Trustee in the premises. Any 2019 Bond issued under the provisions of this Section 2.08 in lieu of any 2019 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Corporation whether or not the 2019 Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this First Supplemental Indenture with all other 2019 Bonds secured by this First Supplemental Indenture.

**Section 2.09 Cancellation of 2019 Bonds.** All 2019 Bonds properly surrendered to the Trustee for payment upon maturity or for redemption shall upon payment therefor or redemption thereof be cancelled immediately as more particularly provided in Section 11.05 hereof.

**Section 2.10 CUSIP Numbers.** "CUSIP" identification numbers shall be imprinted on the 2019 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2019 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2019 Bonds. In addition, failure on the part of the Corporation to use such CUSIP numbers in any notice to Owners shall not constitute an Event of Default or any violation of the Corporation's contract with such Owners and shall not impair the effectiveness of any such notice.

## **Section 2.11 Book-Entry Bonds.**

(a) The 2019 Bonds shall be initially issued in the form of a single, separate fully registered 2019 Bond (which may be typewritten) in the full aggregate principal amount for each maturity of the 2019 Bonds, and upon initial issuance, the ownership of such 2019 Bonds shall be registered in the 2019 Bond register in the name of Cede & Co., as nominee of DTC, the initial Book-Entry Depository. Except as provided in the immediately preceding sentence or in subsection (e) of this Section, all of the 2019 Bonds shall be registered in the 2019 Bond register in the name of Cede & Co., or such other nominee of DTC or any successor Book-Entry Depository or the nominee thereof, as shall be specified pursuant to the applicable Representation Letter.

(b) With respect to the 2019 Bonds registered in the 2019 Bond register in the name of the Book-Entry Depository, or its nominee, the Corporation and Trustee shall have no responsibility or obligation to any participant or to any person on behalf of which such a participant holds an interest in the 2019 Bonds. Without limiting the immediately preceding sentence, the Corporation and Trustee shall have no responsibility or obligation with respect to the accuracy of the records of the Book-Entry Depository, the nominee of the Book-Entry Depository or any participant with respect to any ownership interest in the 2019 Bonds, the delivery to any participant or any other person, other than a holder as shown in the 2019 Bond register, of any notice with respect to the 2019 Bonds, or the payment to any participant or any other person, other than an Owner as shown in the 2019 Bond register, of any amount with respect to principal of or interest on the 2019 Bonds. The Corporation and Trustee may treat and consider the person in whose name each 2019 Bond is registered in the 2019 Bond register as the Owner and absolute owner of such 2019 Bond for the purpose of payment of principal and interest on such 2019 Bond and for all other purposes whatsoever.

(c) The Trustee shall pay all principal of and interest on the 2019 Bonds only to or upon the order of the respective Owners, as shown in the 2019 Bond register on the applicable Record Date, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the 2019 Bonds under this First Supplemental Indenture and the 2019 Bonds to the extent of the sums so paid. Upon delivery by the Book-Entry Depository to the Corporation of written notice to the effect that the Book-Entry Depository has determined to substitute a new nominee in place of the incumbent nominee, and subject to the provisions herein with respect to Record Dates, the word nominee in this First Supplemental Indenture shall refer to such new nominee of the Book-Entry Depository.

(d) In order to qualify the 2019 Bonds for the Book-Entry Depository's book-entry system, the Program Administrator or the Treasurer of the Corporation is hereby authorized to execute and deliver on behalf of the Corporation to the Book-Entry Depository a Representation Letter representing such matters as shall be necessary to so qualify the 2019 Bonds. The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (b) of this Section or in any other way impose upon the Corporation any obligation whatsoever with respect to persons having interests in the 2019 Bonds other than the Owners as shown in the 2019 Bond register. In addition to the execution and delivery of the Representation Letter, the officers of the Corporation, and their authorized representatives, each are hereby

authorized to take any other actions, not inconsistent with this First Supplemental Indenture, to qualify the 2019 Bonds for each Book-Entry Depository's book-entry program.

(e) In the event (i) the incumbent Book-Entry Depository determines not to continue to act as Book-Entry Depository for the 2019 Bonds, or (ii) the Corporation determines that the incumbent Book-Entry Depository shall no longer so act, and delivers a written certificate to the incumbent Book-Entry Depository to that effect, then the Corporation will discontinue the book-entry system for the 2019 Bonds with the incumbent Book-Entry Depository. If the Corporation determines to replace the incumbent Book-Entry Depository with another qualified Book-Entry Depository, the Corporation shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver, a new single, separate fully registered bond (which may be typewritten) for the aggregate outstanding principal amount for each maturity of the 2019 Bonds held by the incumbent Book-Entry Depository, registered in the name of such successor or substitute qualified Book-Entry Depository or its nominee, or make such other arrangement acceptable to the Corporation and the successor Book-Entry Depository as are not inconsistent with the terms of this First Supplemental Indenture. If the Corporation fails to identify another qualified successor Book-Entry Depository to replace the incumbent Book-Entry Depository, then the 2019 Bonds shall no longer be restricted to being registered in the 2019 Bond register in the name of the Book-Entry Depository or its nominee, but shall be registered in whatever name or names the Book-Entry Depository or its nominee shall designate. In such event the Corporation shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver to the Owners thereof, such 2019 Bonds as are necessary to carry out the transfers and exchanges provided in this First Supplemental Indenture. All such 2019 Bonds shall be in fully registered form in denominations authorized hereunder.

(f) Notwithstanding any other provision of this First Supplemental Indenture to the contrary, so long as any 2019 Bond is registered in the name of the Book-Entry Depository or its nominee, all notices and payments with respect to principal of and interest on such 2019 Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Book-Entry Depository.

### ARTICLE III ISSUANCE OF THE 2019 BONDS; APPLICATION OF PROCEEDS

**Section 3.01 Issuance of the 2019 Bonds.** At any time after the execution of this First Supplemental Indenture, the Corporation may execute and the Trustee shall authenticate and, upon the Written Request of the Corporation, deliver the 2019 Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars \$ \_\_\_\_\_).

**Section 3.02 Application of Proceeds at Closing.** The proceeds received from the sale of the 2019 Bonds (being \$ \_\_\_\_\_ in par amount of the 2019 Bonds, less \$ \_\_\_\_\_ in Underwriter's discount, and plus \$ \_\_\_\_\_ in net original issue premium), shall be deposited in trust with the Trustee, who shall forthwith deposit such proceeds on the Closing Date as follows:

(i) the Trustee shall deposit the amount of \$ \_\_\_\_\_ in the 2019 Costs of Issuance Fund; and

(ii) the Trustee shall transfer to the Escrow Bank the amount of \$ \_\_\_\_\_ for deposit into the Escrow Account established under the Original Indenture.

For record keeping purposes, the Trustee may establish such accounts as may be necessary to reflect such transfer of proceeds.

**Section 3.03 Establishment and Application of 2019 Costs of Issuance Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the "2019 Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the County or the Corporation stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition of the County or Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On January 1, 2020, or upon the earlier Written Request of the Corporation, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account of the 2019 Bond Fund.

**Section 3.04 Validity of the 2019 Bonds.** The validity of the authorization and issuance of the 2019 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Corporation or the Trustee with respect to or in connection with the Lease Agreement. The recital contained in the 2019 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

#### **ARTICLE IV REDEMPTION OF 2019 BONDS**

##### **Section 4.01 Terms of Redemption.**

(a) **Sinking Account Redemption.** (i) The Term Bonds maturing November 1, \_\_\_\_\_, are subject to mandatory redemption, in part by lot, from Sinking Account payments on November 1, \_\_\_\_\_, and on each respective November 1 thereafter to and including the respective date of maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however,* that if some but not all of the Term Bonds have been redeemed pursuant to subsections (b) or (c) below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed pursuant to this subsection (a) by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Corporation with the Trustee.



**Term Bonds Maturing November 1, \_\_\_\_**

**Mandatory  
Sinking Fund  
Redemption Date  
(November 1)**

**Principal  
Amount  
to Be Redeemed**

(ii) In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the Corporation prior to the selection of 2019 Bonds for redemption, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the Corporation.

(b) Optional Redemption. The 2019 Bonds maturing on or after November 1, \_\_\_\_, shall be subject to redemption at the option of the Corporation as a whole or in part, on any date on or after November 1, \_\_\_\_, from any available source of funds, a redemption price equal to the principal amount of the 2019 Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption.

(c) Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2019 Bonds shall also be subject to redemption as a whole or in part on any date, from Net Proceeds required to be used for such purpose as provided in Section 5.07, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

**Section 4.02 Selection of 2019 Bonds for Redemption**. Except for Sinking Account Redemption pursuant to Section 4.01(a), whenever provision is made in this First Supplemental Indenture for the redemption of less than all of the 2019 Bonds of a series, the Trustee shall select the 2019 Bonds to be redeemed from all 2019 Bonds of a series or such given portion thereof not previously called for redemption from such series, maturities, or portion of such maturities, as shall be set forth in a Written Request of the Corporation filed with the Trustee, or in the absence of such designation of maturities by the Corporation, then on a pro rata basis among maturities of a series, and in any case, by lot within a maturity in any manner which the Trustee in its sole discretion shall deem to maintain substantially level debt service, provided, however, that the remaining portion of any Bond to be redeemed shall be in the principal amount of an Authorized Denomination.

**Section 4.03 Notice of Redemption**. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any 2019 Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the series of 2019 Bonds to be redeemed, the redemption date, the place or places of redemption, whether less

than all of the 2019 Bonds (or all 2019 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and, if less than all of the 2019 Bonds of a maturity are to be redeemed, 2019 Bond numbers of the 2019 Bonds to be redeemed, the maturity or maturities of the 2019 Bonds to be redeemed and in the case of 2019 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said 2019 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2019 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2019 Bonds shall be given by the Trustee, at the expense of the Corporation, for and on behalf of the Corporation.

**Section 4.04 Partial Redemption of 2019 Bonds.** Upon surrender of any 2019 Bonds redeemed in part only, the Corporation shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Corporation, a new 2019 Bond or 2019 Bonds of such series and authorized denominations equal in aggregate principal amount equal to the unredeemed portion of the 2019 Bonds surrendered.

**Section 4.05 Conditional Notice of Optional Redemption of 2019 Bonds.** With respect to the optional redemption of the 2019 Bonds pursuant to 4.01(b), the Corporation may instruct the Trustee to include a statement in the notice of redemption that such redemption is conditioned upon the receipt by the Trustee on or before the date fixed for such redemption of sufficient funds for such purpose. In the event that sufficient funds shall not have been deposited with the Trustee on or before the date fixed for redemption, the Trustee shall promptly so notify the Owners of the 2019 Bonds by telephone, facsimile transmission or other form of telecommunication, promptly confirmed in writing; and thereupon such redemption and the notice thereof shall be deemed to be canceled and rescinded.

**Section 4.06 Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the 2019 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2019 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2019 Bonds so called for redemption shall cease to accrue, said 2019 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this First Supplemental Indenture, and the Owners of said 2019 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All 2019 Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Trustee upon surrender thereof and destroyed.

**ARTICLE V  
REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF  
PRINCIPAL AND INTEREST**

**Section 5.01 Pledge and Assignment; 2019 Bond Fund.**

(a) Subject only to the provisions of this First Supplemental Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (excluding the following: 1) proceeds of the sale of the 2019 Bonds; 2) any amounts in the Costs of Issuance Fund; and 3) any Additional Rent paid by the County to the Corporation pursuant to Section 4.08 of the Lease Agreement) held in any fund or account established pursuant to this First Supplemental Indenture are hereby pledged to secure the payment of the principal of and interest on the 2019 Bonds in accordance with their terms and the provisions of this First Supplemental Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act. The 2019 Bonds constitute a special limited obligation of the Corporation, secured solely by the Revenues and the funds and accounts established under this First Supplemental Indenture and specifically available to pay debt service on the 2019 Bonds.

(b) The Corporation hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the 2019 Bonds, all of the Revenues and all of the rights of the Corporation in the Lease Agreement (other than the rights of the Corporation under Sections 4.08, 7.03 and 8.03 of the Lease Agreement). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as the agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee which shall deposit such Revenues into the 2019 Bond Fund. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Corporation or separately, all of the rights of the Corporation and all of the obligations of the County under the Lease Agreement.

**Section 5.02 Allocation of Revenues.** On or before each date on which principal of or interest on the 2019 Bonds becomes due and payable, the Trustee shall transfer from the 2019 Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the 2019 Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall establish the "2019 Interest Account" and shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2019 Bonds then Outstanding.

(b) The Trustee shall establish the "2019 Principal Account" and shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2019 Bonds coming due and payable on such date.

(c) The Trustee shall establish the "2019 Sinking Account" and shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to Section 4.01(a).

**Section 5.03 Application of Interest Account.** All amounts in the 2019 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2019 Bonds as it shall become due and payable (including accrued interest on any 2019 Bonds purchased or redeemed prior to maturity pursuant to this First Supplemental Indenture).

**Section 5.04 Application of Principal Account.** All amounts in the 2019 Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2019 Bonds at their respective maturity dates.

**Section 5.05 Application of Sinking Account.** All moneys on deposit in the 2019 Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to Section 4.01(a).

**Section 5.06 Application of Redemption Fund.** When required the Trustee shall establish and maintain the "2019 Redemption Fund," amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2019 Bonds to be redeemed pursuant to Sections 4.01(b) or (c); provided, however, that at any time prior to giving notice of redemption of any such 2019 Bonds, the Trustee may apply such amounts to the purchase of 2019 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the Corporation received prior to the selection of 2019 Bonds for redemption, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the 2019 Bonds.

**Section 5.07 2019 Insurance and Condemnation Fund.**

(a) **Establishment of Fund.** Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Premises, the Trustee shall establish and maintain a separate 2019 Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.07.

(b) **Application of Insurance Proceeds.** Any proceeds of insurance against accident to or destruction of the Facilities collected by the County in the event of any such accident or destruction shall be applied in accordance with Section 4.04(a) of the Amendment No. 2 to Lease Agreement. The County shall cause any such proceeds to be paid to the Trustee for deposit in the 2019 Insurance and Condemnation Fund. If the County fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Facilities, then such proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of 2019 Bonds pursuant to Section 4.01(c); provided, however, that such redemption will

occur only if the fair rental value of the remaining portion of the Leased Premises is sufficient to allow the County to continue to make Lease Payments in amounts sufficient to pay debt service on the 2019 Bonds and other parity obligations under the Lease Agreement that remain Outstanding after such redemption. Notwithstanding the foregoing sentence, however, in the event of damage or destruction of the Facilities in full, the proceeds of such insurance shall be used by the County to rebuild or replace the Facilities if such proceeds are not sufficient, together with other available funds then held by the Trustee, to redeem all of the Outstanding 2019 Bonds and other parity obligations under the Lease Agreement. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Facilities by the County, upon receipt of Written Requisitions of the County as agent for the Corporation (i) stating with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the 2019 Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; (ii) specifying in reasonable detail the nature of the obligation; and (iii) accompanied by a bill or a statement of account for such obligation. Each such Written Requisition of the County or Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the County as agent for the Corporation shall be paid to the County.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Premises shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the proceeds therefrom shall be applied in accordance with Section 4.04(b) of the Amendment No. 2 to Lease Agreement. The County shall cause any such proceeds to be paid to the Trustee for deposit in the 2019 Bonds Insurance and Condemnation Fund, to be applied and disbursed by the Trustee as follows:

(i) If the County has not given written notice to the Trustee, within forty-five (45) days following the date on which such proceeds are deposited with the Trustee, of its determination that such proceeds are needed for the replacement of the Leased Premises or such portion thereof, the Trustee shall transfer such proceeds to the 2019 Redemption Fund to be applied towards the redemption of the 2019 Bonds pursuant to Section 4.01(c); provided, however, that such redemption will occur only if the fair rental value of the remaining portion of the Leased Premises is sufficient to allow the County to continue to make Lease Payments in amounts sufficient to pay debt service on the 2019 Bonds and other parity obligations under the Lease Agreement that remain Outstanding after such redemption.

(ii) If the County has given written notice to the Trustee, within forty-five (45) days following the date on which such proceeds are deposited with the Trustee, of its determination that such proceeds are needed for replacement of the Leased Premises or such portion thereof, the Trustee shall pay to the County, or to its order, from said proceeds such amounts as the County may expend for such replacement, upon the filing of Written Requisitions of the County as agent for the Corporation in the form and

containing the provisions set forth in subsection (b) of this Section 5.07 and upon which the Trustee may conclusively rely.

**Section 5.08 Investments.** All moneys in any of the funds or accounts established with the Trustee pursuant to this First Supplemental Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Corporation pursuant to a Written Request of the Corporation filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments). In the absence of any such directions from the Corporation, such money shall remain uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the 2019 Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee, or an affiliate, may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.09. Permitted Investments that are registered securities shall be registered in the name of the Trustee.

The Corporation covenants that all investments of amounts deposited in any fund or account created-by or pursuant to this First Supplemental Indenture, or otherwise containing proceeds of the 2019 Bonds, shall be acquired and disposed of at the Fair Market Value thereof.

The Corporation and the County acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the County, the right to receive brokerage confirmations of security transactions as they occur, the Corporation and the County specifically waive receipt of such confirmations to the extent permitted by law. The Corporation and the County may receive brokerage confirmations at no additional cost and upon their written request. The Trustee will furnish the Corporation and the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

**Section 5.09 Valuation and Disposition of Investments.** For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued at the Fair Market Value thereof. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Corporation.

## ARTICLE VI PARTICULAR COVENANTS

**Section 6.01 Punctual Payment.** The Corporation shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the 2019 Bonds in strict conformity with the terms of the 2019 Bonds and of this First Supplemental Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this First Supplemental Indenture.

**Section 6.02 Extension of Payment of 2019 Bonds.** The Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2019 Bonds or the time of payment of any claims for interest by the purchase of such 2019 Bonds or by any other arrangement, and in case the maturity of any of the 2019 Bonds or the time of payment of any such claims for interest shall be extended, such 2019 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this First Supplemental Indenture, except subject to the prior payment in full of the principal of all of the 2019 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Corporation to issue 2019 Bonds for the purpose of refunding any Outstanding 2019 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the 2019 Bonds.

**Section 6.03 Against Encumbrances.** The Corporation shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this First Supplemental Indenture while any of the 2019 Bonds are Outstanding, except the pledge and assignment created by this First Supplemental Indenture. Subject to this limitation, the Corporation expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

**Section 6.04 Power to Issue 2019 Bonds and Make Pledge and Assignment.** The Corporation is duly authorized pursuant to law to issue the 2019 Bonds and to enter into this First Supplemental Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this First Supplemental Indenture in the manner and to the extent provided in this First Supplemental Indenture. The 2019 Bonds and the provisions of this First Supplemental Indenture are and will be the legal, valid and binding special obligations of the Corporation in accordance with their terms, and the Corporation and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2019 Bond Owners under this First Supplemental Indenture against all claims and demands of all persons whosoever.

**Section 6.05 Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of 2019 Bonds, the Revenues, the Lease Agreement and all funds and accounts established pursuant to this First Supplemental Indenture. Such books of record and account shall be available for inspection by the Corporation, and the County, during business hours, upon reasonable notice, and under reasonable circumstances. The Trustee shall deliver a monthly account of the funds and accounts hereunder to the Corporation, provided that the Trustee shall not be obligated to deliver any accounting of any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

**Section 6.06 Additional Obligations.** The Corporation may issue additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part on a parity with the 2019 Bonds pursuant to Section 9.01(b)(iv) hereof, to finance the construction of land,

facilities or other capital improvements which are authorized by the laws of the State, so long as no Event of Default hereunder has occurred and is continuing and provided that the conditions of Section 8.03(v) of the Lease Agreement have been satisfied.

**Section 6.07 Lease Agreement.** The Trustee shall promptly collect all amounts due from the County pursuant to the Lease Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Corporation and for the enforcement of all of the obligations of the County under the Lease Agreement.

**Section 6.08 Payment.** Notwithstanding any dispute between the Corporation and the Trustee, the Corporation will make all payments on the 2019 Bonds when due and will not withhold any payments on the 2019 Bonds pending the final resolution of such dispute or for any other reason whatsoever. The Corporation's obligation to make payments on the 2019 Bonds in the amount and on the terms and conditions specified hereunder will be absolute and unconditional without any right of set off or counterclaim, subject only to the provisions relating to abatement pursuant to the Lease Agreement.

**Section 6.09 Further Assurances.** The Corporation will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this First Supplemental Indenture and for the better assuring and confirming the rights and benefits provided in this First Supplemental Indenture to the 2019 Bond Owners.

**Section 6.10 Leased Premises.** If an event of abatement occurs pursuant to Section 6.03 of the Lease Agreement, the Corporation shall use its best efforts to the extent permissible under the laws of the State of California to cause the County to make all Lease Payments in excess of the amount of rental interruption insurance, if necessary, in order to ensure the reconstruction, repair, restoration, modification or improvement of the Leased Premises; provided, however, that the County shall not be required to repair or replace any such portion of the Leased Premises pursuant to this Section 6.10 if Net Proceeds or other legally available funds sufficient to prepay the 2019 Bonds shall be applied to the redemption of either (i) all of the 2019 Bonds Outstanding, or (ii) any portion thereof relating to the Leased Premises so damaged or destroyed, and (iii) the remaining Lease Payments allocable to the portion of the Leased Premises not damaged or destroyed equals the pro-rata portion of Lease Payments allocable to the 2019 Bonds Outstanding after such redemption.

## **ARTICLE VII EVENTS OF DEFAULT AND REMEDIES**

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

(a) Default in the due and punctual payment of the principal of any 2019 Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.



(b) Default in the due and punctual payment of any installment of interest on any 2019 Bonds when and as the same shall become due and payable.

(c) Default by the Corporation in the observance of any of the other covenants, agreements or conditions on its part in this First Supplemental Indenture or in the 2019 Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Corporation by the Trustee; provided, however, that if in the reasonable opinion of the Corporation the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an Event of Default hereunder if the Corporation shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

**Section 7.02 No Acceleration Upon Event of Default.** If any Event of Default shall occur there shall be no right on the part of the Trustee, or the 2019 Bond Owners to declare the principal of all of the 2019 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately.

**Section 7.03 Application of Revenues and Other Funds After Default.** Notwithstanding anything to the contrary contained herein, if an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this First Supplemental Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2019 Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this First Supplemental Indenture;

(b) To the payment of the principal of and interest then due on the 2019 Bonds (upon presentation of the 2019 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this First Supplemental Indenture, as follows:

First. To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second. To the payment to the persons entitled thereto of the unpaid principal of any 2019 Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective 2019 Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the 2019 Bonds, together with such interest, then to the

payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

**Section 7.04 Trustee to Represent 2019 Bond Owners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2019 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the 2019 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2019 Bonds, this First Supplemental Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, with the prior written consent of the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2019 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2019 Bonds, this First Supplemental Indenture or any other law. All rights of action under this First Supplemental Indenture or the 2019 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2019 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2019 Bonds, subject to the provisions of this First Supplemental Indenture.

**Section 7.05 2019 Bond Owners' Direction of Proceedings.** Anything in this First Supplemental Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2019 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this First Supplemental Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

**Section 7.06 Limitation on Bond Owners' Right to Sue.** Notwithstanding any other provision hereof, no Owner of any 2019 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this First Supplemental Indenture, the Lease Agreement or any other applicable law with respect to such 2019 Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the 2019 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written

request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2019 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2019 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2019 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this First Supplemental Indenture or the rights of any other Owners of 2019 Bonds, or to enforce any right under the 2019 Bonds, this First Supplemental Indenture, the Lease Agreement or other applicable law with respect to the 2019 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2019 Bonds, subject to the provisions of this First Supplemental Indenture.

**Section 7.07 Absolute Obligation of Corporation.** Nothing in Section 7.06 or in any other provision of this First Supplemental Indenture or in the 2019 Bonds contained shall affect or impair the obligation of the Corporation, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the 2019 Bonds to the respective Owners of the 2019 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2019 Bonds.

**Section 7.08 Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more 2019 Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the 2019 Bond Owners, then in every such case the Corporation, the Trustee, and the 2019 Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Corporation, the Trustee, and the 2019 Bond Owners shall continue as though no such proceedings had been taken.

**Section 7.09 Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee, or to the Owners of the 2019 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 7.10 No Waiver of Default.** No delay or omission of the Trustee or of any Owner of the 2019 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this First Supplemental Indenture to the Trustee, or to the Owners of the 2019 Bonds may be exercised from time to time and as often as may be deemed expedient.

**ARTICLE VIII  
THE TRUSTEE**

**Section 8.01 Duties, Immunities and Liabilities of Trustee.**

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this First Supplemental Indenture and no implied duties or covenants shall be read into this First Supplemental Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this First Supplemental Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Corporation may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and the Corporation shall remove the Trustee if at any time requested to do so by the Owners of not less than a majority in aggregate principal amount of the 2019 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section 8.01, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and the County and thereupon shall appoint a successor Trustee by an instrument in writing. In addition, the Trustee may be removed at any time for any breach of the trust herein set forth. Any such removal shall be made upon at least thirty (30) days' prior written notice to the Trustee. Upon giving such written notice of removal, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Corporation, and to the County and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that no removal resignation or termination of the Trustee shall take effect until a successor shall be appointed. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the Corporation shall, and the Trustee may, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this First Supplemental Indenture, shall signify its acceptance of such appointment by executing and delivering to the Corporation and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights,

powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Corporation or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this First Supplemental Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Corporation shall mail or cause the successor Trustee to mail a notice of the succession of such Trustee to the trusts hereunder to the 2019 Bond Owners at the addresses shown on the Registration Books. If the Corporation fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Corporation.

(e) Any Trustee appointed under this First Supplemental Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation or association included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or State agency, so long as any 2019 Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining agency above referred to then for the purpose of this subsection (e), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) The Corporation covenants that it will maintain a Trustee qualified under the provisions of the foregoing subsection (e), so long as any 2019 Bonds are Outstanding.

**Section 8.02 Merger or Consolidation.** Any bank, association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, association or trust company shall be eligible under subsection (e) of Section 8.01 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

### **Section 8.03 Liability of Trustee.**

(a) The recitals of facts herein and in the 2019 Bonds contained shall not be taken as statements of the Corporation, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this First Supplemental Indenture, the 2019 Bonds or the Lease Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2019 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2019 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of 2019 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2019 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2019 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the 2019 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this First Supplemental Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this First Supplemental Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof, at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Corporation or the County of any of the terms, conditions, covenants or agreements herein, under the Lease Agreement or of any of the documents executed in connection with the 2019 Bonds, or as to the existence of an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the County and the Corporation of the terms, conditions, covenants or agreements set forth in the Lease Agreement, other than the covenants of the County to make Additional Lease Payments to the Trustee when due and to file with the Trustee, when due, such reports and certifications as the County is required to file with the Trustee thereunder.

(f) No provision of this First Supplemental Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it is not assured to its satisfaction that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys and the Trustee shall not be responsible for any willful misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this First Supplemental Indenture at the request or direction of Owners pursuant to this First Supplemental Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this First Supplemental Indenture and the Lease Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of Section 8.01(a), this Section 8.03 and Section 8.04 hereof.

(j) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

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

(l) The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations hereunder.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to this First Supplemental Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Corporation or County elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon

such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Corporation and the County agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

(o) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these 2019 Bonds.

**Section 8.04 Right to Rely on Documents.** The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2019 Bonds appearing in the Registration Books as the absolute owners of the 2019 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this First Supplemental Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Corporation or the County, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this First Supplemental Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.



**Section 8.05 Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this First Supplemental Indenture shall be retained in their respective possession and shall be subject at all reasonable times to the inspection of the Corporation, the County and any 2019 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

**Section 8.06 Compensation and Indemnification.** The Corporation shall pay to the Trustee (solely from Additional Rent) from time to time the compensation for all services rendered under this First Supplemental Indenture and also all reasonable expenses and disbursements, incurred in and about the performance of its powers and duties under this First Supplemental Indenture.

To the extent permitted by law, the Corporation shall indemnify, defend and hold harmless the Trustee and its officers, directors, agents and employees, against any loss, liability or expense (including legal fees and expenses) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Corporation under this Section 8.06 shall survive the discharge of the 2019 Bonds and this First Supplemental Indenture and the resignation or removal of the Trustee.

## ARTICLE IX MODIFICATION OR AMENDMENT HEREOF

### **Section 9.01 Amendments Permitted.**

(a) This First Supplemental Indenture and the rights and obligations of the Corporation and of the Owners of the 2019 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Corporation and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all 2019 Bonds then Outstanding, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any 2019 Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2019 Bond so affected, or (ii) reduce the aforesaid percentage of 2019 Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this First Supplemental Indenture prior to or on a parity with the lien created by this First Supplemental Indenture except as permitted herein, or deprive the Owners of the 2019 Bonds of the lien created by this First Supplemental Indenture on such Revenues and other assets (except as expressly provided in this First Supplemental Indenture), without the consent of the Owners of all of the 2019 Bonds then Outstanding. It shall not be necessary for the consent of the 2019 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This First Supplemental Indenture and the rights and obligations of the Corporation, of the Trustee and the Owners of the 2019 Bonds may also be modified or amended

from time to time and at any time by a Supplemental Indenture, which the Corporation and the Trustee may enter into without the consent of any 2019 Bond Owners, if the Trustee has been furnished an opinion of counsel to the effect that the Supplemental Indenture is authorized and permitted by this First Supplemental Indenture, is enforceable against the Corporation and that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the 2019 Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation in this First Supplemental Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2019 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Corporation;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this First Supplemental Indenture, or in regard to matters or questions arising under this First Supplemental Indenture, as the Corporation may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the 2019 Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement this First Supplemental Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to facilitate the issuance of additional bonds of the Corporation secured by Lease Payments of the County pursuant to Section 8.03(v) of the Lease Agreement and Section 9.01(b) of the Original Indenture.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this First Supplemental Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been executed and delivered in compliance with the requirements of this First Supplemental Indenture is enforceable against the Corporation, and that the execution and delivery of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the 2019 Bonds.

(e) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this First Supplemental Indenture or otherwise.

**Section 9.02 Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture pursuant to this Article IX, this First Supplemental Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this First Supplemental Indenture of the Corporation, the Trustee, and all Owners of 2019 Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this First Supplemental Indenture for any and all purposes.

**Section 9.03 Endorsement of 2019 Bonds; Preparation of New 2019 Bonds.** 2019 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2019 Bonds Outstanding at the time of such execution and presentation of his 2019 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2019 Bonds. If the Supplemental Indenture shall so provide, new 2019 Bonds so modified as to conform, in the opinion of the Corporation and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Corporation and authenticated by the Trustee, and upon demand on the Owners of any 2019 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2019 Bond Owner, for 2019 Bonds then Outstanding, upon surrender for cancellation of such 2019 Bonds, in equal aggregate principal amount of the same series and maturity.

**Section 9.04 Amendment of Particular 2019 Bonds.** The provisions of this Article IX shall not prevent any 2019 Bond Owner from accepting any amendment as to the particular 2019 Bonds held by him.

## ARTICLE X DEFEASANCE

**Section 10.01 Discharge of First Supplemental Indenture.** Any or all of the Outstanding 2019 Bonds may be paid by the Corporation in any of the following ways, provided that the Corporation also pays or causes to be paid any other sums payable hereunder by the Corporation:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such 2019 Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such 2019 Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, all of such 2019 Bonds.

If the Corporation shall also pay or cause to be paid all other sums payable hereunder by the Corporation, then and in that case, at the election of the Corporation (evidenced by a Written Certificate of the Corporation, filed with the Trustee, signifying the intention of the Corporation

to discharge all such indebtedness and this First Supplemental Indenture), and notwithstanding that any of such 2019 Bonds shall not have been surrendered for payment, this First Supplemental Indenture and the pledge of Revenues and other assets made under this First Supplemental Indenture with respect to such 2019 Bonds and all covenants, agreements and other obligations of the Corporation under this First Supplemental Indenture with respect to such 2019 Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Corporation, the Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the County all moneys or securities or other property held by it pursuant to this First Supplemental Indenture which are not required for the payment or redemption of any of such 2019 Bonds not theretofore surrendered for such payment or redemption.

**Section 10.02 Discharge of Liability on 2019 Bonds.** Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2019 Bonds (whether upon or prior to the maturity or the redemption date of such 2019 Bonds), provided that, if such 2019 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Corporation in respect of such 2019 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Sections 10.04.

The Corporation may at any time surrender to the Trustee for cancellation by it any 2019 Bonds previously issued and delivered, which the Corporation may have acquired in any manner whatsoever, and such 2019 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 10.03 Deposit of Money or Securities with Trustee.** Whenever in this First Supplemental Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2019 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this First Supplemental Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2019 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2019 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2019 Bonds and all unpaid interest thereon to the redemption date; or

(b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the County, the Corporation and the Trustee, provide money sufficient to pay the principal of and interest and premium (if

any) on the 2019 Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of 2019 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this First Supplemental Indenture or by Written Request of the Corporation) to apply such money to the payment of such principal, interest and premium (if any) with respect to such 2019 Bonds, and (ii) the Corporation shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such 2019 Bonds have been discharged in accordance with this First Supplemental Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

**Section 10.04 Unclaimed Funds.** Notwithstanding any provisions of this First Supplemental Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2019 Bonds and remaining unclaimed for two (2) years after the principal of such 2019 Bonds has become due and payable (whether at maturity or upon call for redemption as provided in this First Supplemental Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when such 2019 Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by this First Supplemental Indenture upon receipt of a Written Request of the Corporation, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided/ however, that before the repayment of such moneys to the Corporation as aforesaid, the Trustee shall (at the cost of the County) first mail to the Owners of 2019 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2019 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

## ARTICLE XI MISCELLANEOUS

**Section 11.01 Liability of Corporation Limited to Revenues.** Notwithstanding anything in this First Supplemental Indenture or in the 2019 Bonds contained, the Corporation shall not be required to advance any moneys derived from any source other than the Revenues under this First Supplemental Indenture for any of the purposes in this First Supplemental Indenture mentioned, whether for the payment of the principal of or interest on the 2019 Bonds or for any other purpose of this First Supplemental Indenture. Nevertheless, the Corporation may, but shall not be required to, advance for any of the purposes hereof any legally available funds of the Corporation which may be made available to it for such purposes.

**Section 11.02 Limitation of Rights to Parties and 2019 Bond Owners.** Nothing in this First Supplemental Indenture or in the 2019 Bonds expressed or implied is intended or shall be construed to give to any person other than the Corporation, the Trustee, the County, and the Owners of the 2019 Bonds, any legal or equitable right, remedy or claim under or in respect of this First Supplemental Indenture or any covenant, condition or provision therein or herein

contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the Trustee, the County, and the Owners of the 2019 Bonds.

**Section 11.03 Funds and Accounts.** Any fund or account required by this First Supplemental Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the 2019 Bonds and the rights of every Owner thereof.

**Section 11.04 Waiver of Notice; Requirement of Mailed Notice.** Whenever in this First Supplemental Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this First Supplemental Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Section 11.05 Destruction of 2019 Bonds.** Whenever in this First Supplemental Indenture provision is made for the cancellation by the Trustee and the delivery to the Corporation of any 2019 Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such 2019 Bonds as may be allowed by law, and deliver a certificate of such destruction to the Corporation upon its request.

**Section 11.06 Severability of Invalid Provisions.** If any one or more of the provisions contained in this First Supplemental Indenture or in the 2019 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this First Supplemental Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this First Supplemental Indenture, and this First Supplemental Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation hereby declares that it would have entered into this First Supplemental Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2019 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this First Supplemental Indenture may be held illegal, invalid or unenforceable.

**Section 11.07 Notices.** All written notices to be given under this First Supplemental Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) otherwise, upon actual receipt. The Corporation, the County, or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Corporation: County of Riverside Asset Leasing Corporation  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501-3651  
Attention:

If to the County: County of Riverside  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501-3651  
Attention: Deputy County Executive Officer

If to the Trustee: Wells Fargo Bank, N.A.  
333 S. Grand Avenue, Fifth Floor, Suite 5A  
MAC E2064-05A  
Los Angeles, CA 90071  
Attention: Robert Schneider, Vice President

**Section 11.08 Evidence of Rights of 2019 Bond Owners.** Any request, consent or other instrument required or permitted by this First Supplemental Indenture to be signed and executed by 2019 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2019 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2019 Bonds transferable by delivery, shall be sufficient for any purpose of this First Supplemental Indenture and shall be conclusive in favor of the Trustee and the Corporation if made in the manner provided in this Section 11.07.

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

The ownership of 2019 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2019 Bond shall bind every future Owner of the same 2019 Bond and the Owner of every 2019 Bond issued in

exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Corporation in accordance therewith or reliance thereon.

**Section 11.09 Disqualified 2019 Bonds.** In determining whether the Owners of the requisite aggregate principal amount of 2019 Bonds have concurred in any demand, request, direction, consent or waiver under this First Supplemental Indenture, 2019 Bonds which are known by the Trustee to be owned or held by or for the account of the Corporation or the County, or by any other obligor on the 2019 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or the County or any other obligor on the 2019 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2019 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2019 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or the County or any other obligor on the 2019 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Corporation and the County shall specify in a certificate to the Trustee those 2019 Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

**Section 11.10 Money Held for Particular 2019 Bonds.** The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular 2019 Bonds (or portions of 2019 Bonds in the case of 2019 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2019 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

**Section 11.11 Waiver of Personal Liability.** No member, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the 2019 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this First Supplemental Indenture.

**Section 11.12 Benefit of Parties.** Nothing in this First Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Corporation, the County, the Trustee, and the registered Owners of the 2019 Bonds, any right, remedy or claim under or by reason of this First Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this First Supplemental Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the County, the Trustee, and the registered Owners of the 2019 Bonds.

**Section 11.13 Successor Is Deemed Included in All References to Predecessor.** Whenever in this First Supplemental Indenture either the Corporation or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this First Supplemental Indenture contained by or on behalf of



the Corporation or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.14 Execution in Several Counterparts.** This First Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 11.15 Governing Law.** This First Supplemental Indenture shall be governed by and construed in accordance with the laws of the State.

**Section 11.16 Conflicts with Original Indenture.** In the event that any term or provision hereof conflicts with the provisions of the Original Indenture as it relates to the 2019 Bonds, then the provisions of this First Supplemental Indenture shall control.

*(Signature page follows)*

IN WITNESS WHEREOF, the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION has caused this First Supplemental Indenture to be signed in its name by its Authorized Officer, and WELLS FARGO BANK, N.A., in token of its acceptance of the trusts created hereunder, has caused this First Supplemental Indenture to be signed in its name by its officer thereunto duly authorized, all as of the day and year first above written.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By \_\_\_\_\_  
Authorized Officer

ATTEST:

\_\_\_\_\_  
Assistant Secretary

WELLS FARGO BANK, N.A.,  
as Trustee

By \_\_\_\_\_  
Authorized Officer

*-Signature Page-  
First Supplemental Indenture of Trust*

**EXHIBIT A**  
**FORM OF BOND**

No. R- \_\_\_\_\_

\*\*\*\$ \_\_\_\_\_\*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2019A  
(RIVERSIDE COUNTY TECHNOLOGY REFUNDING PROJECTS)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
----------------------	----------------------	-------------------	--------------

REGISTERED OWNER:

PRINCIPAL AMOUNT:     DOLLARS

The COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a non-profit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), for value received, hereby promises to pay to the registered owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this 2019 Bond unless (i) this 2019 Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this 2019 Bond is authenticated on or before October 15 in which event it shall bear interest from the Date of Delivery; provided, however, that if at the time of authentication of this 2019 Bond, interest is in default on this 2019 Bond, this 2019 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this 2019 Bond, at the Interest Rate per annum specified above, payable semiannually on each May 1 and November 1, commencing November 1, \_\_\_\_ (collectively, the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office (the "Office") of [Wells Fargo Bank, National Association,] as trustee (the "Trustee"), in [Minneapolis, Minnesota] or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee (at least five

days prior) to such Record Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of 2019 Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Registered Owner in such written request.

This 2019 Bond is one of a duly authorized issue of bonds of the Corporation designated as the "County of Riverside Asset Leasing Corporation Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects)" (the "2019 Bonds"), in an aggregate principal amount of \_\_\_\_\_ (\$ \_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the laws of the State of California, and pursuant to an Indenture of Trust, dated as of July 1, 2013, by and between the Corporation and the Trustee (the "Original Indenture"), as supplemented by a First Supplemental Indenture of Trust, dated as of \_\_\_\_\_, 2019 (the "Supplemental Indenture") between the Corporation and the Trustee, and a resolution of the governing body of the Corporation adopted on \_\_\_\_\_, 2019, authorizing the issuance of the 2019 Bonds. Reference is hereby made to the Original Indenture and the Supplemental Indenture (copies of which are on file at the office of the Corporation) and all supplements thereto for a description of the terms on which the 2019 Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the Owners of the 2019 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Corporation thereunder, to all of the provisions of which the Registered Owner of this 2019 Bond, by acceptance hereof, assents and agrees.

The 2019 Bonds have been issued by the Corporation to aid in financing the leasing by the Corporation of certain land and public facilities to be leased to the County of Riverside (the "County") pursuant to the hereinafter described Lease Agreement and Amendment No. 2 to Lease Agreement, each by and between the Corporation and the County.

This 2019 Bond and the interest and premium, if any, hereon and all other 2019 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Supplemental Indenture) are special obligations of the Corporation, and are payable from, and are secured by a charge and lien on the Revenues as defined in the Supplemental Indenture, consisting primarily of lease payments payable by the County for the use and possession of certain land and improvements (the "Leased Premises") pursuant to a Lease Agreement dated as of July 1, 2013, by and between the Corporation as lessor and the County as lessee (the "Lease Agreement"), as amended by that Amendment No. 2 to Lease Agreement, dated as of \_\_\_\_\_, 2019, between the County and the Corporation. As and to the extent set forth in the Supplemental Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Supplemental Indenture, to the payment of the principal of and interest and premium (if any) on the 2019 Bonds.

The rights and obligations of the Corporation and the owners of the 2019 Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Supplemental Indenture, but no such modification or amendment shall extend the fixed maturity of any 2019 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or

extend the time of payment of interest thereon, without the consent of the Owner of each 2019 Bond so affected.

The 2019 Bonds maturing on or before November 1, \_\_\_\_, are not subject to redemption prior to their respective stated maturities. The 2019 Bonds maturing on or after November 1, \_\_\_\_, are subject to redemption at the option of the Corporation as a whole or in part, on any date on or after November 1, \_\_\_\_ from any available source of funds, at a redemption price equal to the principal amount of the 2019 Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption.

The Term Bonds maturing on November 1, \_\_\_\_, are also subject to mandatory redemption, in part by lot, from Sinking Account payments on November 1 in each respective year thereafter in the amounts as set forth in the Indenture at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of such 2019 Bonds have been redeemed pursuant to the foregoing or following redemption provisions, the total amount of Sinking Account payments to be made with respect to such 2019 Bonds on November 1 in each year subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2019 Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Corporation with the Trustee.

The 2019 Bonds are also subject to redemption as a whole or in part, on any date, from any Net Proceeds (as such term is defined in the Supplemental Indenture) of hazard or title insurance proceeds not used to repair or replace any portion of the Leased Premises or condemnation proceeds received with respect to the Leased Premises and elected by the County to be used for such purpose pursuant to the Lease Agreement and the Amendment No. 2 to Lease Agreement, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

As provided in the Supplemental Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any 2019 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this 2019 Bond is called for redemption and payment is duly provided therefor as specified in the Supplemental Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This 2019 Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Supplemental Indenture, and upon surrender and cancellation of this 2019 Bond. Upon registration of such transfer, a new

2019 Bond or 2019 Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This 2019 Bond may be exchanged at the Office of the Trustee for 2019 Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

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

This 2019 Bond is a special limited obligation of the Corporation and is payable solely by the Revenues and amounts pledged therefore. Neither this 2019 Bond nor the obligation of the County to make payments under the Lease Agreement and the Amendment No. 2 to Lease Agreement constitute a debt of the County, the State of California or any political subdivision thereof within the meaning of the Constitution of the State of California.

It is hereby certified, recited and declared by the Corporation that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this 2019 Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this 2019 Bond, together with all other indebtedness of the Corporation, does not exceed any limit prescribed by the Bond Law or any laws of the State of California, and is not in excess of the amount of 2019 Bonds permitted to be issued under the Indenture.

This 2019 Bond shall not be entitled to any benefit under the Supplemental Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the County of Riverside Asset Leasing Corporation has caused this 2019 Bond to be executed in its name and on its behalf with the facsimile signature of its Chairman, all as of the Original Issue Date specified above.

COUNTY OF RIVERSIDE ASSET LEASING  
CORPORATION

By \_\_\_\_\_  
President

**CERTIFICATE OF AUTHENTICATION**

This is one of the 2019 Bonds described in the within-mentioned Indenture.

Dated:

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
Authorized Signatory

**(FORM OF ASSIGNMENT)**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

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

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



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**AMENDMENT NO. 2 TO  
LEASE AGREEMENT**

Dated as of \_\_\_\_\_, 2019

by and between the

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION,  
as lessor

and the

COUNTY OF RIVERSIDE,  
as lessee

Relating to  
\$66,015,000  
County of Riverside Asset Leasing Corporation  
Lease Revenue Bonds  
Series 2013A  
(Public Defender/Probation Building and  
Riverside County Technology Solutions Center Projects)

and

Relating to  
\$ \_\_\_\_\_  
County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds  
Series 2019A  
(Riverside County Technology Refunding Projects)

---

**AMENDMENT NO. 2  
TO LEASE AGREEMENT**

**THIS AMENDMENT NO. 2 TO LEASE AGREEMENT** (this "Amendment No. 2 to Lease Agreement"), dated as of \_\_\_\_\_, 2019, is by and between the COUNTY OF RIVERSIDE ASSET LEASING CORPORATION, a non-profit public benefit corporation organized and existing under the laws of the State of California, as lessor (the "Corporation"), and the COUNTY OF RIVERSIDE, a division of the State organized and existing under the laws of the State of California, as lessee (the "County");

**WITNESSETH:**

**WHEREAS**, the Corporation is a non-profit public benefit corporation duly organized and existing under its Articles of Incorporation and the laws of the State; and

**WHEREAS**, the Corporation is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the County, and to provide financing for public capital improvements of public entities including the County and to lease and lease back such public capital improvements including the land on which the public capital improvements are or will be located; and

**WHEREAS**, the County and the Corporation have previously entered into a Ground Lease dated as of July 1, 2013 (the "Ground Lease"), recorded July 17, 2013 as Document No. 2013-0345622 in the Official Records of the Riverside County Recorder's Office, under which the County leased to the Corporation the property set forth therein and described in Exhibit A thereto (the "Leased Property"); and

**WHEREAS**, concurrently with the execution of the Ground Lease, the Corporation leased the Leased Property to the County pursuant to a Lease Agreement (the "Lease Agreement"), dated as of July 1, 2013, and that certain Memorandum of Lease recorded July 17, 2013 as Document No. 2013-0345623 in the Official Records of the Riverside County Recorder's Office, for the purpose of securing payments made with respect to the \$66,015,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series 2013A (the "2013 Bonds"), which were issued pursuant to an Indenture of Trust (the "Indenture") dated as of July 1, 2013, by and between Corporation and Wells Fargo Bank, N.A.; and

**WHEREAS**, the County and the Corporation amended the Lease Agreement, pursuant to an Amendment No. 1 to Ground Lease and Lease Agreement ("Amendment No. 1 to Lease") dated as of [July 1, 2018,] for the purpose of substituting the Interim Site and Facilities for the Office of the Public Defender; and

**WHEREAS**, the County and the Corporation wish to refinance a portion of the 2013 Bonds proceeds allocable to finance the acquisition and construction of the Riverside County Collaborations Center and the Chapel on a taxable basis for the purposes of providing additional flexibility as to use of the facilities by the County; and

**WHEREAS**, the Corporation will issue its Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects) (the "2019 Bonds") for the purpose of refinancing a portion of the 2013 Bonds and refinancing a portion of the Lease Payments due under the Lease Agreement; and

**WHEREAS**, Section 8.03(v) of the Lease Agreement provides for the amendment of the Lease Agreement if such modification or amendment for the purpose of paying additional amounts of rental so long as the conditions thereof have been satisfied; and

**WHEREAS**, the County finds that the security for payment of the 2013 Bonds will not be impaired, nor will the interests of the 2013 Bond Owners be adversely effected; and

**WHEREAS**, all conditions to the execution and delivery of this Amendment No. 2 to Lease Agreement have been satisfied and the Corporation and the County are duly authorized to execute and deliver this Amendment No. 2 to Lease Agreement;

**NOW, THEREFORE**, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

## **ARTICLE I DEFINITIONS AND EXHIBITS**

**Section 1.01 Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Amendment No. 2 to Lease Agreement shall have the respective meanings specified in Section 1.01 of the Lease Agreement and Section 1.01 of the Indenture. In addition, the following terms heretofore defined in this Amendment No. 2 to Lease Agreement and the following terms defined in this Section 1.01 shall, for all purposes of this Amendment No. 2 to Lease Agreement, have the respective meanings herein specified.

**"Amendment No. 1 to Lease Agreement"** means the Amendment No. 1 to Ground Lease and Lease Agreement, dated as of July 1, 2018, between the County and the Corporation.

**"First Supplemental Indenture"** means the First Supplemental Indenture of Trust, dated as of \_\_\_\_\_, 2019, by and between the Trustee and the Corporation

**"Ground Lease"** means the Ground Lease Agreement, dated as of July 1, 2013, as amended by that Amendment No. 1 to Ground Lease and Lease Agreement, by and between the County, as lessor, and the Corporation, as lessee.

**"Hazardous Substance"** means any substance, pollutant or contamination included in such (or any similar) term under any federal, state or local statute, law, ordinance, code or regulation now in effect or hereafter enacted or amended.

**"Indenture"** means the Original Indenture, as amended and supplemented by that First Supplemental Indenture, each by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

“Lease Payments” means the amounts payable by the County pursuant to Section 4.01 hereof, including any optional purchase payments pursuant to Section 4.02 hereof and including any amounts payable upon a delinquency in the payment thereof.

“Original Indenture” means the Indenture of Trust, dated as of July 1, 2013, by and between the Corporation and the Trustee.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may permit to remain unpaid pursuant to Article V; (b) the Ground Lease; (c) the Lease Agreement, Amendment No. 1 to Lease Agreement, Amendment No. 2 to Lease Agreement, the Indenture and any other agreement or other document contemplated hereunder to be recorded against the Site; (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the County certifies in writing will not materially impair the use of the Site for their intended purposes.

**Section 1.02 Exhibits.** The following exhibits are attached to, and by this reference made a part of, this Amendment No. 2 to Lease Agreement.

Exhibit A: Legal Description of the Leased Premises.

Exhibit B: Schedule of Lease Payments.

B-1: 2013 Bonds Lease Payment.

B-2: 2019 Bonds Lease Payments.

B-3: Total Lease Payments.

Exhibit C: 2019 Bonds Option Price.

## **ARTICLE II REPRESENTATIONS, COVENANTS AND WARRANTIES**

**Section 2.01 Representations, Covenants and Warranties of the County.** The County makes the following covenants, representations and warranties to the Corporation as of the date of the execution and delivery of this Amendment No. 2 to Lease Agreement:

(a) Due Organization and Existence. The County is a division of the State duly organized and validly existing under the laws of the State, has full legal right, power and authority under the laws of the State to enter into this Amendment No. 2 to Lease Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the County has duly authorized the execution and delivery of this Amendment No. 2 to Lease Agreement.



(b) Due Execution. The representatives of the County executing this Amendment No. 2 to Lease Agreement have been fully authorized to execute the same pursuant to a resolution duly adopted by the Board of Supervisors of the County.

(c) Valid, Binding and Enforceable Obligations; Defense of Rights. This Amendment No. 2 to Lease Agreement has been duly authorized, executed and delivered by the County, and if properly executed by the parties to it, constitutes the legal, valid and binding agreement of the County enforceable against the County in accordance with the terms hereof subject to bankruptcy, insolvency, reorganization or other similar laws, affecting the enforcement of creditors' right in general and by general equity principles. The County hereby covenants to defend all of its rights under this Amendment No. 2 to Lease Agreement, the Lease Agreement and the Ground Lease.

(d) No Conflicts. The execution and delivery of this Amendment No. 2 to Lease Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the County is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the County, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Amendment No. 2 to Lease Agreement or the financial condition, assets, properties or operations of the County.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the County or of the voters of the County, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Amendment No. 2 to Lease Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the County after reasonable investigation, threatened against or affecting the County or the assets, properties or operations of the County which, if determined adversely to the County or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Amendment No. 2 to Lease Agreement, or upon the financial condition, assets, properties or operations of the County, and the County is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Amendment No. 2 to Lease Agreement or the financial conditions, assets, properties or operations of the County.

(g) Use of Leased Premises; Essentiality. The Leased Premises shall be used solely for the purpose of providing offices and services for the County of Riverside. The Leased Premises constitute property that is essential to carrying out the governmental functions of the County.

**Section 2.02 Representations, Covenants and Warranties of Corporation.** The Corporation makes the following covenants, representations and warranties to the County as of the date of the execution and delivery of this Amendment No. 2 to Lease Agreement:

(a) Due Organization and Existence. The Corporation is a non-profit public benefit corporation duly organized and existing under and by virtue of the laws of the State; has power to enter into this Amendment No. 2 to Lease Agreement; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(b) Due Execution. The representatives of the Corporation executing this Amendment No. 2 to Lease Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Corporation.

(c) Valid Binding and Enforceable Obligations; Defense of Rights. This Amendment No. 2 to Lease Agreement and the First Supplemental Indenture have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms subject to bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' right in general and by general equity principles. The Corporation hereby covenants to defend all of its rights under this Amendment No. 2 to Lease Agreement, the Lease Agreement and the Ground Lease.

(d) No Conflicts. The execution and delivery of this Amendment No. 2 to Lease Agreement and the First Supplemental Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Amendment No. 2 to Lease Agreement and the First Supplemental Indenture or the financial condition, assets, properties or operations of the Corporation.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of,

or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Amendment No. 2 to Lease Agreement or the First Supplemental Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, the Ground Lease, or the First Supplemental Indenture, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Amendment No. 2 to Lease Agreement or the Indenture or the financial conditions, assets, properties or operations of the Corporation.

### **ARTICLE III THE 2019 BONDS**

**Section 3.01 The 2019 Bonds.** The Corporation has authorized the issuance of the 2019 Bonds pursuant to the First Supplemental Indenture in the aggregate principal amount of \_\_\_\_\_ (\$ \_\_\_\_\_). The Corporation agrees that the proceeds of sale of the 2019 Bonds shall be paid to the Trustee on the Closing Date for deposit and application pursuant to the terms and conditions of the First Supplemental Indenture. The County hereby approves the First Supplemental Indenture, the assignment to the Trustee of the rights of the Corporation assigned or purported to be assigned thereunder, and the issuance of the 2019 Bonds by the Corporation thereunder.

**Section 3.02 Refinancing of a Portion of the 2013 Projects; Leasing of Leased Premises.** The Corporation and the County have accomplished the acquisition, construction, improvement, equipping and furnishing of the 2013 Projects. The County has taken possession of the Leased Premises hereunder and Lease Payments hereunder shall pay debt service on the 2013 Bonds and the 2019 Bonds.

**Section 3.03 Payment of Costs of Issuance.** Payment of all Costs of Issuance shall be made from the moneys deposited with the Trustee in the 2019 Costs of Issuance Fund, which moneys shall be disbursed for such purpose in accordance with Section 3.03 of the First Supplemental Indenture. Any Costs of Issuance for the payment of which insufficient funds shall be available on deposit in the 2019 Costs of Issuance Fund, shall be paid by the County.

**ARTICLE IV**  
**AMENDMENT TO LEASE; TERM OF THIS AMENDMENT NO. 2**  
**TO LEASE AGREEMENT; RENTAL PAYMENTS**

**Section 4.01 Lease by Corporation and Lease to County; Amendment of Lease Agreement.** Article IV of the Lease Agreement remains in full force and effect as to the Lease Payments due thereunder and hereunder. For purposes of Section 4.01 through 4.04 and 4.06 through 4.09 of the Lease Agreement "Bonds" shall include the 2013 Bonds and the 2019 Bonds. The Lease Agreement is hereby amended by replacing the remaining Lease Payments with respect to the 2013 Bonds with the Lease Payment Schedule in Exhibit B-1 attached hereto, and by this reference herein incorporated. Lease Payments relating to the 2019 Bonds shall be payable on the Lease Payment Dates and be in the amounts set forth in Exhibit B-2 hereof attached hereto and by this reference herein incorporated. Total Lease Payments due hereunder shall be set forth in Exhibit B-3 attached hereto and by this reference herein incorporated.

**Section 4.02 Optional Right to Purchase.** With respect to Lease Payments relating to the 2019 Bonds, the County will have the exclusive right and option, which will be irrevocable during the Term of this Amendment No. 2 to Lease Agreement, to purchase all or any designated portion of the Corporation's interest in the Facilities on any Business Day, upon payment of the 2019 Option Price (as hereinafter defined) and all other amounts of Additional Rent then due and payable by the County to the Corporation and Trustee under this Amendment No. 2 to Lease Agreement and under the First Supplemental Indenture, but only if the County is not in default under the Lease Agreement, this Amendment No. 2 to Lease Agreement or the Indenture.

The option price relating to the 2019 Bonds in any Lease Year shall be determined by reference to Exhibit C to this Amendment No. 2 to Lease Agreement (the "2019 Option Price"). The County will exercise its option to purchase by giving notice thereof to the Corporation and the Trustee not later than 35 days prior to the Business Day on which it desires to purchase the Facilities, unless the Business Day on which the County intends to exercise its option is, in accordance with the terms of the First Supplemental Indenture, a date on which 2019 Bonds are subject to optional redemption, in which case the County will give notice to the Corporation and the Trustee of its intention to exercise its option no later than 35 days prior to the Business Day on which it desires to purchase the Facilities.

If the Business Date on which the County intends to exercise its option is, in accordance with the terms of the First Supplemental Indenture, a date on which 2019 Bonds are subject to optional redemption, then the County will deposit with the Trustee on such purchase date an amount equal to the 2019 Option Price which amount will be in addition to the Lease Payments due on such date.

If the Business Day on which the County intends to exercise its option is not a date on which Bonds are subject to optional redemption pursuant to the terms of the First Supplemental Indenture, then the 2019 Option Price will be payable in installments. Each such installment, all as determined by reference to Exhibit B-2 to this Amendment No. 2 to Lease Agreement, (i) will be payable at each time at which a payment of Lease Payments would have been payable and such option not been exercised until the due date of the final installment and (ii) will equal the principal amount of each Lease Payments referred to in clause (i) above; provided however, that

the final installment will be payable on the first date on which 2019 Bonds are subject to optional redemption pursuant to the terms of the First Supplemental Indenture and will be in an amount equal to the 2019 Option Price on such date.

In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the County concurrently with the exercise of its option, will deposit or cause to be deposited with the Trustee, in trust, cash or investments of the type described in the Indenture in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to in the immediately preceding paragraph at the times at which such installments are required to be paid. Such deposit will be in addition to the Lease Payment, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the County will be remitted to the County.

**Section 4.03 Continuing Disclosure.** The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate with respect to the 2019 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of this Amendment No. 2 to Lease Agreement, failure of the County to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any 2019 Bondholder may take such actions, as provided in such Continuing Disclosure Certificate, as may be necessary and appropriate to cause the County to comply with its obligations under such Continuing Disclosure Certificate.

**Section 4.04 Application of Net Proceeds.**

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Premises by fire or other casualty, shall be deposited by the Trustee in Insurance and Condemnation Fund or the Redemption Fund established in the Original Indenture and the First Supplemental, as directed to the Trustee in writing by the County and applied in accordance with Section 5.07 of the Original Indenture and Section 5.08 of the First Supplemental Indenture.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.01 shall be deposited by the Trustee in the Insurance and Condemnation Fund or the Redemption Fund, as directed to the Trustee in writing by the County, and applied in accordance with Section 5.08 of the Original Indenture and Section 5.07 of the First Supplemental Indenture.

**ARTICLE V  
MISCELLANEOUS**

**Section 5.01 Notices.** All written notices to be given under this Amendment No. 2 to Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication; (b) 48 hours after deposit in the

United States mail, postage prepaid; or (c) otherwise, upon actual receipt. The Corporation, the County, the Member Agencies or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Corporation: County of Riverside Asset Leasing Corporation  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501-3679  
Attention:

If to the County: County of Riverside  
County Executive Office  
4080 Lemon Street, 4<sup>th</sup> Floor  
Riverside, CA 92501-3679  
Attention: Deputy County Executive Officer

If to the Trustee: Wells Fargo Bank, N.A.  
333 S. Grand Avenue, Fifth Floor, Suite 5A  
MAC E2064-05A  
Los Angeles, CA 90071  
Attention: Robert Schneider, Vice President

**Section 5.02 Binding Effect.** This Amendment No. 2 to Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the County and their respective successors and assigns.

**Section 5.03 Severability.** In the event any provision of this Amendment No. 2 to Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 5.04 Absolute Obligation; Net-net-net Lease.** The Obligation of the County to make Lease Payments and Additional Payments and payment of all other amounts provided for in the Lease Agreement, this Amendment No. 2 to Lease Agreement, and to perform its obligations hereunder shall be absolute and unconditional. This Amendment No. 2 to Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the County hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges, set-offs, counter-claims or recoupment whatsoever, subject only to abatements as set forth herein, the First Supplemental Indenture and in the Indenture.

**Section 5.05 Further Assurances and Corrective Instruments.** The Corporation and the County agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Premises hereby leased or intended so to be or for carrying out the expressed intention of this Amendment No. 2 to Lease Agreement.

**Section 5.06 Execution in Counterparts.** This Amendment No. 2 to Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5.07 Applicable Law.** This Amendment No. 2 to Lease Agreement shall be governed by and construed in accordance with the laws of the State.

**Section 5.08 Authorized Representatives.** Whenever under the provisions of this Amendment No. 2 to Lease Agreement the approval of the Corporation or the County is required, or the Corporation or the County is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Authorized Representative of the Corporation and for the County by an authorized Representative of the County, and any party hereto shall be authorized to rely upon any such approval or request.

**Section 5.09 Captions.** The captions or headings in this Amendment No. 2 to Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Amendment No. 2 to Lease Agreement.

*(Signature page follows)*

IN WITNESS WHEREOF, the Corporation has caused this Amendment No. 2 to Lease Agreement to be executed in its name by its duly authorized officer; and the County has caused this Amendment No. 2 to Lease Agreement to be executed in its name by its duly authorized officers and sealed with its seal, as of the date first above written.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By \_\_\_\_\_  
Authorized Signatory

ATTEST:

By: \_\_\_\_\_  
Assistant Secretary

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Chairman, Board of Supervisors

(S E A L)

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

*-Signature Page-  
Amendment No. 2 to  
Lease Agreement*



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA            )  
  )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

**EXHIBIT A**  
**DESCRIPTION OF THE SITES**

**EXHIBIT B**  
**SCHEDULE OF LEASE PAYMENTS**

## **EXHIBIT C**

### **OPTION PRICE**

The purchase price of the Facilities represented by Lease Payments due hereunder may be prepaid at the option of the County as a whole or in part, on any date on or after October 15, 2029, from any available source of funds, at an optional purchase price equal to the principal component of the Lease Payments remaining to be paid together with accrued interest thereon to the date fixed for such optional purchase.

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## **APPENDIX A**

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

#### **GENERAL INFORMATION**

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

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

##### **Population**

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,440,124 as of January 1, 2019, representing an approximately 1.14% increase over the County's population as estimated for the prior year, and a rate higher than the statewide population increase of 0.47% for the same period. For the ten year period of January 1, 2009 to January 1, 2019, the County's population grew by approximately 14.00%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.37% of the County as of January 1, 2019.

*[Remainder of Page Intentionally Left Blank.]*

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

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

<i>City</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Banning	30,746	30,967	31,170	30,950	31,044
Beaumont	43,906	45,617	46,730	46,545	48,401
Blythe	18,522	19,008	19,027	19,651	19,428
Calimesa	8,114	8,212	8,567	9,080	9,159
Canyon Lake	10,673	10,728	10,882	11,213	11,285
Cathedral City	53,390	53,842	54,296	54,466	54,907
Coachella	44,486	44,940	45,273	45,777	46,351
Corona	162,396	163,341	166,819	167,013	168,101
Desert Hot Springs	28,900	29,252	29,347	29,102	29,251
Eastvale	59,930	62,147	63,720	65,725	66,078
Hemet	80,439	80,997	82,417	84,423	84,754
Indian Wells	5,407	5,512	5,549	5,389	5,445
Indio	84,009	85,233	86,632	88,194	89,406
Jurupa Valley	99,742	101,412	103,661	104,661	106,318
Lake Elsinore	59,404	61,422	62,487	62,241	62,949
La Quinta	39,323	39,899	40,605	41,753	42,098
Menifee	85,801	87,608	89,552	90,775	93,452
Moreno Valley	201,387	202,621	204,285	206,046	208,297
Murrieta	109,408	110,166	111,793	116,970	118,125
Norco	26,198	26,727	26,799	26,464	26,386
Palm Desert	50,683	51,250	52,058	53,298	53,625
Palm Springs	46,099	46,534	47,157	48,390	48,733
Perris	74,866	76,070	77,311	76,260	76,971
Rancho Mirage	18,201	18,369	18,579	18,297	18,489
Riverside	317,890	320,226	323,190	326,270	328,101
San Jacinto	46,462	47,085	47,560	47,607	48,878
Temecula	109,144	110,536	112,040	113,248	113,826
Wildomar	34,751	35,270	35,882	35,635	36,066
<b>TOTALS</b>					
Incorporated	1,950,277	1,974,991	2,003,388	2,025,443	2,045,924
Unincorporated	367,618	371,726	379,252	387,093	394,200
County-Wide	2,317,895	2,346,717	2,382,640	2,412,536	2,440,124
California	38,912,464	39,179,627	39,500,973	39,740,508	39,927,315

Source: State Department of Finance, Demographic Research Unit.

**Effective Buying Income**

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



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

The following table summarizes the total effective buying income for the County and the State for the period 2015 through 2019:

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

	<i>Total Effective Buying Income<sup>(2)</sup></i>	<i>Median Household Effective Buying Income</i>	<i>Percent of Households with Income over \$50,000</i>
<b>2015</b>			
Riverside County	\$ 41,199,300	\$45,576	44.79%
California	901,189,699	50,072	50.05
<b>2016</b>			
Riverside County	\$ 45,407,058	\$48,674	48.50%
California	981,231,666	53,589	52.74
<b>2017</b>			
Riverside County	\$ 47,509,909	\$50,287	50.23%
California	1,036,142,723	55,681	54.27
<b>2018</b>			
Riverside County	\$ 51,784,973	\$53,505	53.29%
California	1,113,648,181	58,858	57.15
<b>2019</b>			
Riverside County	\$ 54,118,453	\$54,920	54.41%
California	1,183,264,399	61,895	59.16

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

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

Source: The Nielsen Company, Site Reports, 2015-2018; Environics Analytics, Spotlight Claritas Reports 2019.

## Industry and Employment

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

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

<i>Industry</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Agriculture	14.4	14.8	14.6	14.4	14.5
Construction	77.6	85.7	92.0	97.0	104.8
Finance Activities	42.9	43.9	44.6	44.5	43.7
Government	228.8	233.3	242.3	250.0	257.5
Manufacturing:	91.3	96.1	98.6	98.7	101.3
Nondurables	31.1	33.0	34.2	34.8	36.2
Durables	60.2	63.1	64.4	63.9	65.1
Mining & Logging	1.3	1.3	0.9	0.9	1.0
Retail Trade	169.4	174.3	178.0	182.1	180.8
Professional and Business Services	138.7	147.4	145.0	147.2	150.6
Education and Health Services	194.8	205.1	214.3	224.8	240.0
Leisure & Hospitality	144.8	151.7	160.2	165.7	170.0
Other Services	43.0	44.0	44.6	45.6	45.6
Transportation, Warehousing and Utilities	86.6	97.4	107.3	120.2	132.6
Wholesale Trade	58.9	61.6	62.8	63.7	64.9
Information	11.3	11.4	11.5	11.3	11.2
<b>Total, All Industries</b>	<u>1,303.7</u>	<u>1,367.9</u>	<u>1,416.6</u>	<u>1,466.0</u>	<u>1,518.7</u>

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

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

The following table sets forth the major employers in the County as of June 30, 2018 and their respective product or service and number of employees as of June 30, 2018.

**COUNTY OF RIVERSIDE  
CERTAIN MAJOR EMPLOYERS<sup>(1)</sup>  
(AS OF JUNE 30, 2018)**

<i>Company Name</i>	<i>Product/Service</i>	<i>No. of Local Employees</i>
County of Riverside	County Government	22,038
March Air Reserve Base	Military Reserve Base	9,000
University of California, Riverside	Public University	8,829
Kaiser Permanente Riverside Medical Center	Hospital	5,500
Corona-Norco Unified School District	School District	5,478
Pechanga Resort and Casino	Resort Casino	4,750
Riverside Unified School District	School District	4,200
Hemet Unified School District	School District	4,058
Riverside University Health Care Systems – Medical Center	Medical Center	3,965
Morongo Casino, Resort & Spa	Resort Casino	3,800

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

Source: County Economic Development Agency.

Unemployment data for the County, the State and the United States for the years 2014 through 2018 and partial data for 2019 (as indicated) are set forth in the following table.

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

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019<sup>(2)</sup></i>
County <sup>(1)</sup>	8.2%	6.7%	6.1%	5.2%	4.4%	4.4%
California <sup>(1)</sup>	7.5	6.2	5.5	4.8	4.2	4.2
United States <sup>(3)</sup>	6.2	5.3	4.9	4.4	3.9	3.7

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

<sup>(2)</sup> Unemployment rate information is for June 2019.

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

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

## Commercial Activity

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

The following tables sets forth taxable sales transactions in the County for the years 2013 through 2017, the last year being the most recent full year of which annual data is currently available. Industry level data for 2015 through 2017 is not comparable to that of prior years due to the change in format of reporting the data.

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

	2013	2014		2015	2016	2017
Motor Vehicles and Parts Dealers	\$ 3,965,201	\$ 4,417,943	Motor Vehicles and Parts Dealers	\$ 4,841,615	\$ 5,047,534	\$ 5,348,814
Furniture and Home Furnishings	486,061	520,393	Home Furnishings and Appliance Stores	1,135,235	1,386,985	1,730,702
Electronics and Appliances Stores	510,423	510,061	Building Materials, Garden Equip. & Supplies Dealers	1,826,294	1,965,101	2,161,593
Building Materials, Garden Equipment and Supplies	1,535,178	1,706,183	Food and Beverage Stores	1,727,518	1,574,030	1,666,910
Food and Beverage Stores	1,421,590	1,509,403	Gasoline Stations	2,851,558	2,704,278	2,933,718
Health and Personal Care Stores	523,724	544,958	Clothing and Clothing Accessories Stores	2,136,728	2,190,228	2,199,512
Gasoline Stations	3,456,322	3,426,830	General Merchandise Stores	3,040,244	3,052,409	3,101,256
Clothing and Clothing Accessories Stores	1,771,603	1,989,623	Food Services and Drinking Places	3,384,494	3,648,980	3,852,674
Sporting Goods, Hobby, Book and Music Stores	499,366	519,188	Other Retail Group	2,338,039	2,452,591	2,586,771
General Merchandise Stores	3,298,920	3,289,057	Total Retail and Food Services	<u>\$ 23,281,724</u>	<u>\$ 24,022,136</u>	<u>\$ 25,581,948</u>
Miscellaneous Store Retailers	758,664	809,032	All Other Outlets	<u>9,629,186</u>	<u>10,209,008</u>	<u>10,550,866</u>
Nonstore Retailers	243,334	309,809	Total All Outlets	<u>\$ 32,910,910</u>	<u>\$ 34,231,144</u>	<u>\$ 36,132,814</u>
Food Services and Drinking Places	2,836,388	3,093,862				
Total Retail and Food Services	<u>\$ 21,306,774</u>	<u>\$ 22,646,343</u>				
All Other Outlets	<u>8,758,693</u>	<u>9,389,345</u>				
Total All Outlets	<u>\$ 30,065,467</u>	<u>\$ 32,035,687</u>				

Source: California Department of Tax and Fee Administration.

## Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2014 through 2018.

### COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS (IN THOUSANDS)

	2014	2015	2016	2017	2018 <sup>(3)</sup>
<b>RESIDENTIAL</b>					
New Single-Family	\$ 1,296,553	\$ 1,313,084	\$ 1,526,768	\$ 1,670,542	\$ 2,180,051
New Multi-Family	178,117	110,458	106,292	109,309	211,165
Alterations and Adjustments	147,081	113,200	126,475	123,567	125,200
<b>Total Residential</b>	<b>\$ 1,621,751</b>	<b>\$ 1,536,742</b>	<b>\$ 1,759,535</b>	<b>\$ 1,903,418</b>	<b>\$ 2,516,416</b>
<b>NON-RESIDENTIAL</b>					
New Commercial <sup>(1)</sup>	\$ 184,138	\$ 189,994	\$ 540,447	\$ 522,769	\$ 703,588
New Industrial	161,321	180,521	59,439	410,275	527,526
Other Buildings <sup>(2)</sup>	142,204	226,346	374,917	136,935	409,425
Alterations & Additions	327,327	314,604	371,216	363,711	316,264
<b>Total Nonresidential</b>	<b>\$ 814,990</b>	<b>\$ 911,465</b>	<b>\$ 1,346,020</b>	<b>\$ 1,433,690</b>	<b>\$ 1,956,803</b>
<b>TOTAL ALL BUILDING</b>	<b>\$ 2,436,741</b>	<b>\$ 2,448,207</b>	<b>\$ 3,105,554</b>	<b>\$ 3,337,108</b>	<b>\$ 4,473,219</b>

<sup>(1)</sup> Includes office buildings, stores & other mercantile, hotels & motels, amusement & recreation, parking garages and service stations & repair.

<sup>(2)</sup> Includes churches and religious buildings, medical and institutional buildings, agricultural and storage buildings, hospitals and institutional buildings, public works and utility buildings, schools and educational buildings, structures other than buildings, and residential garages.

<sup>(3)</sup> 2018 numbers are preliminary and subject to adjustment.

Source: California Homebuilding Foundation.

### COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	2014	2015	2016	2017	2018 <sup>(1)</sup>
Single Family	5,007	5,007	5,662	6,265	7,457
Multi-Family	1,931	1,189	897	1,070	1,476
<b>TOTAL</b>	<b>6,938</b>	<b>6,196</b>	<b>6,559</b>	<b>7,335</b>	<b>8,933</b>

<sup>(1)</sup> 2018 numbers are preliminary and subject to adjustment.

Source: California Homebuilding Foundation.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2014 through 2018.

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

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
2014	\$455,000	\$293,000	\$240,000	\$410,000
2015	487,500	310,000	262,000	431,000
2016	520,000	332,000	284,000	457,500
2017	560,000	356,000	310,000	491,000
2018	596,000	380,000	330,000	524,000

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

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2014 through 2018.

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

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
2014	4,566	2,912	2,984	13,787
2015	3,970	2,463	2,616	11,959
2016	3,191	2,045	1,954	9,354
2017	2,316	1,453	1,641	6,968
2018	1,552	1,233	1,183	5,182

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

**Agriculture**

In 2017, principal agricultural products were nursery stock, milk, table grapes, lemons, bell peppers, hay, eggs, dates, avocados and carrots.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The County, and all of Southern California, experienced a severe drought between 2011 and 2015. See “—Environmental Control Services” below. The County cannot predict the impact that a future prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2013 through 2017.

**COUNTY OF RIVERSIDE  
VALUE OF AGRICULTURAL PRODUCTION**

	2013	2014	2015	2016	2017
Citrus Fruits	\$ 142,404,000	\$ 170,891,000	\$ 199,772,000	\$ 200,101,000	\$ 177,055,000
Trees and Vines	232,536,000	223,593,000	234,928,000	227,444,000	228,315,000
Vegetables, Melons, Misc.	340,407,000	337,404,000	327,199,000	365,157,000	331,986,000
Field and Seed Crops	154,582,000	156,575,000	122,794,000	97,184,000	96,063,000
Nursery	191,215,000	172,910,000	158,648,000	150,426,000	153,749,000
Apiculture	4,715,000	4,819,000	4,897,000	5,082,000	5,415,000
Aquaculture	2,262,000	5,078,000	5,397,000	4,624,000	4,764,000
Livestock and Poultry	259,683,000	290,746,000	260,015,000	225,758,000	221,175,000
<b>Grand Total</b>	<b>\$ 1,327,804,000</b>	<b>\$ 1,362,016,000</b>	<b>\$ 1,313,650,000</b>	<b>\$ 1,275,776,000</b>	<b>\$ 1,218,522,000</b>

Source: Riverside County Agricultural Commissioner.

**Transportation**

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest from Riverside through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County. Riverside 91 Express Lanes that connect with the OCTA SR-91 Express Lanes at the Orange County/Riverside County line and continue to the Interstate 15/State Route 91 interchange opened in March 2017. When travelling along State Route 91 through Corona, vehicles are able to use either the tolled express lanes or the free general purpose lanes.

Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from nine stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Palm Springs. Freight service to major west coast and national markets is provided by two transcontinental railroads – Union Pacific Railroad and the BNSF Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, servicing the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Ontario International Airport Authority and was transferred by the City of Los Angeles to the joint powers authority in October 2016. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"),

comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

### **Education**

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

There are nine two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley, Palo Verde Valley, Banning and Temecula. There are also three universities located in the City of Riverside – the University of California, Riverside (“UCR”), La Sierra University and California Baptist University. The City of Palm Desert also has a UCR campus and California State University, San Bernardino campus.

### **Environmental Control Services**

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

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

The governor and the State Legislature have developed strategies to help mitigate the effects of the State’s susceptibility to periodic, potentially prolonged and/or severe drought conditions. On April 1, 2015, California’s governor issued the fourth in a series of executive orders extending the measures necessary to address California’s severe drought conditions which occurred between 2011 and 2015. On May 9, 2016, as a result of persistent severe drought conditions in many areas of California, the governor issued an additional executive order that, among other things, made permanent many of the conservation measures set in the governor’s previous executive orders. On April 7, 2017, as a result of the record rainfall and snowfall that occurred in the State between November 2016 and March 2017, the governor declared an end to the drought emergency in California (except with respect to four counties mostly located in California’s agricultural Central Valley). However, this same executive order directed the State Water Resources Control Board to initiate the rulemaking process to ensure that many key conservation measures established by the governor’s 2016 executive order will remain in place. Such conservation measures prohibit wasteful practices such as: (i) hosing off sidewalks, driveways and other hardscapes, (ii) washing automobiles with hoses not equipped with a shut-off nozzle, (iii) using non-recirculated water in a fountain or other decorative water feature, (iv) watering lawns in a manner that causes runoff, or within forty-eight hours of measurable precipitation, and (v) irrigating ornamental turf on public street medians.



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

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

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

## FINANCIAL INFORMATION

### Budgetary Process and Budget

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

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts quarterly reviews, with major adjustments generally addressed at the end of the first, second and third quarters.

**Five-Year Forecast.** To ensure prudent financial management, the County maintains a five-year budget forecast (the “County Budget Forecast”) based on conservative revenue assumptions derived internally and from information provided by external consultants, including projections in the out years for labor and pension increases. The current County Budget Forecast reflects a continuing trend of cost increases outpacing revenue growth, such that the 25% reserve target implemented by the Board of Supervisors is unlikely to be met for the next several years. Consistent with the County Budget Forecast projections, the is budgeting to use reserves and fund transfers to balance the Fiscal Year 2019-20 budget, adopted by the Board of Supervisors on June 25, 2019 (the “Adopted Budget”). Factors driving cost increases include labor concessions, increasing pension costs and inmate health care expenses. See “– Retirement Program” and “– Labor Relations.” The County has a number of strategies to address these challenges, such as targeted reductions to the net County cost, keeping new requests to a minimum, identifying one-time revenues and reducing vacant full-time positions. In addition, the hiring freezes that the County Executive Office instituted in January 2018 are ongoing, and the County is committed to limited cost-of-living adjustments after the expiration of the current labor contracts. With the County actively pursuing such cost mitigation strategies, the County Budget Forecast projects deficit spending until Fiscal Year 2020-21 and a rebuilding of reserves beginning in Fiscal Year 2022-23 toward restoration of such reserves to the target level of 25% of revenues set by the Board of Supervisors. Furthermore, the County Budget Forecast provides that one-time revenues are to be applied towards the rebuilding of reserves or mission critical one-time costs and assumes that budgetary shortfalls will not be backfilled with discretionary revenues. The County Budget Forecast projects a minimum reserve level of \$150 million through the forecast period.

## **Fiscal Year 2019-20 Budget**

On June 25, 2019, the Board of Supervisors approved the Adopted Budget. The Adopted Budget includes total general fund appropriations of approximately \$3.5 billion. For Fiscal Year 2019-20, the County estimates that approximately 64% of its General Fund budget revenues in the Adopted Budget will consist of payments from the State and Federal government. Discretionary revenue is budgeted at approximately \$837 million for Fiscal Year 2019-20, an increase of approximately 4.7% from the Fiscal Year 2018-19 adopted budget estimates. The increase is due primarily to modestly rising property-related tax revenues and interest income. The Adopted Budget includes discretionary spending of approximately \$857.5 million. The \$20.5 million gap between discretionary revenue and discretionary spending is covered by the use of reserves. Property tax revenue is budgeted at approximately \$390.6 million (including \$116.5 million in redevelopment tax increment pass-through funds) for Fiscal Year 2019-20, and represents approximately 47% of the County's discretionary revenue. Property tax estimates assumed an increase in assessed valuation in Fiscal Year 2019-20 of 5% from Fiscal Year 2018-19. The County's reserve balance at the beginning of Fiscal Year 2019-20 is projected at approximately \$22 million, approximately \$3 million above the County's reserve policy. As part of the County Executive Office's corrective action plan to bring their overall performance in line with the Adopted Budget, the County Executive Office continues to engage in analyses and discussions with the various County departments to maximize the use of available resources and identify and implement steps necessary to align their spending with their allocated net County cost. For example, the County Executive Office engages in monthly revenue and expenditure monitoring and formal quarterly Board of Supervisors updates and actions. Additionally, the County has implemented and regularly reviews and updates its investment policies and policies related to debt and pension management. Furthermore, the County Executive Office has specifically instructed departments expecting budget shortfalls to provide monthly departmental updates and action plans. To keep discretionary spending within the reserve limits and continue to meet the priorities established by the Board of Supervisors, the Adopted Budget implements targeted reductions of approximately 3%.

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

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

Realignment is comprised of two distinct components: Health and Human Services and Public Safety. With respect to the former, the State replaced the funding previously provided to counties as State reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change resulting from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts. When the State decided to unwind the In-Home Supportive Services contracts in Fiscal Year 2016-17 and return the program to local control, the initial estimate of the cost to the County was \$40 million. Various counties collectively asked for funding for this change and as a result, they were given a two-year reprieve from paying for this program. At this time, the counties are expected to pick up the costs in Fiscal Year 2019-20. The County is continuing its best efforts to mitigate these costs.

With respect to Public Safety, however, county governments have taken on various additional responsibilities related to inmates released from state prison; newly convicted offenders whose offenses are legally defined under the State Penal Code as non-violent, non-serious and non-sexual; and parole violators. In Fiscal Year 2017-18, the County received a \$72.9 million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2018-19, the County received an appropriation of \$77.1 million from the State to address the needs of the realigned criminal justice population. In Fiscal Year

2019-20, the County expects to receive an appropriation of approximately \$81.0 million from the State to address the needs of the realigned criminal justice population. Although this amount is not sufficient to meet all of the identified needs, and the shortfall continues to strain the County's justice system, the affected County departments have been able to continue providing identified services.

**Budget Comparison**

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

**COUNTY OF RIVERSIDE  
ADOPTED GENERAL FUND BUDGETS<sup>(1)</sup>  
FISCAL YEARS 2015-16 THROUGH 2019-20  
(IN MILLIONS)**

	<i>2015-16 Budget</i>	<i>2016-17 Budget</i>	<i>2017-18 Budget</i>	<i>2018-19 Budget</i>	<i>2019-20 Budget<sup>(3)</sup></i>
<b>REQUIREMENTS</b>					
General Government	\$216.1	\$209.1	\$ 220.4	\$171.9	\$174.6
Public Protection	1,276.2	1,345.7	1,379.1	1,445.6	1,513.4
Health and Sanitation	562.3	534.9	601.1	678.8	737.2
Public Assistance	1,004.8	1,003.8	996.0	1,002.5	1,049.4
Education	0.7	0.7	0.7	0.7	0.1
Recreation and Cultural	0.3	0.5	0.5	0.5	2.2
Debt Retirement-Capital Leases	4.7	5.1	10.6	10.5	14.5
Contingencies	36.5	20.0	20.0	14.9	20.0
Increase to Reserves	2.0	0.0	0.0	0.0	0.0
Total Requirements <sup>(2)</sup>	<u>\$3,100.8</u>	<u>\$3,119.8</u>	<u>\$3,228.4</u>	<u>\$3,325.4</u>	<u>\$3,511.4</u>
<b>AVAILABLE FUNDS</b>					
Use of Fund Balance and Reserves	\$76.8	\$67.7	\$84.9	\$0.0	\$0.0
Estimated Revenues:					
Property Taxes	280.2	300.9	303.0	313.4	333.9
Other Taxes	25.0	24.0	21.0	3.4	4.6
Licenses, Permits and Franchises	17.5	18.3	18.1	19.1	20.8
Fines, Forfeitures and Penalties	44.4	39.5	38.4	60.1	62.5
Use of Money and Properties	16.6	10.5	11.4	26.5	28.2
Aid from Other Governmental Agencies:					
State	1,356.1	1,357.4	1,407.1	1,462.5	1,547.7
Federal	615.3	634.1	627.5	681.6	718.8
Charges for Current Services	528.9	523.4	562.7	596.1	627.3
Other Revenues	139.9	144.0	154.3	152.7	167.6
Total Available Funds <sup>(2)</sup>	<u>\$3,100.8</u>	<u>\$3,119.8</u>	<u>\$3,228.4</u>	<u>\$3,325.4</u>	<u>\$3,511.4</u>

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

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

(3) Includes amounts set forth in the Fiscal Year 2019-20 Recommended Budget. As of the date of the Official Statement, data for the Adopted Budget has not yet been compiled.

Source: County Auditor-Controller.

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

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of June 30, 2019, the portfolio assets comprising the PIF had a market value of \$6,838,812,308.82.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2018, the Auditor-Controller performed an analysis of the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The County Auditor-Controller reported that collectively, these mandatory deposits constituted approximately 80.62% of the funds on deposit in the County Treasury, while approximately 19.38% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2018 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer-Tax Collector to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the PIF as of June 30, 2019 were as follows (numbers may not add up due to rounding of individual components):

	<i>Balance (in thousands)</i>	<i>% of Pool</i>
U.S. Treasury Securities	\$588,211	8.62%
Federal Agency Securities	3,878,985	56.72
Cash Equivalent & Money Market Funds	889,024	12.99
Commercial Paper	920,200	13.46
Negotiable Certificates of Deposits	35,000	0.51
Medium Term Notes	292,356	4.28
Municipal Notes	234,957	3.41
Local Agency Obligations <sup>(1)</sup>	80	<0.01
Total Book Value	\$6,838,813	100.00%
Book Yield:		2.32%
Weighted Average Maturity:		1.05 Years

<sup>(1)</sup> Represents County obligations issued by Riverside District Court Financing Corporation.  
Source: County Treasurer-Tax Collector.

As of June 30, 2019, the market value of the PIF was 100.41% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

The County has obtained a rating on the PIF of "Aaa-bf" from Moody's Investors Service and "AAA/S1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period

of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

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

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

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

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

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

The following tables set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2008-09 through Fiscal Year 2018-19.

**COUNTY OF RIVERSIDE**  
**AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS**  
**FISCAL YEARS 2008-09 THROUGH 2018-19**  
**SECURED PROPERTY TAX ROLL<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Secured Property Tax Levy</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30<sup>(2)</sup></i>	<i>Total Collections<sup>(3)</sup></i>	<i>Percentage of Total Collections to Current Levy<sup>(3)</sup></i>
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,805,588,954	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64
2014-15	3,014,259,026	46,145,916	1.53	3,152,661,477	104.59
2015-16	3,205,453,157	45,956,538	1.43	3,318,638,318	103.53
2016-17	3,368,109,165	45,522,477	1.35	3,486,155,109	103.50
2017-18	3,565,210,050	42,580,125	1.19	3,679,787,833	103.21
2018-19	3,762,000,301	N/A	N/A	3,768,906,901 <sup>(4)</sup>	100.18

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

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

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

(4) As of August 1, 2019.

Source: County Auditor-Controller.

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

<i>Fiscal Year</i>	<i>Unsecured Property Tax Levy</i>	<i>Total Collections<sup>(2)</sup></i>	<i>Percentage of Total Collections to Original Levy<sup>(2)</sup></i>
2008-09	\$88,531,578	\$86,067,900	97.22%
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	78,686,704	93.84
2013-14	83,522,992	86,835,311	103.97
2014-15	84,869,586	89,749,581	105.75
2015-16	84,381,854	88,526,356	104.91
2016-17	91,527,259	97,904,720	106.97
2017-18	92,470,967	97,787,334	105.75
2018-19	97,064,852	104,905,609	108.08
2019-20	103,243,149	NA	NA

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

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

Source: County Auditor-Controller.

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

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



The following table sets forth the supplemental tax roll of the County for Fiscal Year 2008-09 through Fiscal Year 2018-19:

**COUNTY OF RIVERSIDE  
SUMMARY OF SUPPLEMENTAL ROLL  
AD VALOREM PROPERTY TAXATION  
FISCAL YEARS 2008-09 THROUGH 2018-19**

<i>Fiscal Year</i>	<i>Tax Levy for Increased Assessments<sup>(1),(2),(3)</sup></i>	<i>Refunds for Decreased Assessments<sup>(1),(3)</sup></i>	<i>Net Supplemental Tax Levy<sup>(2)</sup></i>	<i>Collections<sup>(1),(2)</sup></i>
2008-09 <sup>(4)</sup>	\$60,817,712	\$46,478,150	\$14,339,562	\$74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) <sup>(5)</sup>	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,096
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14	52,907,916	8,982,077	43,925,839	41,498,433
2014-15	68,579,326	7,954,074	60,625,253	56,319,752
2015-16	70,084,954	6,399,454	63,685,501	60,101,066
2016-17	85,097,029	7,733,087	77,363,942	70,527,505
2017-18	95,818,550	6,329,416	89,489,134	87,764,555
2018-19	38,864,690 <sup>(6)</sup>	2,370,413 <sup>(6)</sup>	36,494,277 <sup>(6)</sup>	37,027,196 <sup>(7)</sup>

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

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

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

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

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

(6) From July 2018 to September 2018.

(7) From July 2018 to February 2019.

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

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2014-15 through Fiscal Year 2018-19:

**COUNTY OF RIVERSIDE**  
**ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE<sup>(1)</sup>**  
**FISCAL YEARS 2014-15 THROUGH 2018-19**  
**(IN MILLIONS)**

<i>Category</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
<b>SECURED PROPERTY:</b>					
Land	\$ 69,805	\$ 73,305	\$ 76,443	\$ 79,694	\$ 83,726
Structures	150,275	160,030	169,096	179,648	192,023
Personal Property	919	875	829	789	898
Utilities	4,630	4,768	5,350	5,327	5,461
Total Secured	<u>\$ 225,629</u>	<u>\$ 238,978</u>	<u>\$ 251,718</u>	<u>\$ 265,458</u>	<u>\$ 282,108</u>
<b>UNSECURED PROPERTY:</b>					
Land	\$ 5	\$ 9	\$ 3	\$ 4	\$ 35
Structures	203	193	133	115	109
Fixtures	3,519	3,543	3,738	3,791	4,108
Personal Property	3,700	3,736	4,082	4,166	4,612
Total Unsecured <sup>(2)</sup>	<u>\$ 7,427</u>	<u>\$ 7,481</u>	<u>\$ 7,956</u>	<u>\$ 8,076</u>	<u>\$ 8,864</u>
<b>GRAND TOTAL</b>	<u>\$ 233,056</u>	<u>\$ 246,459</u>	<u>\$ 259,674</u>	<u>\$ 273,534</u>	<u>\$ 290,972</u>

<sup>(1)</sup> Assessed valuation is reported as of August 20 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975-76 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

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

Source: County Auditor-Controller/County Assessor.

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in market values call for such reductions. Following the decline in housing prices in the County during the most recent recession, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, in each year from Fiscal Year 2010-11 to Fiscal Year 2013-14, which resulted in a net decline in assessed valuation in each of those years. In Fiscal Years 2014-15, 2015-16 and 2016-17, there were no additional proactive Proposition 8 reductions. Housing prices in the County have been showing increases in recent years. Assessed valuation in the County increased from Fiscal Year 2014-15 to 2015-16 by approximately 5.78%, from Fiscal Year 2015-16 to 2016-17 by approximately 5.08%, from Fiscal Year 2016-17 to 2017-18 by approximately 5.52% and from Fiscal Year 2017-18 to 2018-19 by approximately 6.3%. Assessed valuation in the County is expected to increase by approximately 5.0% in Fiscal Year 2019-20 as compared to Fiscal Year 2018-19.

**Property Tax Appeals.** The County has received assessment appeals applicable to Fiscal Year 2018-19 totaling approximately \$11.5 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$85 million of assessed value was reduced from the County tax roll in Fiscal Year 2016-17 and Fiscal Year 2017-18 due to appeals, representing \$850,000 in general purpose taxes over the two-fiscal year period. Approximately 6.6% of the Fiscal Year 2018-19 assessment appeals have been completed. The majority of the remaining Fiscal Year 2018-19 assessment appeals are expected to be completed by November 2020.

## Teeter Plan

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

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

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

Taxing entities that are required to maintain funds in the County Treasury are all included in the Teeter Plan. These include all K-12 school districts, community college districts and certain special districts. Other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2017-18, taxing agencies representing approximately 56.34% of the secured roll participated in the Teeter Plan. In Fiscal Year 2018-19, taxing agencies representing approximately 56.37% of the secured roll participated in the Teeter Plan.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The appropriate amount in the fund is determined by one of two methods: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. Any amount in excess of the 1% or 25% level determined pursuant to either method of calculation may be credited to the County's General Fund. The County is currently governed by the first alternative, and this amount has consistently been sufficient to provide for any tax losses.

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

From Fiscal Year 1997-98 through Fiscal Year 2006-07, the size of the Teeter Plan obligations fluctuated between approximately \$24 million and \$90 million, producing annual net revenue to the County's General Fund of approximately \$14 million to \$25 million. The Teeter Plan obligations grew to approximately \$168.4 million in Fiscal Year 2007-08 and peaked at approximately \$266.6 million in Fiscal Year 2008-09. For

the last five fiscal years the annual Teeter revenues averaged approximately \$25.6 million. As the amount of delinquent taxes receivable has declined, the annual revenue available to the General Fund has been reduced. For Fiscal Year 2017-18, the net Teeter revenue to the County's General Fund was approximately \$21 million. The Teeter Plan obligations are approximately \$74 million in Fiscal Year 2018-19. The following table sets forth the aggregate principal amount of the Teeter Plan obligations issued in fiscal years 2008-09 through 2018-19.

**COUNTY OF RIVERSIDE  
TEETER PLAN OBLIGATIONS ISSUED  
FISCAL YEARS 2008-09 THROUGH 2018-19**

<i>Fiscal Year</i>	<i>Principal Amount</i>
2008-09	\$266,629,000
2009-10	257,300,000
2010-11	206,805,000
2011-12	171,325,000
2012-13	142,840,000
2013-14	119,770,000
2014-15	100,175,000
2015-16	87,040,000
2016-17	81,765,000
2017-18	78,735,000
2018-19	74,190,000

Source: County of Riverside.

The County accounts for the Teeter Plan in its audited financial statements by listing the amount of its liabilities; including unpaid taxes with its other receivables; and including apportioned prior years' taxes on deposit with other restricted cash. The taxes receivable are listed in their principal amount without any penalties or accrued interest. See APPENDIX B – "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 – Note 6 Receivables."

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

The first option for the County to meet the redemption requirements of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts is to have the PIF purchase the Teeter notes. Such Teeter notes have been purchased by the PIF in the past, beginning in 2001. Formal Board of Supervisors and County Treasurer approval would be required in order for the PIF to purchase Teeter notes if the notes are not rated or otherwise not qualified for purchase under the County's investment policy. See "– Riverside County Treasurer's Pooled Investment Fund."

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

maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts have been authorized by the Board of Supervisors, most recently in April 2007.

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

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**Largest Taxpayers**

The following table shows the 25 largest property taxpayers by individual tax levied in the County for Fiscal Year 2018-19:

**COUNTY OF RIVERSIDE  
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2018-19  
BY TAX LEVIED<sup>(1)</sup>**

<i>Taxpayer</i>	<i>Total Taxes Levied</i>	<i>Percentage of Total Tax Charge</i>
Southern California Edison Company	\$54,571,706.32	1.38%
Southern California Gas Company	14,674,284.48	0.37
Frontier California, Inc.	8,268,397.56	0.21
CPV Sentinel, LLC	6,754,781.82	0.17
Lennar Homes of California Inc.	3,772,685.95	0.10
Costco Wholesale Corporation	3,655,085.30	0.09
Riverside Healthcare System	3,543,195.62	0.09
Tyler Mall Limited Partnership	3,530,892.44	0.09
Chelsea GCA Realty Partnership	3,443,780.12	0.09
Walgreen Co.	3,254,977.97	0.08
Time Warner Cable Pacific West LLC	3,199,819.56	0.08
Ross Dress For Less Inc.	3,176,711.62	0.08
Garden of Champions	3,174,037.70	0.08
Target Corporation	2,936,516.75	0.07
Roripaugh Valley Restoration	2,913,620.02	0.07
Tarpon Prop Ownership 2	2,882,416.56	0.07
Kaiser Foundation Health Plan Inc.	2,749,857.32	0.07
Castle & Cooke Corona Crossings	2,726,228.56	0.07
Lowe's HIW Inc.	2,681,896.00	0.07
Wal-Mart Real Estate Business Trust	2,677,227.80	0.07
Los Angeles SMSA Ltd. dba Verizon Wireless	2,487,776.76	0.06
Duke Realty Limited Partnership	2,461,110.36	0.06
Western Pacific Housing Inc.	2,390,288.14	0.06
Pardee Homes	2,265,614.29	0.06
Walmart Stores Inc.	2,259,762.37	0.06
<b>Total</b>	<b>\$146,452,671.39</b>	<b>3.69%</b>
<b>Total Tax Charge for 2018-19</b>	<b>\$3,964,218,042.50</b>	

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

The 10 largest property owners in the County by assessed value for all properties, for Fiscal Year 2018-19 are shown below:

**COUNTY OF RIVERSIDE  
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2018-19  
BY ASSESSED VALUE**

<i>Assessee</i>	<i>Assessed Value</i>
Kaiser Foundation Hospitals	\$404,850,181
Eisenhower Memorial Hospital	391,974,587
California Baptist University	339,199,186
Riverside Healthcare System	316,510,067
Costco Wholesale Corp	301,916,252
Kaiser Foundation Health Plan Inc	294,177,045
Ross Dress For Less Inc	287,996,906
Walgreen Co	280,547,368
Time Warner Cable Pacific West LLC	271,544,132
Garden of Champions	261,208,902
Subtotal	\$3,149,924,626
All Others	\$282,851,471,121
Total	\$286,001,395,747 <sup>(1)</sup>

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

**Other Taxing Entities**

The County does not retain all of the property taxes it collects for its own purposes. The majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2017-18, the County retained approximately 18% of the total amount collected (and is budgeted to retain 18% in Fiscal Year 2018-19 and [ ]% in Fiscal Year 2019-20). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See “—Redevelopment Agencies” below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are applied to pay such obligations, less any allowable collection charges.

**Redevelopment Agencies**

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

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations for Fiscal Years 2008-09 through 2018-19.

**COUNTY OF RIVERSIDE  
COMMUNITY REDEVELOPMENT AGENCIES'  
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS  
AND TOTAL TAX ALLOCATIONS  
FISCAL YEARS 2008-09 THROUGH 2018-19**

<i>Fiscal Year</i>	<i>Frozen Base Value</i>	<i>Full Cash Value Increments<sup>(1)</sup></i>	<i>Total Tax Allocations<sup>(2),(3)</sup></i>
2008-09	\$15,257,041,079	\$66,803,157,176	\$673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13	16,352,697,201	56,178,718,338	594,476,134
2013-14	16,352,697,201	58,479,843,303	688,683,052
2014-15	16,352,691,201	62,266,158,988	729,793,564
2015-16	16,352,657,201	65,770,021,482	772,866,457
2016-17	16,352,657,201	69,510,642,793	816,260,103
2017-18	16,352,657,201	73,397,406,955	866,983,038
2018-19	16,352,657,201	77,773,439,495 <sup>(3)</sup>	912,753,199 <sup>(4)</sup>

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

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

<sup>(3)</sup> Calculated based on estimated full cash value increment including State Assessed properties; has not been adjusted for negative project area increment.

<sup>(4)</sup> Includes estimated general purpose and debt; excludes negative treatment redevelopment projects where assessed value is less than frozen base value.

Source: County Auditor-Controller.

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution effective February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$3,971,824,734, and a Fiscal Year 2011-12 assessed value of \$8,266,787,927. In Fiscal Year 2011-12, the pass-through payment to the County's General Fund from the County's redevelopment agency totaled \$1,600,443, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. As the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. Through June 2019, the County estimates that it received approximately \$10,834,347.13 in residual funds for Fiscal Year 2018-19.

In Fiscal Years 2015-16 and 2016-17, the County received approximately \$97,337,412 and \$102,159,372, respectively, in pass-through payments pursuant to agreements with various city redevelopment agencies. The County received approximately \$107 million in Fiscal Year 2017-18 and is projected to receive approximately \$111 million in Fiscal Year 2018-19. Pursuant to ABx1 26 and its following clarifying



legislation, the County's negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency.

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

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

As part of the County's county-wide financial assessment and efficiency analysis, the County has undertaken a review of the operation of sub-funds within its accounting system. The County establishes sub-funds to track revenues and expenditures for certain designated programs administered by the County. Revenues held in sub-funds are generally restricted for the related programs. As part of such review, the County is evaluating the timing of the revenue recognition associated with programs for which sub-funds have been established. Currently, the County classifies restricted revenues as deferred inflows and recognizes the revenues when the associated expenditures are incurred, which may not be in the year in which the restricted revenues are received. A change in the recognition of the restricted revenues to the year in which the revenues are received rather than in the year in which the related expenditures are incurred would result in the acceleration of certain revenues currently held in the sub-funds. Revenues are reported in accordance with Generally Accepted Accounting Principles, and therefore there is no need to alter the current accounting practice related to the recognition of revenue held in sub-funds.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for Fiscal Year 2017-18 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2013-14 through 2017-18.

**COUNTY OF RIVERSIDE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN UNRESERVED FUND BALANCES – GENERAL FUND**  
**FISCAL YEARS 2013-14 THROUGH 2017-18**  
(In Thousands)

	2013-14	2014-15	2015-16	2016-17	2017-18
BEGINNING FUND BALANCE	\$ 357,249	\$ 364,676 <sup>(1)</sup>	\$ 395,389	\$ 371,510	\$ 348,231
<b>REVENUES</b>					
Taxes	256,746	267,708	279,945	292,674	303,836
Licenses, permits and franchises	16,588	17,829	19,100	18,400	19,142
Fines, forfeiture and penalties	81,037	77,770	73,198	67,689	64,525
Use of money and property—Interest	4,629	4,372	6,728	7,893	16,727
Use of money and property—Rents and concessions	12,269	7,758	10,491	13,391	13,552
Government Aid—State	1,107,878	1,224,095	1,238,292	1,280,127	1,328,912
Government Aid—Federal	462,291	542,934	572,267	589,905	596,949
Governmental Aid—Other	83,169	94,217	97,888	104,043	110,656
Charges for current services	396,904	431,323	465,333	460,539	481,245
Other revenues	41,248	34,851	20,069	46,355	44,273
<b>TOTAL REVENUES</b>	<b>\$2,462,759</b>	<b>\$2,702,857</b>	<b>\$2,783,311</b>	<b>\$2,881,016</b>	<b>\$2,979,817</b>
<b>EXPENDITURES</b>					
General government	\$ 106,045	\$ 109,900	\$ 113,779	\$ 133,217	\$ 130,989
Public protection	1,116,621	1,189,466	1,256,765	1,317,038	1,328,734
Public ways and facilities	-	8	-	-	-
Health and sanitation	416,005	478,047	468,272	494,771	543,976
Public assistance	795,309	865,309	918,963	920,185	916,191
Education	586	590	669	643	628
Recreation and cultural	287	317	325	354	483
Capital Outlay	2,965	54,529 <sup>(2)</sup>	11,829	64,289 <sup>(3)</sup>	6,486
Debt service	15,475	12,877	20,755	12,558	17,357
<b>TOTAL EXPENDITURES</b>	<b>\$2,453,293</b>	<b>\$2,711,043</b>	<b>\$2,791,357</b>	<b>\$2,943,055</b>	<b>\$2,944,844</b>
Excess (deficit) of revenues over (under) expenditures	9,466	(8,186)	(8,046)	(62,039)	34,973
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other reserves	\$ 95,017	\$ 87,924	\$ 114,185	\$ 113,509	\$ 108,979
Transfer to other funds	(101,021)	(103,554)	(141,847)	(139,043)	(129,087)
Capital Leases	2,965	54,529 <sup>(2)</sup>	11,829	64,289 <sup>(3)</sup>	6,486
Total other Financing Sources (Uses)	\$ (3,039)	\$ 38,899	\$ (15,833)	\$ 38,760	\$ (13,622)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 6,427</b>	<b>\$ 30,713</b>	<b>\$ (23,879)</b>	<b>\$ (23,279)</b>	<b>\$ 21,351</b>
<b>FUND BALANCE, END OF YEAR<sup>(1)</sup></b>	<b>\$ 363,676</b>	<b>\$ 395,389</b>	<b>\$ 371,510</b>	<b>\$ 348,231</b>	<b>\$ 369,582</b>

(1) Restated.

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

(3) Increases in capital outlay and capital lease expenditures in Fiscal Year 2016-17 primarily reflects costs related to a capital lease for a solar panel project.

Source: County Auditor-Controller.

The following table sets forth the County's General Fund balance sheets for Fiscal Years 2013-14 through 2017-18.

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCE SHEETS  
AT JUNE 30, 2014 THROUGH JUNE 30, 2018  
(In Thousands)**

	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
<b>ASSETS:</b>					
Cash & Marketable Securities	\$129,305	\$133,487	\$135,255	\$ 94,866	\$123,884
Taxes Receivable	9,849	9,243	9,772	9,182	9,025
Accounts Receivable	11,281	10,846	14,674	13,865	12,484
Interest Receivable	650	785	2,002	2,295	6,560
Advances to Other Funds	5,842	7,442	7,369	7,369	4,869
Due from Other Funds	11,157	11,854	9,355	9,489	11,242
Due from Other Governments	333,728	317,901	345,183	363,548	380,479
Inventories	1,682	1,638	2,006	1,981	2,360
Prepaid items	--	--	--	--	781
Restricted Assets	350,158	358,985	332,543	365,394	395,407
<b>Total Assets</b>	<b>\$853,652</b>	<b>\$852,181</b>	<b>\$858,159</b>	<b>\$ 867,989</b>	<b>\$947,091</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 61,288	\$ 24,756	\$ 28,234	\$ 29,801	\$ 38,969
Salaries & Benefits Payable	68,156	79,116	99,724	104,327	103,293
Due To Other Funds	248	2,172	3,247	865	1,551
Due to Other Governments	20,395	32,894	51,497	65,120	76,507
Deferred Revenue	65,929	48,535	50,155	--	--
Deposits Payable	61	43	52	76	35
Advances from other funds	5,000	--	--	--	--
Advances from grantors and third parties	268,899	269,276	253,740	268,007	305,318
<b>Total Liabilities</b>	<b>\$489,976</b>	<b>\$456,792</b>	<b>\$486,649</b>	<b>\$468,196</b>	<b>\$525,673</b>
<b>FUND BALANCE:</b>					
Nonspendable	\$ 2,045	\$ 2,001	\$ 2,369	\$ 2,314	\$ 3,470
Restricted	117,595	122,967	99,639	95,130	95,881
Committed	32,820	39,422	40,310	21,907	23,290
Assigned	7,772	5,144	11,870	10,989	12,464
Unassigned	203,444	225,855	217,322	217,891	234,477
<b>Fund Balance</b>	<b>\$363,676</b>	<b>\$395,389</b>	<b>\$ 371,510</b>	<b>\$ 348,231</b>	<b>\$369,582</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$853,652</b>	<b>\$852,181</b>	<b>\$ 858,159</b>	<b>\$ 867,989</b>	<b>\$947,091</b>

Source: County Auditor-Controller.

The following table sets forth the County's General Fund balances as of June 30 for Fiscal Years 2008-09 through 2017-18 based on classification.

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCES  
AT JUNE 30, 2009 THROUGH JUNE 30, 2018  
(In Thousands)**

	<i>Reserved</i>	<i>Unreserved</i>					<i>Total</i>
2009	\$ 91,196	\$280,925					\$372,121
2010	90,374	296,112					386,486
	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>		
2011 <sup>(1)</sup>	\$ 2,214	\$ 98,552	\$ 50,097	\$ 3,463	\$189,236	\$343,562	
2012	1,834	101,651	52,439	8,764	171,910	336,598	
2013	3,247	101,440	42,183	10,460	199,919	357,249	
2014	2,045	117,595	32,820	7,772	203,444	363,676	
2015	2,001	122,967	39,422	5,144	225,855	395,389	
2016	2,369	99,639	40,310	11,870	217,322	371,510	
2017	2,314	95,130	21,907	10,989	217,891	348,231	
2018	3,470	95,881	23,290	12,464	234,477	369,582	

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

Source: County Auditor-Controller.

**Short-Term Obligations of County**

On July 1, 2019, the County issued its 2019 Tax and Revenue Anticipation Note (the "2019 TRAN") in the principal amount of \$340,000,000 to provide funds to meet the County's Fiscal Year 2019-20 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2019 TRAN is due on June 30, 2020. The 2019 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2019-20 Fiscal Year which are legally available for the payment thereof. Delinquent property taxes attributable to prior Fiscal Years are included in the taxes pledged to the payment of the 2019 Teeter Notes (defined below) and are not available to pay debt service on the 2019 TRAN. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

On October 24, 2018, the County issued its \$74,190,000 2018 Series A Teeter Obligation Notes (Tax-Exempt) (the "2018 Teeter Notes") to refund the County's 2017 Series A Teeter Obligation Notes and to fund an advance of unpaid property taxes for Revenue Districts participating in the County's Teeter Plan. See "Teeter Plan" above. The 2018 Teeter Notes are due on October 24, 2019. The 2018 Teeter Notes are payable from "Pledged Taxes," generally consisting of (i) the right to collect any uncollected property taxes due to the County and other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2018 and such other fiscal years approved by the County under certain circumstances, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled under applicable law, and in each case following an allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County that are not participating in the Teeter Plan.

### **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 April 1, 2019, the County had \$777,367,018 in direct General Fund obligations and \$243,850,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt.

*[Remainder of Page Intentionally Left Blank.]*

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc., and is dated as of April 1, 2019. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The County has not independently verified its completeness or accuracy and makes no representations in connection therewith.

**COUNTY OF RIVERSIDE  
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS  
(AS OF APRIL 1, 2019)**

2018-19 Assessed Valuation: \$285,788,852,235 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/19</u>
Metropolitan Water District	6.345%	\$ 3,048,773
Community College Districts	1.212-100.	748,314,844
Unified School Districts	1.220-100.	3,007,884,082
Perris Union High School District	100.	103,008,693
Elementary School Districts	100.	136,817,197
City of Riverside	100.	9,085,000
Eastern Municipal Water District Improvement Districts	100.	31,420,000
Riverside County Flood Control, Zone 4 Benefit Assessment District	100.	14,690,000
San Geronio Memorial Hospital District	100.	108,660,000
Community Facilities Districts	50.225-100.	3,019,604,096
Riverside County 1915 Act Bonds	100.	1,130,000
City and Special District 1915 Act Bonds (Estimated)	100.	<u>170,154,709</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$7,353,817,394</b>

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

<b>Riverside County General Fund Obligations</b>	<b>100. %</b>	<b>\$777,367,018<sup>(1)</sup></b>
<b>Riverside County Pension Obligations</b>	<b>100.</b>	<b>243,850,000</b>
School Districts General Fund and Lease Tax Obligations	1.220-100.	494,197,155
City of Corona General Fund Obligations	100.	36,990,266
City of Moreno Valley General Fund Obligations	100.	65,375,000
City of Indio General Fund and Judgment Obligation Bonds	100.	52,680,000
City of Palm Springs Certificates of Participation and Pension Obligation Bonds	100.	125,450,685
City of Riverside Certificates of Participation	100.	185,780,713
City of Riverside Pension Obligation Bonds	100.	80,105,000
Other City General Fund Obligations	100.	82,445,889
Other Special District Certificates of Participation	100.	<u>9,888,481</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,154,130,207</b>
Less: <b>Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)</b>		<b><u>2,560,015</u></b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,151,570,192</b>

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$2,236,892,154

GROSS COMBINED TOTAL DEBT \$11,744,839,755

NET COMBINED TOTAL DEBT (2) \$11,742,279,740

(1) Excludes issue to be sold.

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

Ratios to 2018-19 Assessed Valuation:

Overlapping Tax and Assessment Debt .....	2.57%
<b>Combined Gross Direct Debt (\$1,021,217,018).....</b>	<b>0.36%</b>
<b>Combined Net Direct Debt (\$1,018,657,003).....</b>	<b>0.36%</b>
Gross Combined Total Debt .....	4.11%
Net Combined Total Debt.....	4.11%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$78,931,108,121):

Total Overlapping Tax Increment Debt .....	2.83%
--	-------

## **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.

The table on the following page sets forth the County's outstanding publicly offered lease obligations and the respective annual lease requirements as of June 1, 2019. In addition, as discussed below under "—Facilities Lease Agreements," the County has other substantial lease obligations payable from the General Fund.

*[Remainder of Page Intentionally Left Blank.]*

**COUNTY OF RIVERSIDE  
SUMMARY OF PUBLICLY OFFERED LEASE RENTAL OBLIGATIONS  
(PAYABLE FROM THE COUNTY'S GENERAL FUND — (AS OF JUNE 1, 2019))**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Outstanding Obligations</i>	<i>Annual Base Rental</i>
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	\$41,170,073	\$ 29,123,111	
1997 Series C	2019	3,265,000	-	
2012 Series A and B <sup>(1)</sup>	2029	90,530,000	31,135,000	\$ 20,750,400 <sup>(1)</sup>
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	1,500,000	803,500 <sup>(2)</sup>
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) <sup>(3)</sup>	2021	24,680,000	9,290,000	2,546,200
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	1,657,100	
Series 2002	2020	925,000	80,000	1,834,910 <sup>(4)</sup>
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A <sup>(5)</sup>	2032	78,895,000	65,245,000	6,485,771
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) <sup>(6)</sup>	2039	45,685,000	32,680,000	13,780,762
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	980,000	679,028
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) <sup>(7)</sup>	2031	33,360,000	24,460,000	2,503,000
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) <sup>(8)</sup>	2033	17,640,000	12,355,000	1,385,625
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg. and Riverside County Technology Solution Center Projects)	2043	66,015,000	60,470,000 <sup>(9)</sup>	4,269,363
County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A & 2014 B (Taxable) <sup>(10)</sup>	2033	18,495,000	9,110,000	2,050,498
County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds)	2045	325,000,000	314,085,000	20,858,100
County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds) <sup>(11)</sup>	2037	72,825,000	64,390,000	5,920,581
County of Riverside Infrastructure Financing Authority (2016 A & 2016 A-T Lease Revenue Refunding Bonds) <sup>(12)</sup>	2031	39,985,000	35,845,000	3,484,225
County of Riverside Infrastructure Financing Authority (2017 A Lease Revenue Refunding Bonds) <sup>(13)</sup>	2044	46,970,000	45,705,000	2,761,863
County of Riverside Infrastructure Financing Authority (2017 B & 2017 C Lease Revenue Bonds) <sup>(14)</sup>	2047	22,205,000	21,145,000	1,416,700
<b>TOTAL</b>		<u>\$966,815,073</u>	<u>\$ 759,255,211</u>	<u>\$ 91,530,525</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> Annual base rental estimated at assumed interest rate of 9.00%. The average interest rate for the twelve-month period ending July 24, 2018 was approximately 1.52%.

<sup>(3)</sup> The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

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

<sup>(5)</sup> The 2008 Series A refunded the 2000 Series B SWJC Project.

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

<sup>(7)</sup> The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

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

<sup>(9)</sup> Includes \$[ ] to be refunded with proceeds of the Series 2019A Bonds.

<sup>(10)</sup> 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).

<sup>(11)</sup> 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.

<sup>(12)</sup> 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.

<sup>(13)</sup> The County of Riverside Infrastructure Financing Authority (2017 A Lease Revenue Refunding Bonds) refunded the Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project).

<sup>(14)</sup> The County of Riverside Infrastructure Financing Authority (2017 B Lease Revenue Bonds) refunded the County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 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 was \$20 million with an option for an additional \$20 million after the initial funds were exhausted. The County started using the initial line of credit on April 8, 2016, and exhausted the funds by September 26, 2017. The County started using the additional line of credit on September 26, 2017 and exhausted the fund as of December 31, 2018.

On July 31, 2018, the County entered into a multi-year lease line of credit with Banc of America Public Capital Corporation, in the total amount of \$50 million for capital purchases. As approved by the Board of Supervisors, there will be a \$25 million initial line of credit with the option of an additional \$25 million. As of March 31, 2019, the County has drawn \$3,275,061.06 on this line of credit.

As March 31, 2019, approximately \$38,224,398 principal amount remained outstanding for repayment (approximately \$23,352,807 for department equipment purchases, and approximately \$14,871,591 for fleet vehicles).

### **Facilities Lease Agreements**

The County and Corona Medical Arts Plaza, LLC entered into a Lease dated as of September 13, 2016, as supplemented by the First Amendment to Lease (as supplemented, the "Corona Clinic Lease"), dated as of June 20, 2017, in order to fund the construction, operation and maintenance of a 45,204 square-foot medical clinic (the "Corona Care Clinic") for RUHS located in the City of Corona. Presently, the lease obligation is estimated at \$42,573,904. Pursuant to the terms of the Corona Clinic Lease, rental payments commenced upon substantial completion of construction and occupancy of the Corona Care Clinic (in the first quarter of 2018), and the County will continue to pay rental payments for approximately 15 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2018-19) is projected to be approximately \$2.6 million, escalating at 2.75% annually thereafter. While RUHS management presently expects to receive federal funding that will cover the Corona Clinic Lease payments, the County may be required to advance monies from its General Fund. Ultimately, as the Lessee and obligor under the Corona Clinic Lease, the County is responsible for lease payments thereunder.

On July 11, 2017, the County and Jurupa Valley Medical Partners, LLC entered into a Lease (the "Jurupa Valley Clinic Lease") in order to fund the proposed construction, operation and maintenance of an approximately 40,000 square-foot medical clinic for RUHS located in the City of Jurupa Valley (the "Jurupa Valley Care Clinic"). Presently, the lease obligation is estimated at \$47,575,096. Pursuant to the terms of the Jurupa Valley Clinic Lease, it was anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Jurupa Valley Care Clinic, and the County achieved substantial completion of construction on January 10, 2019. The County has commenced rental payments for the lease term and for approximately 20 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2019-20) is projected to be approximately \$2.4 million, escalating at 2% annually thereafter. While RUHS management presently expects to receive federal funding that will cover the Jurupa Valley Clinic Lease payments, the County may be required to advance monies from its General Fund. Ultimately, as the Lessee and obligor under the Jurupa Valley Clinic Lease, the County is responsible for lease payments thereunder.

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 surgery center and medical office building complex (the "Medical Office Building") next to the RUHS Medical Center. Presently, the lease obligation is estimated at \$438,469,834. The final project budget and final rent schedule were approved by the County on November 14, 2017. It is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Medical Office Building, currently

anticipated to be December 2019, and that the County will 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 (Fiscal Year 2020-21) is projected to be approximately \$13.3 million, escalating at 3% annually thereafter. While RUHS management presently expects that the Medical Office Building will attract a more favorable payor mix that will enable RUHS to make Facilities Lease Agreement payments from its operating revenues, the County may be required to advance monies from its General Fund. Ultimately, as the Tenant and obligor under the Facilities Lease Agreement, the County is responsible for Facilities Lease Agreement payments.

The County expects to enter into a Facilities Lease Agreement on August 28, 2019 with CFP Riverside, LLC, a Minnesota non-profit limited liability company, to fund the proposed construction, operation, and maintenance of the design, acquisition, construction, installation, equipping, furnishing and financing of three separate public library facilities and related amenities (the "Libraries"). The principal component of the lease obligation is \$42,115,000. It is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Libraries, currently anticipated to be on or about March 1, 2021, and that the County will continue to pay rental payments for approximately 30 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment is projected to be approximately \$2.0 million, escalating by approximately 7% after the tenth year and by approximately 20% after the twentieth year.

### **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 \$3,000,000 in lease financing for additional equipment. As of April 1, 2019, approximately \$2,000,000 principal amount remained outstanding under the original lease and \$1,000,000 principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019 and 2020, respectively. On September 22, 2015, the County entered into a subsequent Master Equipment Lease Purchase Agreement to finance the last of the required equipment in an additional amount of \$6,368,130 and which is scheduled to be repaid in full by 2022. As of April 1, 2019, approximately \$2,882,001 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 April 1, 2019, approximately \$54,258,705 principal amount remained outstanding, which is scheduled to be repaid in full by August 30, 2035.

### **Interest Rate Swap Agreements**

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use and 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, "A+" by Standard & Poor's and "AA-" by Fitch as of April 2019. 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 April 30, 2019, the swap agreement had a negative fair market value of \$16,939,828.87 (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 April 2019, Assured Guaranty Municipal Corp. had a rating of "AA" by S&P, "A2" from Moody's and "AA+" from Kroll (KBRA). 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 2009 through 2019.

### COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2009 THROUGH 2019

<i>Year</i>	<i>Regular Employees<sup>(1)</sup></i>
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	19,409
2018	19,102
2019	19,438

<sup>(1)</sup> As of December 31st of each year for years 2009 through 2018; as of April 30, 2019 for year 2019. Excludes temporary and per diem employees.

Source: County Human Resources Department.

## Labor Relations

County employees comprise 19 bargaining units, plus another 9 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 67% 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, are represented by the Riverside Sheriffs' Association ("RSA"). The RSA represents three separate units: Law Enforcement Unit "RSA LEU," Corrections Unit "RSA Corrections," and Public Safety Unit "RSA PSU." 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 2012-13, the County entered into collective bargaining agreements with most 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 and RSA expired in 2016. The County's collective bargaining agreement with RCDDAA expired in 2017. On March 26, 2019, the County's Board of Supervisors approved a two-year collective bargaining agreement with LIUNA, which took effect in April 2019.

The County is currently in negotiations with RSA PSU and RCDDAA for new labor contracts and will continue operating under the terms of the expired contracts until new contracts are in place or terms and conditions are imposed upon exhausting procedures required by law. Ongoing labor contract negotiations have been challenging, as a tentative agreement reached with RSA LEU/Corrections was subsequently rejected by the RSA LEU/Corrections membership, and SEIU implemented a 2-day strike in early September 2017 (in which the County obtained an ex parte court order to prohibit certain critical employees from striking). The primary negotiation issues relate to certain merit increases sought by such labor organizations. Other than the 2-day strike by 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 LEU/Corrections membership of the tentative agreement that had been reached with the County, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to RSA LEU/Corrections pursuant to Government Code Section 3505.7, which will govern the RSA LEU/Corrections terms and conditions of employment in place of a memorandum of understanding. On December 20, 2018, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to SEIU pursuant to Government Code Section 3505.7, which will govern the SEIU terms and conditions of employment in place of a memorandum of understanding.

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

<i>Bargaining Units or Employee Group</i>	<i>Number of Employees<sup>(2)</sup></i>	<i>Expiration Date of Contract</i>
Management, Confidential, and Other Unrepresented	1,435	N/A
Law Enforcement Management Unit (LEMU)	432	December 31, 2020
Riverside County Deputy District Attorneys' Association (RCDDAA)	375	June 30, 2017 <sup>(3)</sup>
Riverside Sheriffs' Association (RSA) LEU/Corrections	2,359	June 30, 2016 <sup>(4)</sup>
Riverside Sheriffs' Association Public Safety Unit (RSA)	578	June 30, 2016 <sup>(3)</sup>
Service Employees International Union (SEIU)	7,073	November 30, 2016 <sup>(7)</sup>
Service Employees International Union (SEIU) Per Diem Unit	346	November 30, 2019
Laborers' International Union of North America (LIUNA)	7,129	March 28, 2021 <sup>(6)</sup>
In-Home Supportive Services (IHSS)	N/A <sup>(5)</sup>	June 30, 2015 <sup>(3)</sup>
Total	19,727	

(1) Includes all County districts.

(2) As of July 17, 2019. 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 or the terms of the County's last, best and final offer are imposed.

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

(5) The IHSS Public Authority is only the employer of record within the meaning of Government Code Section 3500 et seq. (Meyers-Milias-Brown Act) which allows the home care workers to organize and engage in collective bargaining in an effort to improve wages and obtain benefits. The consumer of the services has the right to hire, train, supervise and terminate the home care workers who assist them.

(6) On March 26, 2019, the County's Board of Supervisors approved a two-year collective bargaining agreement with LIUNA, which took effect in April 2019.

(7) As described herein, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to SEIU pursuant to Government Code Section 3505.7 effective December 20, 2018. Such terms will govern the County's relations with SEIU 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<sup>(1)</sup>  
(As of April 30, 2019)**

<i>Tier Level</i>	<i>Number of Employees in Tier Level</i>
Tier 1	11,349
Tier 2	733
Tier 3	<u>7,241</u>
Total	19,323

<sup>(1)</sup> Excludes districts, 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, 2018, which are included in APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

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.

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

***The 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 July 2018 covered PERS' Fiscal Year 2016-17). 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, 2017, which was prepared in July 2018, is effective for the County's Fiscal Year 2019-20). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of the benefits that PERS will pay under the PERS Plans, which includes two components, the Normal Cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will distribute under the PERS Plans to retirees and active employees upon their retirement. 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.

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.

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 \$210 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. Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

On February 14, 2018, the PERS Board approved modifying the PERS amortization policy for investment gains/losses from 30 years to 20 years and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in the June 30, 2019 valuation and will be implemented starting with Fiscal Year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

**Contribution Rates.** In addition to required County contributions, members are also obligated to make certain payments. For the Miscellaneous Plan, Tier I members' contribution rates are fixed at 8% of salaries. The Tier II and Tier III member contribution rates for the Miscellaneous Plan are 7% and 6.5%, respectively. For the Safety Plan, the Tier I and Tier II member contribution rate is 9%, and the Tier III member contribution rate is 11.25%. Member 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"). Effective July 1, 2019, the required Safety Plan PEPPRA member contribution rate will be 11.75%.

**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, 2017, the PERS actuary recommended an employer normal cost contribution rate of 10.998% (\$135.1 million) be implemented as the required rate for Fiscal Year 2019-20, and an employer unfunded liability payment of approximately \$129.9 million, which the County anticipates will result in a contribution to PERS of approximately \$265.0 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately \$355,161 in County Offsets of Employee Contributions for Fiscal Year 2019-20, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2019-20 of approximately \$265.4 million. In the actuarial valuation for the Safety Plan as of June 30, 2017, the PERS actuary recommended an employer normal cost contribution rate of 19.853% (\$71.0 million) be implemented as the required rate for Fiscal Year 2019-20, and an employer unfunded liability payment of approximately \$62.9 million, which the County anticipates will result in a contribution to PERS of approximately \$133.9 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. The County's total PERS contribution (Miscellaneous Plan and Safety Plan) for Fiscal Year 2019-20 is projected to be approximately \$399.2 million.

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, 2017 and the total employer contributions of the County for Fiscal Year 2013-14 through Fiscal Year 2019-20. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS  
(Safety Plan)**

<i>Valuation Date June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>	<i>County Offsets of Employee Contributions<sup>(2)</sup></i>
2011	\$286,064,497	85.9%	2013-14	\$ 71,724,520	\$2,843,364
2012	225,792,281	89.2	2014-15	70,139,838	605,908
2013 <sup>(3)</sup>	509,464,128	77.7	2015-16	80,459,918	698,338
2014	517,389,969	80.2	2016-17	90,515,002	31,077
2015	705,377,373	75.2	2017-18	97,043,553	0
2016	958,272,557	69.2	2018-19	117,148,524	0
2017	966,674,937	71.2	2019-20	133,860,833	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 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.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS  
(Miscellaneous Plan)**

<i>Valuation Date June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>	<i>County Offsets of Employee Contributions<sup>(2)</sup></i>
2011	\$ 538,055,042	87.9%	2013-14	\$125,248,122	\$7,319,320
2012	536,480,531	88.6	2014-15	127,786,977	292,784
2013 <sup>(3)</sup>	1,034,364,773	79.3	2015-16	151,557,834	292,900
2014	973,226,141	82.8	2016-17	178,554,572	290,401
2015	1,399,399,333	77.3	2017-18	183,911,209	315,000
2016	2,050,567,259	70.1	2018-19	224,862,038	280,475
2017	2,115,475,543	71.6	2019-20	265,021,457	355,161

- (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 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.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A six-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)**

<b>Valuation Date June 30</b>	<b>Accrued Liability (a)</b>	<b>Actuarial Value of Assets (b)</b>	<b>Unfunded Liability (a-b)</b>	<b>Funded Status (Actuarial Value) (b/a)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Payroll ((a-b)/c)</b>	<b>Market Value of Assets (MVA)</b>	<b>Funded Ratio MVA</b>
2011	\$2,032,001,280	\$1,745,936,783	\$286,064,497	85.9%	\$273,169,605	104.7%	\$1,565,799,198	77.1%
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1
2013	2,285,586,497	1,776,122,369 <sup>(1)</sup>	509,464,128	77.7	271,367,032	187.7	1,776,122,369	77.7
2014	2,615,686,777	2,098,296,808	517,389,969	80.2	295,171,068	175.2	2,098,296,808	80.2
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 <sup>(2)</sup>
2017	3,361,565,098	2,394,890,161	966,674,937	71.2	328,400,573	294.4	2,394,890,161	71.2

<sup>(1)</sup> Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

<sup>(2)</sup> As reported by PERS, decline due to a preliminary 0.61% net return on investments for the 12-month period that ended June 30, 2016.  
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017.

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

<b>Valuation Date June 30</b>	<b>Accrued Liability (a)</b>	<b>Actuarial Value of Assets (b)</b>	<b>Unfunded Liability (a-b)</b>	<b>Funded Status (Actuarial Value) (b/a)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Payroll ((a-b)/c)</b>	<b>Market Value of Assets (MVA)</b>	<b>Funded Ratio MVA</b>
2011	\$4,461,553,672	\$3,923,498,630	\$ 538,055,042	87.9%	\$ 812,362,628	66.2%	\$3,525,640,733	79.0%
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8
2013	5,008,806,968	3,974,442,195 <sup>(1)</sup>	1,034,364,773	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 <sup>(2)</sup>
2017	7,441,270,302	5,325,794,759	2,115,475,543	71.6	1,128,397,500	187.5	5,325,794,759	71.6

<sup>(1)</sup> Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

<sup>(2)</sup> As reported by PERS, decline due to a preliminary 0.61% net return on investments for the 12-month period that ended June 30, 2016.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017.

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 2019-20 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 <sup>(1)</sup>	\$ 73,598,564
2016	2018-19	18.464	48,790,038	10.458	100,265,926
2017	2019-20	19.853	62,876,977	10.998	129,905,894

<sup>(1)</sup> 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, 2017.

**Projected County Contributions.** As described above under “—General,” in 2003 the County established the PARC, which annually prepares a report for the Board. PARC’s 2019 Annual Report projects the following contribution to PERS (including both normal cost and UAAL amortization):

**PROJECTED COUNTY CONTRIBUTIONS  
(Miscellaneous Plan)<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>County Rate</i>	<i>County Payment</i>
2019-20	23.9%	\$293,484,000
2020-21	24.0	302,701,000
2021-22	26.5	342,964,000
2022-23	28.3	376,836,000
2023-24	29.3	400,364,000

<sup>(1)</sup> Projections are based on data from a report prepared by Bartel Associates, LLC dated December 13, 2017 and include debt service on the County’s pension obligation bonds.

Source: PARC 2019 Annual Report.

**PROJECTED COUNTY CONTRIBUTIONS  
(Safety Plan)<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>County Rate</i>	<i>County Payment</i>
2019-20	39.5%	\$141,217,000
2020-21	42.6	156,077,000
2021-22	46.0	173,299,000
2022-23	48.3	186,700,000
2023-24	49.5	196,908,000

<sup>(1)</sup> Projections are based on data from a report prepared by Bartel Associates, LLC dated January 17, 2019 and include debt service on the County's pension obligation bonds.

Source: PARC 2019 Annual Report.

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 "DBPP") to employees who are designated as a part-time or temporary employee and 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 DBPP is at least 80% funded. Participants in the DBPP are required to contribute 3.75% of their eligible compensation to the DBPP in lieu of Social Security tax. Based on the actuarial valuation of June 30, 2018, the County's current required contribution level is 1.87% to maintain a funded ratio of 80%. As of June 30, 2018, the DBPP was funded at 82.5%. The County's contribution to the DBPP was \$667,952 for Fiscal Year 2015-16, \$1,341,340 for Fiscal Year 2016-17 and \$815,531 for Fiscal Year 2017-18. The DBPP's unfunded liabilities as of June 30, 2018 were approximately \$8.54 million. Overall, the DBPP's unfunded actuarial accrued liability (UAAL) decreased from the prior valuation due to the net result of the following: 1) assets were higher than expected due to favorable investment return on plan assets (9.66% actual compared to 6.0% assumed); 2) demographic experience was different than expected, which resulted in a liability loss; 3) mortality assumptions were updated to reflect the revised mortality table developed in the 2017 CalPERS Experience Study, with generational future improvement scale MP-2018, resulting in an increase in liabilities; and 4) other demographic assumptions were updated to reflect the new assumptions developed in the 2017 CalPERS Experience Study, resulting in a small increase in liabilities.

**Other Post-Employment Benefits.** The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least age 50, or age 52 if they became a PERS 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 June 30, 2018 (the "Postretirement Benefits Plan"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an investment rate of 6.73%, the present value of benefits was estimated to be \$81.2 million, the accrued actuarial liability was estimated to be \$68.3 million and the annual normal cost was \$1.43 million. According to the Health Benefits Valuation, the

County's funding contribution for Fiscal Year 2018-19 will be approximately \$2.1 million and approximately \$4.2 million in Fiscal Year 2019-20. The Health Benefits Valuation further provides that the June 30, 2018 plan liabilities and annual costs are higher than the prior valuation, primarily due to increased plan participation (i.e., retirees electing coverage) for CalPERS and RSA participants. As the past year's higher elections caused an increase in liabilities, the assumption was also increased to reflect this recent experience, resulting in an increase in liabilities exceeding \$15 million. Beyond the higher participation impact, July 1, 2018 unfunded AAL and costs are still slightly higher than expected based on a projection from the prior valuation, as a net result of the following factors: 1) census experience was different than assumed, resulting in an actuarial loss, 2) updated premiums were lower than assumed, resulting in a reduction in liabilities, 3) mortality assumptions were updated to reflect the revised mortality table developed in the 2017 CalPERS Experience Study, with generational future improvement scale MP-2018, resulting in an increase in liabilities, 4) other demographic assumptions were updated to reflect the new assumptions developed in the 2017 CalPERS Experience Study, resulting in a small increase in liabilities, 5) the liabilities, by their nature, grow each year as all participants get closer to receiving benefits and active participants accrue additional benefits, and 6) investment return on assets was slightly lower than expected, resulting in an asset loss. According to the Health Benefits Valuation, as of June 30, 2018, the County's OPEB funded ratio was 57.8%.

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.

In June 2015, GASB released Statement No. 75, which affects accounting for other post-employment benefit plans. Among other goals, GASB Statement No. 75 seeks to improve accounting and financial reporting by state and local governments for OPEB. The County adopted GASB Statement No. 75 in its audited financial statements for the fiscal year ended June 30, 2018. The changes include moving unfunded liabilities from the footnotes to the balance sheet, the potential for more volatile periodic expense and a change in the discount rate basis.

### **Riverside University Health System - Medical Center**

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 hiring of a new executive team. 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 years following the completion of Huron's engagement, RUHS experienced net operating surpluses before pension adjustments (\$54.7 million, \$35.9 million, \$9.3 million and \$11.4 million in Fiscal Years 2014-15, 2015-16, 2016-17 and 2017-18, respectively). As reported in the Third Quarter Budget Report, RUHS Medical Center is on target and projects to end Fiscal Year 2018-19 with an approximate net operating income of \$3.0 million, which is dependent on the State's new Quality Incentive Program revenue (although earned, may not be received until after the end of Fiscal Year 2018-19). Also as previously reported in the Third Quarter Budget Report, the RUHS Federally Qualified Health Center projects to end Fiscal Year 2018-19 with an approximate net operating loss of \$16.0 million, due to decade-old reimbursement rates (which are reset under limited circumstances) and rising labor, pension and operating costs that threaten financial viability.

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 period, 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 (DSRIP) 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 2017-18 represented the second 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 10% for the current fiscal year, the County cannot predict the long-term impact of the funding changes.

In Fiscal Year 2017-18, RUHS commenced construction for new medical office buildings to provide a full array of primary care and comprehensive ancillary services. The medical office buildings are schedule to open in the April 2020. RUHS is partnering with a private developer to lease the buildings over twenty-five years with an estimated annual lease payment of \$13.3 million. It is expected that, at the end of the lease, ownership of the buildings will transfer to RUHS. Additional expenses for equipping and furnishing the medical office building are estimated at \$40 million, of which \$10 million is expected to be donated. The remaining cost was financed with a lease line of credit with Banc of America Public Capital Corporation. The County expects construction of the medical office buildings to be complete in fall 2019. The County expects to contribute approximately \$7 million in Fiscal Year 2019-20 from the General Fund to RUHS to pay for debt service related to the medical office buildings.

For Fiscal Year 2018-19, 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 \$5.9 million of General Fund moneys in Fiscal Year 2018-19 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.

## **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 ("CSAC EIA"), a joint powers authority and insurance risk sharing pool consisting of 55 counties in the State, as well as other non-county public entities. 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 EIA, 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 EIA. Long-term disability income claims are fully insured by an independent carrier.

The CSA EIA property insurance program provides insurance coverage for all-risk subject to a \$50,000 per occurrence deductible; flood coverage is subject to a \$100,000 per occurrence deductible within a 100-year flood zone and a \$50,000 deductible outside of a 100-year flood zone. In order to diversify risk, property exposure amongst all members within the program are categorized into eight "Towers" based on geography and building type. The County participates in four of the eight Towers, each of which provides \$100 million in all-risk limits (including earthquake and flood limits). A \$300 million excess all risk rooftop layer sits above the Towers, providing a total of \$600 million in all-risk limits for Towers I-VIII. With respect to earthquake coverage, each of the four Towers in which the County participates has a sub-limit of \$100 million, with a \$365 million excess rooftop layer shared by all of the Towers that is triggered by the depletion of the initial limit for one or more of the Towers in a policy year. The County has \$765 million in shared earthquake coverage that covers scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract. Earthquake coverage is subject to a deductible equal to 5% of total value per unit per occurrence, subject to a \$100,000 minimum. Boiler and Machinery provides up to \$100 million in limits, subject to a \$5,000 deductible per event. Property insurance 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.

## **Litigation**

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Note or the Resolution, or contesting the County's ability to appropriate or make the repayment of the Note, or materially impacting Pledged Revenues, and an opinion of the Office of County Counsel to that effect will be furnished to the Underwriters at the time of the execution and delivery of the Note. 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 2017-18, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately \$33,200,000, of which \$3,770,000 is allocable to the County. Assuming the portion of the total possessory interest tax allocable to the County in Fiscal Year 2018-19 is similar to Fiscal Year 2017-18, the County's share of possessory interest tax collection from Agua Caliente lessees in Fiscal Year 2018-19 is estimated to be approximately \$3,900,000. 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 filed an appeal to the 9th Circuit Court of Appeal. Recently, the 9th Circuit Court of Appeal upheld the U.S. District Court's ruling in favor of the County. In a 3-0 decision, the 9th Circuit Court ruled that the possessory interest tax remains lawful citing to its previous rulings in *Agua Caliente v. County of Riverside* and *Fort Mojave Tribe v. County of San Bernardino*. All appeals periods have lapsed and the judgment in favor of the County is final.

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 and attorney's fees. The first case, *Heidi Herpel, et al. v. County of Riverside*, proceeded to trial where the County prevailed. The *Herpel* plaintiffs have filed an appeal with the 4th District Court of Appeal in California. The County has filed its response with the Court of Appeal and the parties are awaiting a briefing schedule. Regardless of the outcome, the County anticipates that the matter will be appealed to the California Supreme Court. The County anticipates that this matter will not be fully resolved until late summer of 2020.

The second case, *Leonard Albrecht et al. v. County of Riverside*, proceeded to trial in October 2018 where the County also prevailed. The County anticipates that the *Albrecht* plaintiffs will also file an appeal to the 4th District Court of Appeal. The County expects that the earliest date the Court of Appeal will hear this case is in the summer of 2020.

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

NEW ISSUE - BOOK-ENTRY ONLY

S&P:[ ]  
See "RATING" herein

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2019A Bonds is included in gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2019A Bonds is subject to State of California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.*

\$[PAR AMOUNT]\*  
County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds, Series 2019A  
(Riverside County Technology Refunding Projects)

**Dated: Date of Delivery**

**Due: As shown on the inside front cover**

**This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or terms of the above-captioned bonds. Investors are advised to read the entire Official Statement, including the section entitled "RISK FACTORS" to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.**

The County of Riverside Asset Leasing Corporation Taxable Refunding Lease Revenue Bonds, Series 2019A (Riverside County Technology Refunding Projects) (the "2019A Bonds") are being issued pursuant to First Supplemental Indenture of Trust, dated as of \_\_\_\_ 1, 2019 (the "First Supplemental Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The First Supplemental Indenture supplements the Indenture of Trust, dated as of July 1, 2013 (the "Original Indenture"), by and between the Corporation and the Trustee. The 2019A Bonds are being issued by the Corporation to (i) refund a portion of the outstanding County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) issued pursuant to the Original Indenture; and (ii) pay the cost of issuance in connection with the issuance of the 2019A Bonds, all as more fully described herein. See "SOURCES AND USES OF FUNDS."

The 2019A Bonds will be issued as fully registered bonds registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2019A Bonds. Purchases of the 2019A Bonds may be made in book-entry form only, in the denominations set forth on the inside front cover of this Official Statement through brokers and dealers who are or who act through, DTC Participants. Beneficial owners of the 2019A Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the 2019A Bonds will be made to DTC by the Trustee. Disbursements of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the beneficial owners is the responsibility of DTC Participants. See "THE 2019 BONDS—General—Book-Entry System for the 2019A Bonds" herein. Principal will be payable on the dates set forth on the inside cover of the Official Statement. Interest on the 2019A Bonds will be payable semiannually on May 1 and November 1 commencing [November 1, 2019]. Upon receipt of payments of principal or early redemption and interest, DTC will in turn remit such principal and interest to DTC Participants for subsequent disbursement to beneficial owners of the 2019A Bonds, all as more fully described herein.

The 2019A Bonds will be subject to optional and extraordinary redemption as described herein.

The 2019A Bonds will be payable and secured solely from revenues, consisting primarily of Lease Payments (defined herein) to be made by the County to the Corporation for certain real property, equipment and improvements to be constructed thereon and in connection therewith (the "Leased Premises") under a Lease Agreement, dated as of July 1, 2013, as amended by Amendment No. 1 to Ground Lease and Lease Agreement, dated as of July 1, 2018, and Amendment No. 2 to Lease Agreement, dated as of July 1, 2019 (collectively, the "Lease Agreement"), by and between the Corporation and the County. The County has covenanted in the Lease Agreement to take such action as may be necessary to include Lease Payments and Additional Rental (defined herein) payments due under the Lease Agreement in its annual budget, and to make necessary annual appropriations therefor.

THE 2019A BONDS WILL BE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE REVENUES AND AMOUNTS PLEDGED THEREFOR. NEITHER THE 2019A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.

The 2019A Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, and for the Corporation and the County by the Office of County Counsel. Kutak Rock LLP, Los Angeles, California, serves as Disclosure Counsel to the Corporation and the County in connection with the issuance of the 2019A Bonds. It is expected that the 2019A Bonds will be available for delivery through the DTC book-entry system on or about \_\_\_\_, 2019.

UBS

\* Preliminary; subject to change.

**MATURITY SCHEDULE**

**\$(PAR)\*  
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION  
TAXABLE LEASE REVENUE REFUNDING BONDS, 2019A  
(RIVERSIDE COUNTY TECHNOLOGY REFUNDING PROJECTS)**

<b>Maturity Date (November 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP No. †</b>
---------------------------------------	-----------------------------	--------------------------	--------------	--------------	--------------------

\$ \_\_\_\_\_ % Term Bond due \_\_\_\_\_ 1, 20 \_\_, Yield: \_\_\_%; Price: \_\_\_%; CUSIP No.†:

\$ \_\_\_\_\_ % Term Bond due \_\_\_\_\_ 1, 20 \_\_, 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 Global Market Intelligence. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the County, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**COUNTY OF RIVERSIDE**

County Executive Office  
4<sup>th</sup> Floor  
4080 Lemon Street  
Riverside, California 92501

**Board of Supervisors**

Kevin Jeffries, First District, Chairman  
V. Manuel Perez, Fourth District, Vice Chairman  
Karen Spiegel, Second District  
Chuck Washington, Third District  
Jeff Hewitt, 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, County Finance Officer

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION**

**Board of Directors**

Kevin Jeffries, President and Chairman  
V. Manuel Perez, Vice President  
Karen Spiegel, Member  
Chuck Washington, Member  
Jeff Hewitt, Member

**SPECIAL SERVICES**

**Bond Counsel**

Best Best & Krieger LLP  
Riverside, California

**Disclosure Counsel**

Kutak Rock LLP  
Los Angeles, California

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**Trustee**  
Wells Fargo Bank, National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the County or the Corporation to give any information or to make any representations in connection with the offer or sale of the 2019A 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 Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the 2019A 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 2019A 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 will, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation 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 2019A 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 and the Corporation. 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 AND THE CORPORATION DO 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 2019 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 2019A 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.

For purposes of compliance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Official Statement constitutes an official statement of the County and Corporation that has been deemed final by the County and the Corporation as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12. 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 2019A Bonds.



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## OFFICIAL STATEMENT

**[\$[PAR AMOUNT]]\***

**County of Riverside Asset Leasing Corporation  
Taxable Lease Revenue Refunding Bonds, Series 2019A  
(Riverside County Technology Refunding Projects)**

### INTRODUCTION

The purpose of this Official Statement, including the cover page, and the appendices attached hereto, is to provide information in connection with the offering of the County of Riverside Asset Leasing Corporation Taxable Lease Revenue Refunding Bonds, Series 2019A (Riverside County Technology Refunding Projects) (the "2019A Bonds"), in the aggregate principal amount of \$[PAR AMOUNT]. The 2019A Bonds will be issued and delivered pursuant to an First Supplemental Indenture of Trust, dated as of \_\_\_\_ 1, 2019 (the "First Supplemental Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The First Supplemental Indenture supplements the Indenture of Trust, dated as of July 1, 2013 (the "Original Indenture" and, together with the First Supplemental Indenture, the "Indenture"), by and between the Corporation and the Trustee.

All capitalized terms used but not otherwise defined in this Official Statement shall have the meanings set forth in the Lease Agreement (as hereinafter defined) or the Indenture. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

The 2019A Bonds are being issued by the Corporation to (i) refund a portion of the outstanding County of Riverside Asset Leasing Corporation Lease Revenue Bonds Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "2013A Bonds") issued pursuant to the Original Indenture; and (ii) pay the cost of issuance in connection with the issuance of the 2019A Bonds.

Upon the issuance of the 2019A Bonds, the 2019A Bonds will be payable from Revenues consisting primarily of Lease Payments to be made by the County to the Corporation pursuant to the terms of the Lease Agreement, dated as of July 1, 2013, as amended by Amendment No. 1 to Ground Lease and Lease Agreement, dated as of July 1, 2018, and Amendment No. 2 to Lease Agreement, dated as of July 1, 2019 (collectively, the "Lease Agreement"), by and between the Corporation and the County. Under the Lease Agreement, the County is required to deposit with the Trustee that portion of Lease Payments due under the Lease Agreement semiannually fifteen (15) days prior to each May 1 and November 1 during the term of the Lease Agreement (or if such day is not a Business Day, on the immediately preceding Business Day) commencing November 1, 2019. The County is also required under the Lease Agreement to pay as Additional Rental certain other costs and expenses relating to the Leased Premises and the Trustee. The County covenants in the Lease Agreement to take such actions as may be necessary to include all Lease Payments and Additional Rental due under the Lease Agreement in each of its budgets during the term of the Lease Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2019A BONDS—Lease Payment Schedule" herein.

The 2019A Bonds are being issued on parity with the 2013A Bonds with respect to the Lease Payments required to be made by the County pursuant to the Lease Agreement.

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\* Preliminary, subject to change.

Brief descriptions of the 2019A Bonds, the Leased Premises, the Continuing Disclosure Certificate, the Lease Agreement, the Ground Lease, dated as of July 1, 2013 and amended, between the County and the Corporation, pursuant to which the County leases the Leased Premises to the Corporation, the Indenture, the County and the Corporation are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, copies of which may be obtained from the Trustee.

## **THE LEASED PREMISES**

### **General**

Proceeds of the 2019A Bonds will be used by the County to refund a portion of the 2013A Bonds. Proceeds of the 2013A Bonds were used by the County for the construction and renovation of a building located at 4075 Main Street in the City of Riverside for use by the County's Law Officers of the Public Defender (the "Public Defender Building"), for the acquisition, construction and renovation of a building located at 3450 14<sup>th</sup> Street in the City of Riverside to house the County's Information and Technology Department, also known as the Riverside County Innovation Center (the "Technology Solutions Center"), and to make certain improvements to leased facilities located at 1960 Chicago Street, Suite F in the City of Riverside known as the Riverside County Collaboration Center ("RC3"). The portion of the 2013A Bonds being refunded relates to the RC3 leasehold improvements and to a small, stand-alone chapel that was acquired by the County as part of the property that included the Public Defender Building.

### **The Leased Facilities**

The Leased Facilities under the Lease Agreement consist of the Technology Solutions Center and the Public Defender Building.

*Public Defender Building.* The Public Defender Building is an approximately 54,552 square foot, eight-story office building and an approximately 45,000 square foot three-story parking structure located on an approximately 20,540 square foot parcel. The Public Defender Building was built in 1965 and has been owned by the County since 1994. The building housed the County's district attorneys' office until 2010, when the district attorneys' offices were relocated. Approximately \$20 million of the proceeds of the 2013A Bonds were used to retrofit and improve the Public Defender Building. The renovation commenced in April 2013 and was completed by November 2014. The Public Defender Building is currently valued by the County at approximately \$[ ] million. The Public Defender Building houses the County Public Defender and the Department of Probation.

*Technology Solutions Center.* The Technology Solutions Center is located on a 5.25 acre parcel and includes an approximately 139,900 square foot, five-story office building known as 3450 Fourteenth Street, Riverside, California, an approximately 7,839 square foot building known as 3478 Fourteenth Street, Riverside, California and an adjacent parking lot with spaces for 355 vehicles. Approximately \$30 million of the proceeds of the 2013A Bonds were used to purchase the Technology Solutions Center. An additional \$2 million of the proceeds of the 2013A Bonds were used to construct and improve the Technology Solutions Center. The Technology Solutions Center serves as the County's data center and offices of the County's information technology staff. The Technology Solutions Center is currently valued by the County at approximately \$[ ] million.

### **Substitution of Leased Facilities**

Pursuant to the Lease Agreement, the County may, at its option, release any portion of the Leased Facilities from the lien of the Lease Agreement and substitute other real property to serve as the Leased

Facilities. In order to effect such substitution, the County is required to provide to the Corporation and Trustee (a) an ALTA policy of title insurance insuring the County's leasehold estate under the Lease Agreement in the Leased Facilities, subject only to Permitted Encumbrances in an amount which, together with the amount of title insurance applicable to the unreleased portion of the Leased Facilities, equals at least the aggregate principal amount of the 2019A Bonds and the 2013A Bonds then outstanding, and (b) an opinion of bond counsel stating that such substitution is permitted pursuant to the Lease Agreement and does not cause interest on the 2013A Bonds to become includable in the gross income of the Bond Owners for federal income tax purposes.

### **ESTIMATED SOURCES AND USES OF 2019A BOND PROCEEDS**

Following is a table of the estimated sources and uses of funds with respect to the 2019A Bonds:

<b>Sources of Funds</b>	
Par Amount of 2019A Bonds	\$[PAR AMOUNT].00
Net Premium	.00
Total Sources	<u>\$ .00</u>
<b>Uses of Funds</b>	
Project Fund	\$.00
Reserve Account of the Bond Fund	.00
Costs of Issuance Fund <sup>(1)</sup>	<u>.00</u>
Total Uses	<u>\$ .00</u>

(1) Includes certain legal fees, financing and consulting fees, Underwriter's discount, fees of Bond Counsel, Disclosure Counsel, Underwriter's Counsel, Trustee, and the Municipal Advisor, printing costs, rating agency fees, title insurance and other miscellaneous expenses.

### **THE 2019A BONDS**

#### **General Provisions**

The 2019A Bonds will be dated their date of delivery. Interest on the 2019A Bonds will be payable from such date at the rates set forth on the inside cover page of this Official Statement.

The 2019A Bonds will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2019A Bonds will be issued in fully registered form and individual purchases will be made in book-entry form only. Principal at maturity or early redemption and interest are payable by U.S. Bank National Association, as trustee, to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such principal at maturity or early redemption and interest to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners of the 2019A Bonds, as described in APPENDIX F: "BOOK-ENTRY SYSTEM."

The 2019A Bonds will be issued in denominations of \$5,000 and any multiple integral thereof. Interest will be payable semi-annually on May 1 and November 1 commencing [November 1, 2019].

#### **Book-Entry System for 2019A Bonds**

DTC will act as securities depository for the 2019A Bonds. The 2019A Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., DTC's partnership nominee. One fully registered bond certificate will be issued for each maturity of the 2019A Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC. See APPENDIX F: "BOOK-ENTRY SYSTEM."

**Redemption Provisions of the 2019A Bonds**

***Optional Redemption of the 2019A Bonds.***

The 2019A Bonds maturing prior to November 1, 20\_\_ shall not be subject to optional redemption. The 2019A Bonds maturing on or after November 1, 20\_\_ are subject to redemption on or after November 1, 20\_\_ at the option of the Corporation, upon the direction of the County, in whole or in part, on any date at a redemption price equal to the principal amount of the 2019A Bonds to be redeemed, together with accrued but unpaid interest to the redemption date, without premium.

***Mandatory Redemption of the 2019A Bonds.***

The 2019A Bonds maturing November 1, 20\_\_, November 1, 20\_\_ and November 1, 20\_\_, respectively, are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on November 1, 20\_\_, November 1, 20\_\_ and November 1, 20\_\_, respectively, and each respective November 1 thereafter to and including the respective date of maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the 2019A Bonds maturing November 1, 20\_\_, November 1, 20\_\_ and November 1, 20\_\_ have been redeemed pursuant to an optional or mandatory redemption, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2019A Bonds so redeemed pursuant to such optional or mandatory redemption by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Corporation with the Trustee.

**2019A Bonds Maturing November 1, 20\_\_\***

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2029	\$
2030	
2031	
2032	
20__ (maturity)	

**2019A Bonds Maturing November 1, 20\_\_†**

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2034	\$
2035	

\* Preliminary, subject to change.

† Preliminary, subject to change.

2036  
2037  
20\_\_ (maturity)

**2019A Bonds Maturing November 1, 20\_\_\***

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2039	\$
2040	
2041	
2042	
20__ (final maturity)	

***Extraordinary Redemption of the 2019A Bonds.***

The 2019A Bonds shall be subject to redemption as a whole or in part on any date, from the proceeds of insurance or eminent domain required to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

***Procedure for and Notice of Redemption of 2019A Bonds.***

The Trustee shall give notice of each redemption to the Owner of any 2019A Bonds of a series designated for redemption by first-class mail, postage prepaid, at the address which appears upon the Bond Register of the Trustee by mailing a copy of the redemption notice at least 30 but not more than 60 days prior to the redemption date. The failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any 2019A Bonds or the cessation of accrual of interest from and after the redemption date.

With respect to the optional redemption of the 2019A Bonds, the Corporation may instruct the Trustee to include a statement in the notice of redemption that such redemption is conditioned upon the receipt by the Trustee on or before the date fixed for such redemption of sufficient funds for such purpose. In the event that sufficient funds shall not have been deposited with the Trustee on or before the date fixed for redemption, the Trustee shall promptly so notify the Owners of the Bonds by telephone, facsimile transmission or other form of telecommunication, promptly confirmed in writing; and thereupon such redemption and the notice thereof shall be deemed to be canceled and rescinded.

***Selection of 2019A Bonds for Redemption.***

Except for mandatory redemption as described above, whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a series, the Trustee shall select the Bonds to be redeemed from all Bonds of a series or such given portion thereof not previously called for redemption from such series, maturities, or portion of such maturities, as shall be set forth in a Written Request of the Corporation filed with the Trustee, or in the absence of such designation of maturities by the Corporation, then on a pro rata basis among maturities of a series, and in any case, by lot within a maturity in any

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\* Preliminary, subject to change.

manner which the Trustee in its sole discretion shall deem to maintain substantially level debt service; *provided, however,* that the remaining portion of any 2019A Bond of a series to be redeemed shall be in the principal amount of an Authorized Denomination.

### DEBT SERVICE REQUIREMENTS

Under the Lease Agreement, Lease Payments payable by the County to the Corporation are due and payable by the County each April 15 and October 15 commencing [October 15, 2019]. Pursuant to the Indenture, on May 1 and November 1 commencing November 1, 2019, the Trustee will apply such amounts as are necessary to make principal and interest payments with respect to the 2019A Bonds as the same shall become due and payable, as shown in the following table:

#### DEBT SERVICE SCHEDULE

Bond Year Ending November 1	2019A Bonds Principal	2019A Bonds Interest	2019A Bonds Total Principal and Interest <sup>(1)</sup>	2013A Bonds Total Principal and Interest	Total 2013A Bonds Principal and Interest and 2019A Bonds Principal and Interest
11/1/2019			\$		\$
11/1/2020		\$			
11/1/2021					
11/1/2022					
11/1/2023					
11/1/2024					
11/1/2025					
11/1/2026					
11/1/2027					
11/1/2028					
11/1/2029					
11/1/2030					
11/1/2031					
11/1/2032					
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11/1/2039					
11/1/2040					
11/1/2041					
11/1/2042					
11/1/2043					
11/1/2044					
11/1/2045					
11/1/2046					
11/1/2047					
11/1/2048					
11/1/2049		.00	.00		.00
Totals:	\$[PAR AMOUNT]		\$		\$



<sup>(1)</sup> Represents total debt service of the 2019A Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, other than the 2013A Bonds, which like the 2019A Bonds, are payable from lease payments by the County made from its General Fund.

## SECURITY AND SOURCE OF PAYMENT FOR THE 2019 BONDS

### General

The 2019A Bonds constitute special, limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured solely by all of the Revenues and any other amounts (excluding the following: (a) proceeds of the sale of the 2019A Bonds; (b) any amounts in the Costs of Issuance Fund; (c) any Additional Rent paid by the County to the Corporation pursuant to the Lease Agreement; and (d) excess earnings amounts to be rebated from Corporation to United States of America and any such amounts paid to Corporation by County for rebate to United States of America pursuant to the Indenture and the Lease Agreement) held in any fund or account established pursuant to the Indenture. **The 2019A Bonds do not constitute indebtedness of the County within the meaning of any constitutional or statutory debt limitation or restriction.**

Revenues are defined in the Indenture to mean (a) all amounts received by the Corporation or the Trustee pursuant to or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable Additional Rents; (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except for amounts required to be on deposit in the Rebate Fund); and (c) all proceeds of rental interruption insurance policies carried with respect to the Leased Premises pursuant to the Lease Agreement or in accordance with the Indenture for the 2019A Bonds.

### Lease Payments

The obligation of the County to make Lease Payments when due is a general fund obligation of the County and does not constitute a debt of the County for which the County is obligated to pledge or levy any form of taxation or for which the County has levied or pledged any form of taxation. Lease Payments will be made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Reserve Account of the Bond Fund established under the Indenture for the 2019A Bonds.

The Trustee, pursuant to the Indenture and the Lease Agreement, will receive Lease Payments for the benefit of the Owners of the 2019A Bonds. The County is required under the Lease Agreement to make semiannual Lease Payments from legally available funds, and Lease Payments are scheduled to be sufficient to pay, when due, the principal of and interest on the 2019A Bonds. The Trustee's obligation to make such payments to Owners is limited to amounts designated as principal of and interest on the 2019A Bonds. Additional Payments due from the County under the Lease Agreement include amounts sufficient to pay the fees and expenses of the Corporation and the Trustee, certain taxes and assessments, insurance premiums, and other fees and expenses set forth in the Lease Agreement. Lease Payments will be abated in the event of damage to, destruction or condemnation of the Leased Premises or any portion thereof. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Lease Agreement" herein. The County is also responsible for repair and maintenance of the Leased Premises during the term of the Lease Agreement.

The County has covenanted in the Lease Agreement to take such action as may be necessary to include the annual portion of all rental payments due under the Lease Agreement for the Leased Premises in its annual budget and to make the necessary annual appropriations therefor. The Lease Agreement states that such covenants on the part of the County shall be deemed 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 covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

So long as the County has the use and occupancy of the Leased Premises, the obligation of the County to make Lease Payments and Additional Payments and payment of all other amounts provided for in the Lease Agreement, and to perform its obligations thereunder will be absolute and unconditional and such payments will not be subject to setoff, counterclaim or recoupment, subject only to provisions in the Indenture and the Lease Agreement related to abatement.

Should the County default under the Lease Agreement, the Corporation may exercise any and all remedies available at law or in equity or granted pursuant to the Lease Agreement and may elect, without terminating the County's rights under the Lease Agreement, to continue the Lease Agreement in effect and enforce all of its rights and remedies thereunder, including the right to recover Lease Payments as they become due. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS –The Lease Agreement" herein. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee the Revenues, and confers upon the Trustee the power to collect the Revenues and appoints the Trustee as its attorney-in-fact to demand, receive and enforce payment of the Revenues. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Indenture" herein.

### **Insurance**

The Lease Agreement provides that the County will maintain rental interruption insurance throughout the term of the Lease Agreement so that in the event Lease Payments are abated due to loss of use and occupancy of the Leased Premises as a result of any of the hazards required to be covered by property insurance required by the Lease Agreement, moneys will be available in an amount sufficient to pay two years' maximum Lease Payments under the Lease Agreement.

The Lease Agreement also requires the County to maintain insurance on the Leased Premises against loss or damage to the Leased Premises or any portion thereof including loss or damage caused by fire and lightning, with extended coverage, and vandalism and malicious mischief insurance. Said extended coverage insurance, will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the County's risk manager. Such insurance may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Lease Agreement" and "RISK FACTORS—Risk of Uninsured Loss; Earthquakes" herein.

The County plans to obtain, contemporaneously with the issuance of the 2019A Bonds, an ALTA title insurance policy from First American Title Company with respect to the Leased Premises in the amount of the aggregate principal amount of the 2019A Bonds.

### **Additional Obligations**

The Corporation may issue additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part by amending the Indenture and the Lease Agreement, provided that (A) no Event of Default under the Indenture or the Lease Agreement has occurred and is continuing, (B) such additional amounts of rental do not cause the total rental payments made by the County under the

Lease Agreement to exceed the fair rental value of the Leased Premises and Facilities, as set forth in a certificate of a County Representative filed with the Trustee and the Corporation, (C) the County shall have obtained and filed with the Trustee and the Corporation a Written Certificate of an Authorized Representative of the County showing that the fair rental value of the Leased Premises and Facilities is not less than the sum of the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other capital improvements which are authorized pursuant to the laws of the State.

### **RISK FACTORS**

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the 2019A Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the 2019A Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks. Additionally, potential investors should be aware of the possibility that other considerations could materialize in the future.

#### **General Considerations – Security for the 2019A Bonds**

The 2019A Bonds are special obligations of the Corporation, payable solely from Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of Lease Payments to be made by the County under the Lease Agreement. If, for any reason, the Revenues collected under the Indenture are, for any reason, insufficient to pay debt service on the 2019A Bonds, neither the Corporation nor the County will be obligated to utilize any of their funds, other than amounts available under the Indenture, to pay debt service on the 2019A Bonds.

Neither the faith and credit nor the taxing power of the County or the State, or any political subdivision thereof, is pledged to the payment of the 2019A Bonds. The Corporation has no taxing power.

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

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease Agreement to pay the Lease Payments and Miscellaneous Rent from any source of legally available funds, and the County has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Lease Payments and Miscellaneous Rent due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such payments, subject to abatement. The County is currently liable and may become liable on other obligations payable from general revenues.

The County has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Lease Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement. The same result could occur if, because

of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. However, the County's appropriations have never exceeded the limitation on appropriations under Article XIII B of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution."

### **Abatement**

In the event of substantial interference with the County's right to use and occupy any portion of the Leased Premises by reason of damage to, or destruction or condemnation of the Leased Premises, or any defects in title to the Leased Premises, Lease Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Abatement." In the event that such portion of the Leased Premises, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Lease Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that title and casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Premises or redemption of the 2019A Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease Agreement or at the time of the abatement. If the latter, it may be that the value of the Leased Premises is substantially higher or lower than its value at the time of the issuance and delivery of the 2019A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2019A Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Leased Premises results in abatement of the Lease Payments related to such Leased Premises and if such abated Lease Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds and title insurance, if any, are insufficient to make all payments of principal and interest on the 2019A Bonds during the period that the Leased Premises is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Owners for nonpayment under such circumstances.

### **No Reserve Fund**

The Corporation has not funded a debt service reserve fund for the 2019A Bonds.

### **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Lease Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the County. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the County be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. The County is not aware of any

hazardous substances located on the Leased Premises. However, it is possible that such hazardous substances do currently or potentially exist and that the County is not aware of them.

#### **Other Financial Matters**

In the event of weakness in the economy of the State and the United States, it is possible that the general revenues of the County will decline. Such financial matters may have a detrimental impact on the County's General Fund, and, accordingly, may reduce the County's ability to make Lease Payments. See "APPENDIX A — INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

#### **Substitution or Release of Leased Premises**

The Corporation and the County may amend the Lease Agreement at any time and from time to time to substitute alternate real property for any portion of the Leased Premises or to release a portion of Leased Premises from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Leased Premises for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Substitution or Release of Leased Premises."

Although the Lease Agreement requires, among other things, that the fair rental value of the Substitute Leased Premises, have a fair rental value at least equal to the fair rental value of the Former Leased Premises, it does not require that such Substitute Leased Premises have a fair rental value equal to the fair rental value of the Leased Premises at the time of substitution. Thus, a portion of the Leased Premises could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the 2019A Bonds, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution or release.

#### **Limited Recourse on Default; No Acceleration of Lease**

Failure by the County to make Lease Payments required to be made under the Lease Agreement; failure by the County to make Miscellaneous Rent required to be made under the Lease Agreement and the continuation of such failure for a period of 30 days; failure by the County to observe and perform any other covenant, condition or agreement contained in the Lease Agreement for a period of 60 days after written notice of such failure and request that it be remedied has been given to the County by the Corporation or the Trustee (unless in the reasonable opinion of County such failure can be corrected and the County commences to cure such failure within 60 days and diligently and in good faith cures such failure in a reasonable period of time); or the filing by the County of a voluntary petition in bankruptcy or failure by the County to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of applicable federal bankruptcy law, or under any similar acts which may hereafter be enacted, constitute events of default under the Lease Agreement and permit the Corporation to pursue any and all remedies available under the Lease Agreement and pursuant to law. In the event of a default, notwithstanding anything in the Lease Agreement or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable, cause the leasehold interest of the Corporation or the subleasehold interest of the County in the Leased Premises to be sold, assigned or otherwise alienated, nor do the Corporation or the Trustee have any right to re-enter or re-let the Leased Premises except as described in the Lease Agreement.

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the County defaults on its obligation to make Lease Payments with respect to the Leased Premises, the Trustee, as assignee of the Corporation, may retain the Lease Agreement and hold the County liable for all Lease Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the County.

Alternatively, the Corporation or the Trustee may retake possession of the Leased Premises and proceed against the County to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Leased Premises or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Leased Premises so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the 2019A Bonds when due, and the Trustee is not empowered to sell the Leased Premises for the benefit of the Owners of the 2019A Bonds. Any suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on the enforcement of judgment against funds of a fiscal year other than the fiscal year in which Lease Payments were due and a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — LEASE AGREEMENT — Events of Default Defined" and " — Remedies on Default."

#### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners and the obligations of the County may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the County is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the 2019A Bonds; and (iv) the possibility of the adoption of a plan (the "Plan") for the adjustment of the County's debt without the consent of the Trustee or all of the Owners of the 2019A Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

Recent bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to municipal securities. Specifically, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds were unsecured obligations and not entitled to the same priority of payments made to the related pension system. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the 2019A Bonds in the event the County files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the 2019A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

#### **Possible Insufficiency of Insurance Proceeds**

The Lease Agreement obligates the County to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Leased Premises in the event of damage, destruction or title defects, subject to certain exceptions. The Corporation and the County make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the 2019A Bonds when due. In addition, insurance for certain risks, such as floods, are not required under the Lease Agreement, and therefore, may not be carried by the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Insurance."

#### **No Liability of Corporation to the Owners**

Except as expressly provided in the Indenture, the Corporation will not have any obligation or liability to the Owners of the 2019A Bonds with respect to the payment when due of the Lease Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

#### **Seismic Events; Force Majeure**

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

Further, the County is under no obligation under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Premises (unless, in the judgment of the County's risk manager, such coverage is available at reasonable costs from reputable insurers). There can be no assurance that earthquake insurance on the Leased Premises, if any, will be maintained by the County. If there is no earthquake insurance on the Leased Premises, but the Leased Premises are damaged in an earthquake, the Lease Payments would be subject to abatement. See "— Abatement."



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

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

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

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

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

### **Drought Conditions**

In recent years, California experienced the worst drought in its recorded history. In the event California experiences a drought again, over time, economic development within the County could reduce and adversely affect businesses located within the County, including agriculture.

### **Change in Law**

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

### **State Law Limitations on Appropriations**

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

### **Limitations on Remedies Available to Bond Owners**

The ability of the County to comply with its covenants under the Lease Agreement and the Indenture may be adversely affected by actions and events outside of the control of the County, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below. Furthermore, any remedies available to the owners of the

2019A Bonds upon the occurrence of an event of default under the Lease Agreement or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Lease Agreement and the Indenture, the rights and obligations under the 2019A Bonds, the Lease Agreement and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2019A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

#### **Secondary Market for 2019A Bonds**

There can be no guarantee that there will be a secondary market for the 2019A Bonds or, if a secondary market exists, that any 2019A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

#### **THE COUNTY**

The County was organized in 1893 from territory in San Bernardino and San Diego counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino county, on the east by the State of Arizona, on the south by San Diego and Imperial counties and on the west by Orange and San Bernardino counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,440,124 as of January 1, 2019, reflecting a 1.14% increase over January 1, 2018.

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

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

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

## **THE CORPORATION**

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

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS**

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

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

### **Article XIII B of the State Constitution**

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal

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

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

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

The County's appropriations limit for Fiscal Year 2017-18 was \$2,858,405,657 and the amount subject to the limitation was \$1,076,087,524. The County's appropriations limit for Fiscal Year 2018-19 is \$3,002,755,143 and the amount shown in its budget for that year as the appropriations subject to limitation is \$1,060,189,687.

### **Right To Vote on Taxes Initiative Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 (Article XIII C) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote.

Proposition 218 (Article XIII D) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or

library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIII C) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any county will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

The County is unaware of any assessments imposed by the County which, if challenged, would adversely affect County finances. Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

### **Proposition 62**

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* 74 Cal.App.4th 707 (1999) (the "La Habra" case). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition

62 may only be made for those taxes received within three years of the date the action is brought. No such challenge against the County is currently pending, or to the knowledge of the County, proposed.

### **Proposition 1A**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate then in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

### **Proposition 22**

Proposition 22, approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties and special districts to schools, temporarily increase a school and community college districts' share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increases in pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

### **Proposition 26**

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead

of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 provides that the local government bears the burden of proving by a preponderance of evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the government activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay debt service on the Note when due.

### **Assessment Appeals and Assessor Reductions**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals and general economic conditions, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has, in prior years, been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future.

Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

The County Assessor prepares the tax roll in each spring and summer. Owners are notified of changes in valuation by early fall and have the ability to file an appeal. The deadline for appeals in the County is November 30th. Current year appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions generally represent the bulk of adjustments to the tax roll during a time of a market decline. Cumulatively, assessed valuation in the County declined 11% since Fiscal Year 2007-08 through Fiscal Year 2014-15 due to the County Assessor's proactive reviews. Since Fiscal Year 2014-15 there have been no additional Proposition 8 reductions of significance. Assessed valuation has increased in the County in each Fiscal Year since Fiscal Year 2013-14, and is projected to increase by approximately 5% in Fiscal Year 2019-20 as compared to the prior year. See "APPENDIX A—INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

## Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 1A, 25 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

## STATE OF CALIFORNIA BUDGET INFORMATION

*The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest due on the 2019A Bonds is payable from any funds of the State.*

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2018-19, approximately 43% of the County's General Fund budget revenues consist of payments from the State and approximately 21% consists of payments from the Federal government. For Fiscal Year 2019-20, the County projects that approximately 44% of its General Fund budget revenues will consist of payments from the State and 20% will consist of payments from the Federal government.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2018-19 State Budget (as defined herein) and other documents related to the State budget may be found at the website of the State Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

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

**State Budget for Fiscal Year 2019-20.** The Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 State Budget") on January 10, 2019. On May 9, 2019, the Governor released the May Revision to the Proposed 2019-20 State Budget (the "2019-20 May Revision"). The Governor signed the 2019-20 State Budget on June 27, 2019 which sets forth a balanced budget for Fiscal Year 2019-2020 (the "2019-20 State Budget"). The 2019-20 State Budget notes several potential risks to California's economy, including the impact of a slowing global economy, projected slower economic and wage growth in the United States, and growing federal deficits constraining the federal government's options to address the economic slowdown.

The 2019-20 State Budget estimates that total resources available in Fiscal Year 2018-19 totaled approximately \$149.46 billion (including a prior year balance of approximately \$11.42 billion) and total expenditures in Fiscal Year 2018-19 totaled approximately \$142.69 billion. The 2019-20 State Budget projects total resources available for Fiscal Year 2019-20 of approximately \$150.58 billion (inclusive of



revenues and transfers of approximately \$143.80 billion and prior year balance of approximately \$6.77 billion). The 2019-20 State Budget projects expenditures totaling \$147.78 billion (inclusive of non-Proposition 98 expenditures of approximately \$91.89 billion and Proposition 98 expenditures of approximately \$55.89 billion). The 2019-20 State Budget proposes to allocate approximately \$1.38 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.41 billion of the general fund's projected fund balance to the State's Special Fund for Economic Uncertainties. In addition, the 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of \$16.52 billion.

The 2019-20 State Budget provides for, among other things, the following:

- The Governor has expressed his desire to expedite the allocation of grant funds to counties derived from the \$2 billion No Place Like Home bond measure approved by voters in November 2018. The funds are to be directed to build supportive multifamily housing projects (to serve the homeless, those who are at risk of homelessness, and the mentally ill);
- Provides an annual appropriation of \$25 million general fund revenue beginning in Fiscal Year 2019-20 to continue the Housing and Disability Advocacy Program ("HDAP"), which was established as a county match program to assist homeless, disabled veterans with applying for disability benefit programs, while also providing supportive housing and counties participating in HDAP are required to match any state funds on a dollar-to-dollar basis;
- Provides \$100 million in funding for the Whole Person Care Pilot programs that provide housing services and such funding will be used to match local county investments in health and housing services with a focus on the homeless mentally ill population;
- Under current law, the managed care organization tax will expire on August 1, 2019. The 2019-20 State Budget restores the 7 percent reduction in IHSS service hours (to be effective August 1, 2019), and the cost to restore such seven percent reduction is estimated to be \$342.3 million general fund in Fiscal Year 2019-20;
- A new county In-Home Supportive Services ("IHSS") maintenance-of-effort ("MOE") was negotiated in 2017, which reset the base for counties' share of program costs and applies an annual inflation factor to the MOE beginning in Fiscal Year 2018-2019 under specified conditions. The MOE provides fiscal relief to counties for IHSS program costs through a combination of general fund offsets and temporary redirection of 1991 Realignment growth funds from county indigent health and mental health services to fund a portion of county IHSS costs. The 2019-20 State Budget adjusts the IHSS MOE inflation factor, redirects 1991 realignment back to county indigent health and mental health services, provides \$296.7 million in 2019-20 and \$1.86 billion over the next four years and reduces counties' IHSS MOE to \$1.56 billion to create a sustainable IHSS fiscal structure for counties;
- Provides an increase of \$15.4 million in funding for IHSS county administration to reflect revised benefit rate assumptions, for a total of \$326 million general fund for IHSS county administration;
- Provides \$347.6 million general fund moneys in Fiscal Year 2019-2020 to raise CalWORKs grant levels to 50 percent of the projected 2019 federal poverty level, to be effective October 1, 2019;

- Provides \$89.6 million to provide home visiting services to an anticipated 16,000 eligible CalWORKs families in Fiscal Year 2019-2020;
- AB 85 redirection from counties of \$617.7 million in projected county indigent health savings in Fiscal Year 2019-20 to offset general fund costs in the CalWORKs program, reflecting a decrease of \$155.5 million from Fiscal Year 2018-2019 (this decrease is more than offset by additional indigent health savings (based on the latest reconciliation) of \$315 million available from Fiscal Year 2016-2017);
- Provides \$3 billion general fund supplemental pension payment to CalPERS, with a \$2.5 billion one-time payment in fiscal year 2018-19 and the remaining \$500 million to be paid over fiscal years 2020-21 through 2022-23; and
- Provides \$31.8 million general fund to backfill for wildfire-related property tax revenue losses for cities, counties and special districts.

The impact of the 2019-20 State Budget on the County's finances cannot be fully determined at this time. The most notable components of the 2019-20 State Budget affecting counties in general include, but are not limited to, the following:

- The 2019-2020 State Budget includes \$650 million in one-time funds to support local governments in addressing homelessness in the State, including providing mental health and substance use disorder treatment services, as well as emergency shelters and housing support Proposed 2019-20 State Budget proposal regarding homelessness, emergency shelters and navigations centers. The 2019-20 May Revision increases the total investment from \$500 million to \$650 million, provides \$275 million of that funding directly to counties, and expands eligible uses of funds to include innovative projects such as hotel/motel conversions, rapid rehousing or jobs programs. Combined with other targeted investments, the 2019-20 May Revision includes approximately \$1 billion to combat homelessness.
- The 2019-20 State Budget revises the county IHSS MOE and includes an increase of \$55 million from the General Fund to reflect revised 1991 Realignment revenue projections and IHSS caseload and cost projections.
- The 2019-20 State Budget temporarily restores the seven-percent across-the-board reduction to IHSS service hours through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.
- The 2019-20 State Budget provides funding to assist local communities in recovering from recent wildfire devastation and becoming more resilient to future disasters. The additional investments include, but are not limited to, updates to the property tax backfills proposed in the 2019-20 State Budget and \$75 million from the General Fund to improve resiliency of the State's critical infrastructure and to provide assistance to communities, where appropriate, as specific urgent needs are identified.
- The 2019-20 State Budget includes \$87.2 million in one-time General Fund expenditures to make additional investments to upgrade and replace voting systems and technology in all 58 counties in the State. In the 2018-19 State Budget, the State included \$134.4 million in General Fund expenditures for these efforts.

The complete Proposed 2019-20 State Budget, the 2019-20 May Revision and the final 2019-20 State Budget are available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The County does not take responsibility for the continued accuracy of this internet address or for the accuracy,

completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

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

### **TAX MATTERS**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2019A Bonds is included in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is subject to State of California personal income taxes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

### **LEGAL MATTERS**

The validity of the 2019A Bonds and certain other legal matters are subject to the approving opinion of Best Best & Krieger LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C: "FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP serves as Disclosure Counsel to the Corporation and the County in connection with the issuance of the 2019A Bonds. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. None of Bond Counsel, counsel to the Underwriter, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

### **CONTINUING DISCLOSURE**

The County has covenanted for the benefit of the owners and beneficial owners of the 2019A Bonds to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding certain enumerated events, if any such events should occur in connection with the following, to the owners of the 2019A Bonds and to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system, or any successor thereto, during the term of the 2019A Bonds. In addition, the County has covenanted to provide updated quarterly cash flow information within 60 days of the end of each fiscal quarter, beginning with the fiscal quarter ending September 30, 2019. See "APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

Within the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide timely significant event notices, most often with respect to changes in the ratings of outstanding indebtedness, and primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; (ii)

missing, incomplete or late filing of annual or quarterly reports or operating information with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County, though not directly incorporated by reference across all prior issues filed with the Municipal Securities Rulemaking Board; and in all of the cases where a notice of failure to file was required to be filed, no notice of failure to file such information was provided. The County and its related entities have reviewed their previous filings and have made corrective filings where material, including an omnibus corrective notice regarding bond insurer ratings and ratings of the County's General Fund debt.

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

The County was advised by two underwriters that they filed self-reports under the Securities and Exchange Commission's (the "SEC") Municipalities Continuing Disclosure Cooperation ("MCDC") initiative regarding incorrect statements in the County's official statements concerning the County's compliance with its continuing disclosure requirements. In addition, the County filed a self-report under MCDC with respect to statements concerning continuing disclosure compliance made in official statements for over 30 bond issues of the County and related issuers. In connection with such self-reporting, on March 3, 2017, the SEC notified the County that, as of the date of such notice, the SEC did not intend to recommend any enforcement action by the SEC against the County.

#### **ABSENCE OF LITIGATION**

No litigation is pending or threatened concerning the validity of the 2019A Bonds, the Lease Agreement or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the 2019A Bonds. Neither the County nor the Corporation is aware of any litigation pending or threatened questioning the existence of the Corporation or the County or contesting the County's ability to appropriate or make Lease Payments. See APPENDIX A: "THE COUNTY OF RIVERSIDE-Financial Information-Litigation" for a discussion of the County's pending general litigation.

#### **FINANCIAL STATEMENTS**

The County's audited financial statements with supplemental information for the year ended June 30, 2018, are included in this Official Statement as part of APPENDIX B: "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018." In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

#### **RATING**

Standard & Poor's has assigned the 2019A Bonds the rating of "[AA-]". In addition, such rating agency has issued a stable outlook for the rating. Such rating expresses only the views of the rating agency and are not a recommendation to buy, sell or hold the 2019A Bonds. There is no assurance that

such rating will continue for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely by the rating agency, if in its judgment, circumstances so warrant. The Corporation, the County, the Trustee and the Underwriter undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2019A Bonds.

### **UNDERWRITING**

The 2019A Bonds are being purchased through negotiation by UBS Financial Services Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2019A Bonds at a purchase price of \$\_\_\_\_\_ (representing the par amount of the 2019A Bonds, plus a net original issue premium of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_). The Underwriter is obligated to purchase all of the 2019A Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2019A Bonds.

The Underwriter may also offer and sell the 2019A Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

UBS Financial Services Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

### **MUNICIPAL ADVISOR**

The Corporation and the County have retained Fieldman, Rolapp and Associates, Irvine, California, as municipal advisor (the "Municipal Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the 2019A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

**EXECUTION AND DELIVERY**

The preparation and distribution of this Official Statement have been authorized by the Corporation and the County.

COUNTY OF RIVERSIDE ASSET  
LEASING CORPORATION

By: /s/  
President

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/  
County Executive Officer

**APPENDIX B**

**THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

County of Riverside Asset Leasing Corporation  
Riverside, California

Re: \$[PAR AMOUNT] County of Riverside Asset Leasing  
Corporation Lease Revenue Bonds, Series 2019A (Riverside County  
Technology Refunding Projects)

Ladies and Gentlemen:

Respectfully submitted,



**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the County of Riverside (the "County") in connection with the issuance of the \$\_\_\_\_\_ County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2019A (Riverside County Technology Refunding Projects) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2017 (the "Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The County covenants and agrees as follows:

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

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

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

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

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

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

"*Financial Obligation*" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" will not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

"*MSRB*" means the Municipal Securities Rulemaking Board and any successors or assigns, or any other entities or agencies approved under the Rule.

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

"*Repository*" means, until otherwise designated by the Commission, the Electronic Municipal Market Access website of the MSRB located at <http://emma.msrb.org>.

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

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the audited financial statements for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the Repository an Annual Report by the date required in subsection (a), the County shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent and the Trustee. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Corporation stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

Section 4. Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statement contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) A description of any occurrence which would adversely impact the County’s beneficial use and possession of the Leased Premises and other occurrence which may provide the County with the opportunity to abate in whole or in part any Lease Payment; and

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

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

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

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

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

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

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

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the Bonds but only to provide the specific information listed above.

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

#### Section 5. Reporting of Significant Events.

Pursuant to the provisions of this Section 5, the County will give, or cause to be given, notice to the Repository of the occurrence of any of the following events (the "Listed Events") with respect to the 2019A Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2019A Bonds, or other material events affecting the tax status of the 2019A Bonds;
- (vii) modifications to the rights of Owners of the 2019A Bonds, if material;

- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the 2019A Bonds, if material;
- (xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County (for purposes of the event identified in this Subsection 5(xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

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

(xv) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

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

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

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

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

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

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

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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

Dated: \_\_\_\_\_, 2019

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
County Executive Officer

**EXHIBIT A**

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

Name of Issuer: County of Riverside, California

Name of Bond Issue: \$\_\_\_\_\_ County of Riverside Asset Leasing Corporation Lease  
Revenue Bonds, Series 2019A (Riverside County Technology Refunding  
Projects)

Issuance Date: \_\_\_\_\_, 2019

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of \_\_\_\_\_, 2019, executed and delivered by the County. The County anticipates that such report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Authorized Officer



## APPENDIX F

### BOOK-ENTRY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the County believe to be reliable, but the Corporation and the County take no responsibility for the accuracy or completeness thereof. The Corporation and the County do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners (a) payments of interest, principal or premium, if any, with respect to the Bonds; (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds; or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Corporation and the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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