

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
 Fitch: “___”
 Moody’s: “___”
 See “RATINGS.”

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See “TAX MATTERS.”

\$18,000,000*

**RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
 LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
 SERIES 2012**

Dated: Date of Delivery

Due: May 1, as shown on the inside cover page

Issuance. The Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects) Series 2012 (the “Series 2012 Bonds”) are being issued in the aggregate principal amount of \$18,000,000 pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Marks-Roos Law”) and an Indenture, dated as of October 1, 2012 (the “Indenture”), by and among the Riverside County Public Financing Authority (the “Authority”), the County of Riverside (the “County”) and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the Series 2012 Bonds will be used to (i) refinance certain previously acquired, constructed and installed public improvements by refunding the outstanding Riverside County Palm Desert Financing Authority (“Desert Financing Authority”) Lease Revenue Bonds (County Facilities Projects) 2003 Series A, which were issued pursuant to the terms of an Indenture, dated as of December 1, 2003, between the Desert Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company, (ii) fund a reserve fund, and (iii) pay certain costs of issuance incurred in connection with the Series 2012 Bonds. See “THE REFINANCING PLAN.”

Payments. Principal of and interest on the Series 2012 Bonds are payable from Base Rental Payments (as defined in this Official Statement) to be made by the County pursuant to the Facility Lease, dated as of October 1, 2012 (the “Facility Lease”), by and between the Authority and the County, in consideration for the use and possession of the Leased Property (as defined in this Official Statement). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments.” The Series 2012 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2012 Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2012.

Denominations; Book-Entry Only. The Series 2012 Bonds will be initially issued in denominations of \$5,000 and any integral multiple thereof. The Series 2012 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described in this Official Statement. See “THE SERIES 2012 BONDS – General” and “APPENDIX D – Book-Entry System.”

Redemption. The Series 2012 Bonds are subject to optional, extraordinary and mandatory redemption as described in this Official Statement. See “THE SERIES 2012 BONDS – Redemption.”

Security for the Series 2012 Bonds. The Series 2012 Bonds are limited obligations of the Authority. They are payable, as to interest and principal, solely from (i) certain funds and accounts established under the Indenture and (ii) the “Revenues” (as defined in this Official Statement) derived from Base Rental Payments. Under the Facility Lease, Base Rental Payments are paid by the County, from any source of legally available funds, for the use and possession of the Leased Property as long as the County has use and possession of the Leased Property. On the occurrence of an Event of Default under the Facility Lease, the Trustee (as the Authority’s assignee) may recover rent and other monetary charges as they become due, but may not terminate the County’s right to possession of the Leased Property. All bonds issued under the Indenture are secured by the Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting disbursement of the amounts for or to the purposes and on the conditions and terms contained in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge of Revenues.”

Application Made for Bond Insurance. Application has been made to Assured Guaranty Municipal Corp. to guarantee the scheduled payment of principal of and interest on the Series 2012 Bonds covered. The Authority’s decision whether or not to obtain a policy will be made at or about the time of the pricing of the Series 2012 Bonds and will be based on, among other things,

* Preliminary, subject to change.

market conditions at that time. No assurance can be given as to whether the Authority will obtain a policy, and, if so, whether the policy will cover all or less than all the Series 2012 Bonds.

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Series 2012 Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2012 Bonds will not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2012 Bonds will be offered when, as and if executed, delivered, and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, for the County by the County Counsel, and for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Series 2012 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about October __, 2012.

[RJMK logo]

Dated: _____, 2012.

MATURITY SCHEDULE

\$18,000,000*

**RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012**

BASE CUSIP No.†: _____

\$ _____ * Serial Series 2012 Bonds

Maturity (May 1)	Principal Amount*	Interest Rate	Yield	CUSIP Suffix†
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* Preliminary, subject to change.

† CUSIP data, copyright 2012, American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriter assume no responsibility for its accuracy.

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Appendix A – INFORMATION REGARDING THE COUNTY OF RIVERSIDE

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Appendix C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Appendix D – BOOK-ENTRY SYSTEM

Appendix E – FORM OF BOND COUNSEL OPINION

Appendix F – FORM OF CONTINUING DISCLOSURE AGREEMENT

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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 Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement which involve estimates, projections, 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 information set forth herein has been obtained from sources that are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority, the County or the Underwriter. The information and expression of opinions herein are subject to change 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 Authority, the County or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority and the County for further information in connection therewith.

When used in this Official Statement or in any continuing disclosure by the County, or in any press release or oral statement made with the approval of an authorized officer of the County, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Forward-looking statements are subject to risks and uncertainties, and so actual results could differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

In connection with the offering of the Series 2012 Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of such Series 2012 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 Series 2012 Bonds to certain dealers, dealer banks, and banks acting as agents at prices lower than the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

The Series 2012 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions therein for the issuance and sale of municipal securities. The Series 2012 Bonds have not been registered or qualified under the securities laws of any state.

The County maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2012 Bonds.

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

John F. Tavaglione, Second District, Chairman
John J. Benoit, Fourth District, Vice-Chairman
Bob Buster, First District
Jeff Stone, Third District
Marion Ashley, Fifth District

THE COUNTY OF RIVERSIDE OFFICIALS

Jay Orr, County Executive Officer
George Johnson, Assistant County Executive Officer
Don Kent, Treasurer-Tax Collector
Paul Angulo, Auditor Controller
Larry Ward, Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel

SPECIAL SERVICES

Financial Advisor

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

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Verification Agent

Barthe & Wahrman, P.A.
Minneapolis, Minnesota

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

\$18,000,000*
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2012 Bonds being offered and description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution, the laws of the State of California, the Series 2012 Bonds and any documents referred to in this Official Statement do not purport to be complete, and the references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined in this Official Statement have the meanings provided in the Indenture and the Facility Lease (as defined in this Official Statement). See "APPENDIX C – Summary of Principal Legal Documents – Definitions" attached to this Official Statement.

General

This Official Statement, including the cover page, the inside cover page and the attached Appendices (this "**Official Statement**"), provides certain information concerning the issuance of \$18,000,000* aggregate principal amount of Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 (the "**Series 2012 Bonds**"). The Series 2012 Bonds are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Marks-Roos Law**") and an Indenture, dated as of October 1, 2012 (the "**Indenture**"), by and among the Riverside County Public Financing Authority (the "**Authority**"), the County of Riverside (the "**County**") and Wells Fargo Bank, National Association, as trustee (the "**Trustee**").

The proceeds of the Series 2012 Bonds will be used to:

(i) refinance certain previously acquired, constructed and installed public improvements by refunding the outstanding Riverside County Palm Desert Financing Authority ("**Desert Financing Authority**") Lease Revenue Bonds (County Facilities Projects) 2003 Series A (the "**Prior Bonds**"), which were issued in the original principal amount of \$22,310,000 and are currently outstanding in the principal amount of \$17,935,000;

(ii) fund a reserve fund; and

(iii) pay certain costs of issuance incurred in connection with the Series 2012 Bonds.

See "THE REFINANCING PLAN."

* Preliminary, subject to change.

For additional information regarding the County, see "APPENDIX A – Information Regarding the County of Riverside" and "APPENDIX B – County of Riverside Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011."

The Series 2012 Bonds

The Series 2012 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2012 Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2012 (each an "**Interest Payment Date**"). See "THE SERIES 2012 BONDS" in this Official Statement and "APPENDIX C – Summary of Principal Legal Documents" attached to this Official Statement.

The Series 2012 Bonds will be initially issued in denominations of \$5,000 and any integral multiple thereof. The Series 2012 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository of the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described in this Official Statement. See "THE SERIES 2012 BONDS – General" and "APPENDIX D – Book-Entry System."

The Series 2012 Bonds are subject to optional, extraordinary and mandatory redemption as described in this Official Statement. See "THE SERIES 2012 BONDS – Redemption."

Security and Source of Payment for the Series 2012 Bonds

The County will lease certain property described under the heading entitled "THE LEASED PROPERTY" (the "**Leased Property**") to the Authority pursuant to a Site Lease, dated as of October 1, 2012 (the "**Site Lease**"), by and between the County and the Authority. The County will sublease the Leased Property from the Authority pursuant to a Facility Lease, dated as of October 1, 2012 (the "**Facility Lease**"), by and between the County and the Authority.

Under the Facility Lease, in consideration for the use and possession of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments (the "**Base Rental Payments**") and certain other payments designated as Additional Payments with respect to the Leased Property (the "**Additional Payments**"), in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2012 Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year (an "**Operating Budget**") commencing after the date of the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Pursuant to an Assignment Agreement, dated as of October 1, 2012 (the "**Assignment Agreement**"), by and between the Trustee and the Authority, the Authority will assign to the Trustee, for the benefit of the Owners of the Series 2012 Bonds all of its right, title and interest in and to the Facility Lease, including the right to receive Base Rental Payments under the

Facility Lease. See "APPENDIX C – Summary of Principal Legal Documents – The Facility Lease" and "– The Indenture" attached to this Official Statement.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH IT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2012 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. However, during periods of abatement, any moneys in the Revenue Fund or in the Reserve Fund and amounts, if any, received from rental interruption insurance are available for payments in respect of the Series 2012 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments" and "– Abatement."

The Series 2012 Bonds are limited obligations of the Authority and are payable, as to interest and principal, solely from (i) certain funds and accounts pursuant to the Indenture and (ii) the **Revenues** (as defined in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge of Revenues"). All bonds issued under the Indenture are secured by the Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting disbursement of the amounts for or to the purposes and on the conditions and terms contained in the Indenture

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Series 2012 Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2012 Bonds will not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Additional Bonds

In addition to the Series 2012 Bonds, the County and the Authority may from time to time issue additional bonds (the "**Additional Bonds**") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2012 Bonds, payable from the Revenues on a parity with the Series 2012 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS - Additional Bonds" and "APPENDIX C – Summary of Principal Legal Documents – The Indenture – Issuance of Bonds; Application of Proceeds – Conditions for the Issuance of Additional Bonds" attached to this Official Statement.

Application Made for Bond Insurance.

Application has been made to Assured Guaranty Municipal Corp. to guarantee the scheduled payment of principal of and interest on the Series 2012 Bonds covered. The Authority's decision whether or not to obtain a policy will be made at or about the time of the pricing of the Series 2012 Bonds and will be based on, among other things, market conditions at that time. No assurance can be given as to whether the Authority will obtain a policy, and, if so, whether the policy will cover all or less than all the Series 2012 Bonds.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS."

Continuing Disclosure

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("**MSRB**") certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "**Rule**"). See "CONTINUING DISCLOSURE" for a description of the specific nature of the annual report and notices of enumerated events, a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made, and the status of the County's compliance with its previous undertakings under the Rule during the last five years.

Miscellaneous

The Series 2012 Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their legality by Bond Counsel and certain other conditions.

Copies of the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and any other agreements relating to the Series 2012 Bonds that are discussed in this Official Statement are on file and available for inspection at the corporate trust office of the Trustee at Wells Fargo Bank, National Association, 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017, Attention: Corporate Trust Department.

The information and expressions of opinion in this Official Statement speak only as of their date and are subject to change without notice. None of the delivery of, any sale made under, or any future use of this Official Statement will, under any circumstances, create any

implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE LEASED PROPERTY

Pursuant to the Facility Lease, the County will sublease from the Authority the Leased Property, which consists of the three facilities listed below.

1) Blythe County Administrative Center. The Blythe County Administrative Center was constructed in 1996 and is located at 220-290 North Broadway, Blythe, California. It is a complex of offices containing the offices of Eastern County Residents' Agricultural Commissioner, Assessor-Clerk Recorder, Board of Supervisor's Community Health Agency, District Attorney, Probation, as well as a Superior Court complex in a campus setting. [It also includes the Palo Verde Unified School District Building.] The facility's construction was financed with the proceeds of the Palm Desert Financing Authority Lease Revenue Bonds (Blythe County Administrative Center) Series 1996, which were refinanced with a portion of the proceeds of the Prior Bonds.

The Blythe County Administrative Center has an estimated useful life of 50 years and an insured value (including land and facilities), as of September 17, 2012, of \$_____.

2) Coachella Valley Animal Campus. The Coachella Valley Animal Campus was constructed in 2004 and is located in Eastern Riverside County in the unincorporated area of Thousand Palms, at 72050 Pet Land Place. It is a full-service animal facility. The County provides contract animal shelter and related services to seven desert cities, including Palm desert, Coachella, Desert Hot Springs, Cathedral City, Rancho Mirage, Indian Wells and La Quinta, as well as neighboring County unincorporated areas. The facility's construction was financed with the proceeds of the Prior Bonds.

The Coachella Valley Animal Campus has an estimated useful life of 50 years and an insured value (including land and facilities), as of September 17, 2012, of \$_____.

3) Mecca Family Service Center and Community Health Clinic. The Mecca Family Service Center and Community Health Clinic was built in 2005 and is located at the southeast corner of Date Palm and Avenue 66 in the community of Mecca in the County. The approximately 20,000 square foot facility provides primary care medicine and a dental clinic in a social services setting located in an agricultural area of Eastern Riverside County. Its construction was financed with the proceeds of the Prior Bonds.

The Mecca Social Service Center and Medical Clinic has an estimated useful life of 50 years and an insured value (including land and facilities), as of September 17, 2012, of \$_____.

The County has maintained beneficial use of each of these facilities since its construction was completed.

THE REFINANCING PLAN

The County will deliver a portion of the proceeds of the Series 2012 Bonds to Wells Fargo Bank, National Association, as escrow agent (the "**Escrow Agent**"), for deposit into an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), by and between the County and the Escrow Agent, as described below.

The Prior Bonds are currently outstanding in the aggregate principal amount of \$17,935,000.

On the date that the Series 2012 Bonds are issued (the "**Closing Date**"), the County will cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, derived from proceeds of the Series 2012 Bonds. The Escrow Agent will invest a portion of the amounts deposited in the Escrow Fund in certain securities and investments consisting of United States Treasury Securities ("**Investment Securities**"), maturing prior to _____, 2012. Under the Escrow Agreement, the County will irrevocably elect to redeem the Prior Bonds on _____, 2012.

The redemption price will be equal to 101% of the principal amount of the Prior Bonds, together with interest accrued to the redemption date. Amounts held in the Escrow Fund will be used to pay accrued interest on the Prior Bonds and the redemption price of the Prior Bonds on _____, 2012. On the Closing Date, as a result of the deposit of funds in the Escrow Fund as described above, the Prior Bonds will be defeased, and all liability of the County with respect to the Prior Bonds will be discharged.

Following the payment and redemption in full of the Prior Bonds, the Escrow Agent will transfer any amounts remaining on deposit in the Escrow Fund to the County after payment of any fees, costs and indemnities payable to the Escrow Agent.

Sufficiency of the deposits in each Escrow Fund for the purposes of the related Escrow Agreement will be verified by Barthe & Wahrman, P.A. (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

The amounts held and invested by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Prior Bonds. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service on the Series 2012 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2012 Bonds are expected to be applied approximately as follows:

Sources:

- Principal Amount of Series 2012 Bonds
- Net Original Issue Premium/Discount
- Funds Relating to Prior Bonds
- Total Sources

Uses:

- Escrow Fund
- Reserve Fund
- Cost of Issuance⁽¹⁾
- Total Uses

⁽¹⁾ Includes underwriter's discount, rating agencies fees, financial advisor fees, title insurance fees, legal fees, trustee fees, escrow agent fees, and printing costs and certain miscellaneous expenses.

THE SERIES 2012 BONDS

The following is a summary of certain provisions of the Series 2012 Bonds. Reference is made to the Series 2012 Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion in this Official Statement is qualified by such reference. See "APPENDIX C – Summary of Principal Legal Documents" attached to this Official Statement.

General

The Series 2012 Bonds will be initially issued in denominations of \$5,000 and any integral multiple thereof. The Series 2012 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described in this Official Statement. See "THE SERIES 2012 BONDS – General" and "APPENDIX D –Book-Entry System."

The Series 2012 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2012 Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2012 and will be computed on the basis of a 360 day year comprised of twelve 30-day months. See "APPENDIX C – Summary of Principal Legal Documents" attached to this Official Statement.

The debt service on the Series 2012 Bonds will be paid from Base Rental Payments described under the caption "Security and Source of Payment for the Series 2012 Bonds" below.

Redemption

Optional Redemption. The Series 2012 Bonds maturing prior to May 1, 20__ are not subject to optional redemption. The Series 2012 Bonds maturing on or after May 1, 20__, are subject to optional redemption prior to maturity on or after May 1, 20__, at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2012 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Mandatory Redemption. The Series 2012 Bonds maturing on May 1, 20__, are subject to mandatory redemption prior to maturity, in part, from Mandatory Sinking Account Payments on May 1 of each year set forth below, commencing on May 1, 20__, at a redemption price equal to the principal amount of such Series 2012 Bonds to be redeemed, plus accrued interest thereon to the redemption date, in the principal amounts and on the redemption dates set forth below, without premium:

Sinking Fund Redemption Date (May 1)	Principal Amount to be <u>Redeemed</u>
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Extraordinary Redemption. The Series 2012 Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2012 Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. So long as DTC is acting as securities depository for the Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Bonds designated for redemption) and to the Municipal Securities Rulemaking Board, at least 30 days but not more than 60 days prior to the redemption date. Such notice of redemption will state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date thereon, and that from and after such date interest will cease to accrue and be payable. A notice of redemption may provide (a) that the redemption is conditioned upon the occurrence of one or more events specified in the notice and (b) that such notice may be revoked, without any cause, at any time prior to the redemption date. The actual receipt by the Owner or any of DTC or the information services specified in the Indenture of any notice of such redemption will not be a condition precedent to redemption, and neither failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption. No Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Owner failed to actually receive such notice of call and redemption.

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

Partial Redemption of Bonds. Upon surrender of any Series 2012 Bond redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Series 2012 Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as described in accordance with the Indenture and moneys for the payment of the redemption price of the Series 2012 Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Series 2012 Bonds so called for redemption will become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Series 2012 Bonds so called for redemption will cease to accrue, such Series 2012 Bonds will cease to be entitled to any benefit or security under the Indenture and the Owners and Beneficial Owners of such Series 2012 Bonds will have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee will, upon surrender for payment of any of the Series 2012 Bonds to be redeemed, pay such Series 2012 Bonds at the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Pledge of Revenues

Pursuant to the Indenture, the County has irrevocably pledged and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to (i) all amounts on deposit from time to time in the funds and accounts established pursuant to the Indenture (other than the Rebate Fund) and (ii) the Revenues, which will be used for the punctual payment of the interest and principal of the Bonds. The Revenues will not be used for any other purpose while any of the Bonds remain Outstanding. The pledge will constitute a first and exclusive lien on the funds established under the Indenture.

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

All Revenues will be paid directly by the County to the Trustee. If any Revenues are received by the Authority at any time, the Authority will deposit them with the Trustee within one Business Day after the receipt thereof. All Revenues and the proceeds of rental interruption insurance will be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein will be held in trust by the Trustee.

The Series 2012 Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described in this Official Statement) derived from Base Rental

Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property. All Bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture, subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Base Rental Payments

General. Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make Base Rental Payments and Additional Payments with respect to the Leased Property, in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2012 Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County is required under the Facility Lease to make Base Rental Payments from legally available funds, subject to the provisions thereof related to abatement (see “– Abatement” below). Also, the County is required under the Facility Lease to pay the interest components of the Base Rental Payments (constituting interest paid on the principal components of the Base Rental Payments). The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its Operating Budget and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

The County may enter into other obligations that constitute additional charges against revenues. This is described in more detail under “RISK FACTORS – Additional Obligations of the County.”

The obligation of the County to make Base Rental Payments and pay additional rent does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012 Bonds nor the obligation to make Base Rental Payments and pay additional rent constitutes indebtedness of the County, the State of California or any of their respective political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Trustee, pursuant to the Indenture, will receive Base Rental Payments for the benefit of the Owners. Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners or Beneficial Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease, the Site Lease or the Indenture. Additional Payments payable by the County under the Facility Lease include, among others, amounts sufficient to pay certain taxes and assessments and insurance premiums, and certain administrative costs.

The Base Rental Payments under the Facility Lease are absolutely net to the Authority so that the Facility Lease will yield to the Authority the Base Rental Payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease.

The Facility Lease provides that the agreements and covenants it contains on the part of the County will be deemed and construed to be duties imposed by law, and it will be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants required of it under the Facility Lease.

However, see “RISK FACTORS – Limitations on Remedies.”

Base Rental Payments Schedules. The Facility Lease requires that all Base Rental Payments are to be paid on the 15th day of the month preceding each Interest Payment Date.

A table of annual debt service payments for the Series 2012 Bonds is set forth below.

Annual Debt Service Payments

Payment Date (Year Ending)	Series 2012 Bonds		
	Principal	Interest	Base Rental Payments
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			

Reserve Fund

The Reserve Fund will be held by the Trustee as a separate fund. The Reserve Fund must be funded in the amount of the Reserve Fund Requirement and used and withdrawn by the Trustee solely for the purpose of funding the Interest Fund or the Principal Fund, in that order, in the event of any deficiency in either of such accounts on a Principal Payment Date or Interest Payment Date. Monies on deposit in the Reserve Fund will be withdrawn and transferred by the Trustee to be applied for the final payment on the Bonds.

“Reserve Fund Requirement,” as defined in the Indenture, means with respect to all Outstanding Bonds an amount equal to the lesser of (i) the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of average annual debt service attributable to the Outstanding Bonds; provided however, that the Reserve Fund Requirement with respect to any Series of Bonds will be the least of (i) or (ii) above, or an amount equal to, or derived by the addition of, 10% of the proceeds from the sale of such Series of Bonds to the Reserve Fund.

The County will initially fund the Reserve Fund with proceeds of the Series 2012 Bonds in the amount of \$_____.

For purposes of determining the amount on deposit in the Reserve Fund, all investments therein will be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund will mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

If investments in the Reserve Fund are sold or otherwise disposed prior to their maturity, the amount realized from such disposition may be less than the principal amount of such investments at maturity. The County has no obligation to deposit additional amounts in the Reserve Fund in the event of a deficiency resulting from such a disposition. However, the Indenture provides that if at any time the balance in the Reserve Fund will be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used to increase the balance in the Reserve Fund to the Reserve Fund Requirement.

At the option of the County, one or more reserve fund credit facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such reserve fund credit facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement.

Insurance

The Facility Lease provides that the County will secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. The insurance includes "all risk" insurance against loss or damage to the Leased Property, including flood, but excluding earthquake, which will be maintained at any time in an amount per occurrence at least equal to the lesser of:

- (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations will have been issued ("**Obligations**"); or

- (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease.

The insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss (except for flood, in which case the deductible may not exceed \$250,000 for any one loss).

Pursuant to the Facility Lease, the County may obtain the insurance coverage as a joint insured with one or more other public agencies located within or without the County of Riverside, which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first paragraph under the current heading and which may be limited in a

cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than \$500,000,000 (collectively, "**Pooled Public Agencies Insurance**").

The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through stand-alone insurance policies and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damage to the properties covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein, and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee might be unable to make a claim under the insurance policy for the loss or damage. There may also not otherwise be any other insurance covering the loss or damage to the Leased Property.

The Facility Lease provides that the County will also obtain rental interruption insurance with respect to the Leased Property an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the Pooled Public Agencies Insurance. See "APPENDIX C – Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached to this Official Statement.

The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments will be abated only by an amount equal to the difference. Any abatement of rental payments will not be considered an Event of Default under the Facility Lease. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

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

Substitution or Removal

Subject to certain conditions (described below), the County may amend the Facility Lease and the Site Lease to substitute other real property or improvements (a "**Substituted Property**") for the then-existing Leased Property, or remove real property (including undivided interests therein) or improvements from the real property description of the Leased Property contained in the Facility Lease and the Site Lease.

Any substitution or removal is conditioned on the County's first delivering the following to the Authority and the Trustee

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

(ii) a Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

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

(iv) (A) in the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, ensuring the County's leasehold interest in the Substituted Property (except any portion of that property that is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2012 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

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

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

(vii) Evidence that the County has complied with the covenants regarding insurance with for the Substituted Property contained in the Facility Lease.

After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected will be released from the leasehold under the Facility Lease and the Site Lease. See "APPENDIX C – Summary of Principal Legal Documents – The Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached to this Official Statement.

See also "RISK FACTORS – Limitations on Remedies."

No Acceleration

There is no remedy of acceleration in payments under the Facility Lease, which provides that, on the occurrence of an Event of Default under the Facility Lease, the Trustee (as the Authority's assignee) must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due. **This is the sole and exclusive remedy available against the County under the Facility Lease or otherwise in the event of a default under the Facility Lease.** The Trustee may not terminate the County's right to possession of the Leased Property, regardless of whether the County has abandoned the Leased Property. Because of this, in the event of a bankruptcy by the County, the Trustee will have limited ability to compel any payment of Base Rental Payments. See "RISK FACTORS – Limitations on Remedies."

In the event that Event of Default occurs under the Facility Lease, the County will remain liable and will keep or perform all covenants and conditions required of it under the Facility Lease. It will also pay any rent owed punctually, and in the required manner, through the end of the term of the Facility Lease.

Additional Bonds

In addition to the Series 2012 Bonds, the County and the Authority may from time to time issue additional bonds (the "**Additional Bonds**") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2012 Bonds, payable from the Revenues on a parity with the Series 2012 Bonds, the proceeds of which Additional Bonds may be used for any lawful purpose by the County, as provided in the Supplemental Indenture, but only subject to the certain specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds, including, amendment of the Facility Lease so that the Base Rental Payments payable by the County thereunder in each Fiscal Year will be at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment will be made such that Base Rental Payments, including any such amendment, in any year will be in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

The Indenture also requires in connection with the issuance of Additional Bonds the delivery of a certificate as to the annual fair rental value of the Leased Property, which certificate may assume the timely construction and completion of any additional project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee, all as set forth in the Indenture. See "APPENDIX C – Summary of Principal Legal Documents – The Indenture – Issuance of Bonds;

Application of Proceeds – Conditions for the Issuance of Additional Bonds” attached to this Official Statement.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of March 20, 1990 and as subsequently amended, by and between the County and the County of Riverside Economic Development Agency, as successor agency to the Redevelopment Agency for the County of Riverside, pursuant to Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created for the purpose, among other things, of providing financing for public capital improvements of the County and other local agencies. The Board of Supervisors of the County (the “**Board**”) serves as the board of directors of the Authority.

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 2,227,577 as of January 1, 2012, reflecting a 1% increase over January 1, 2011.

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, elected by district to serve staggered four year terms. The Chair of the Board is elected annually by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees, which assist the Board of Supervisors.

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

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

See “APPENDIX A — Information Regarding the County of Riverside” for a more detailed description of the County.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES 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 "situs." 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 of California (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 the fiscal year 2011-12 was \$2,139,732,138 and the amount shown in its budget for that year as the appropriations subject to limitation was \$900,975,704. The County's appropriations limit for fiscal year 2012-13 is \$2,246,378,720 and the amount subject to the limitation is \$1,119,274,762.

Article XIII C and Article XIII D of the State Constitution

Articles XIII C and XIII D of the California Constitution were added in 1996. 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 require a two-thirds vote. In addition, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve 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.

Article XIII D imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D limits "fees" and "charges," defined to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must be for a service actually used by, or immediately available to, the owner of the property in question, or (iv) must not be 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. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not

impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

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, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) 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.* ("**La Habra**"). 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.

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 XIIC and XIID 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. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. Proposition 218 (Article XIIC) 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. Further, any general purpose tax which a County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

Proposition 218 (Article XIID) 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 XIID, 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 XIIC) 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.

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 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 currently 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. See "APPENDIX A — Information Regarding the County of Riverside— Impacts of State Budget."

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 amended the state Constitution to eliminate or reduce the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues. Notwithstanding the passage of Proposition 22, the State successfully dissolved redevelopment agencies. See the discussion of the impact on the City of the redevelopment agency dissolution in APPENDIX A.

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, 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 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. In fiscal year 2011-12 the secured property tax roll declined by 1.5% from the prior year. The County expects assessed valuation to decline by approximately 2.5% in fiscal year 2012-13, primarily as a result of declining commercial property values which were not subject to unilateral reductions by the County Assessor under Proposition 8.

See "APPENDIX A — Information Regarding the County of Riverside."

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 the 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 will represent the bulk of adjustments to the tax roll during a time of a market decline. For fiscal year 2011-12, over 414,000 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the roll in the summer. 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 and 1A 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 that 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 with respect to the Series 2012 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 2011-12, approximately

39% of the County's General Fund budget revenues consist of payments from the State and 21% consists of payments from the Federal government. For fiscal year 2012-13, the County projects that approximately 42.1% of its General Fund budget revenues will consist of payments from the State and 20.7% will consist of payments from the federal government.

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The severe economic downturn and slow recovery resulted in General Fund revenues in fiscal year 2010-11 (\$93.2 billion) that are 9.2% lower from their peak in fiscal year 2007-08 (\$102.6 billion). Since the beginning of 2010, the nation and California have been gradually recovering from what has been characterized as the worst recession since the Great Depression. Recent national economic output has grown as has personal income in both the State and the nation, and job growth has similarly. However, because of the magnitude of the economic displacement resulting from the recession, California continues to face significant financial challenges. To the extent the State is constrained by constitutional or statutory spending limits, or by other fiscal considerations, State assistance to local governments may be reduced. Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. In 2009, the California legislature enacted legislation allowing the State to delay scheduled payments to local governments in fiscal year 2010-11, until May 2011. In prior years, the State's cash management problems caused it to refrain from making some payments or issuing "IOUs" so that the State's "priority payments," such as debt service and payroll, could be made as scheduled. The State's budgetary decisions during the recent economic downturn have had, and will continue to have, a significant financial and programmatic impact on counties, cities and other local jurisdictions. For a discussion of the County's budget and finances, see "APPENDIX A – INFORMATION REGARDING THE COUNTY OF RIVERSIDE — Financial Information."

The following information concerning the State's budgets has been obtained from publicly available information that the County believes to be reliable; however, the County neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters 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."

State Budget for Fiscal Year 2011-12. On June 30, 2011, the State's budget for fiscal year 2011-12 (the "2011 Budget Act") was enacted. The 2011 Budget projects State General Fund revenues and transfers for fiscal year 2011-12 at \$88.5 billion, a reduction of \$6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at \$85.9 billion – a reduction of \$5.5 billion compared to the prior year.

In approving the 2011 Budget Act, Governor Jerry Brown exercised his line-item veto power to reduce General Fund expenditures, mostly in the Judicial Branch, which included a reduction of \$22.9 million related to parole revocation workload. The 2011 Budget Act also includes special fund expenditures of \$34.2 billion and bond fund expenditures of \$9.4 billion. The estimated General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately \$7.1 billion in fiscal year 2010-11) and the transfer of about one percent of the State sales tax rate to local governments to fund the realignment described further below. See “– Realignment of Certain Services to Local Governments” below. Offsetting these reductions were improved revenue estimates for the remaining state tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus funding provided for under the American Recovery and Reinvestment Act of 2009 (“ARRA”), which supported about \$4.2 billion of State General Fund programs in fiscal year 2010-11.

The 2011 Budget Act closed a projected budget gap of \$26.6 billion over fiscal years 2010-11 and 2011-12, and projected a \$543 million reserve by June 30, 2012, for a total of \$27.2 billion in solutions (including a combination of expenditure reductions, additional revenues, and other solutions) and improved revenue results for the State’s tax base.

The 2011 Budget Act includes, but is not limited to, the following major expenditure reductions and other significant solutions targeted towards solving the State General Fund budget gap:

- (a) Reduction in Medi-Cal health benefits & spending by \$2.0 billion;
- (b) Reduction in the State’s support of the University of California and California State University by \$1.4 billion; and
- (c) Reduction in California Work Opportunity and Responsibility to Kids Program (“**CalWORKs**”) grants by \$837 million.

Redevelopment Agencies. Legislation enacted as part of the 2011 Budget Act, upheld by the California Supreme Court, has resulted in the formal dissolution of redevelopment agencies effective February 1, 2012. The statute redirects the property tax increment that would have been received by the dissolved redevelopment agencies, after payment of redevelopment debt obligations and “pass through” payments to local agencies that they would have received under the prior law, be paid to local agencies and school and community college districts and special districts according to their base property tax allocations. For a discussion of the potential impact on the County of the dissolution of redevelopment agencies, see “APPENDIX A – “INFORMATION REGARDING THE COUNTY OF RIVERSIDE — Financial Information – Redevelopment Agencies.”

Realignment of Certain Services to Local Governments. As part of the 2011 Budget Act, the California Legislature enacted a major shift, or “realignment,” of certain State program responsibilities and related revenues to local governments (“**Realignment**”). In total, Realignment provides \$6.3 billion to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs in fiscal year 2011-12. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate (\$5.1 billion); 2) the redirection of \$763 million of the revenue generated by Proposition 63 (the “millionaire tax” which supports mental health programs statewide); and 3) the redirection of a portion of vehicle license fee revenues (\$463.0 million).

Realignment is best understood as comprising two distinct components: Health and Human Services and Public Safety. With respect to the former, the State has 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 has resulted from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on a host of new responsibilities related to released inmates, newly convicted offenders, and parole violators. The County has received a \$22 million appropriation from the State to address the needs of the realigned criminal justice population. In the current fiscal year, the County anticipates that this funding will be sufficient to support its achievement of the complementary goals of increasing public safety and reducing recidivism.

Events Subsequent to Adoption of the 2011 Budget Act. The 2011 Budget Act recognized the potential risk to the State's fiscal condition if certain forecasted revenues did not materialize and included a "trigger mechanism" to provide automatic expenditure reductions if the projections of fiscal year 2011-12 revenues, as updated in November and December of 2011 by the State's Legislative Analyst Office and the State's Department of Finance, respectively, were more than \$1 billion less than projected under the 2011 Budget Act.

On December 13, 2011, the Department of Finance estimated that State revenues for fiscal year 2011-12 would not meet, and would be \$2.2 billion less than, earlier revenue projections. If projected revenues fell short of expectations by more than \$1 billion, the Legislature had established the specific spending reductions (up to a maximum of approximately \$1.5 billion in reductions) that should occur determined by the amount of the projected revenue shortfall. As part of its December forecast and based on its forecast that revenue would be \$2.2 billion less than projected, the Department of Finance decreased expenditures by \$980,831,000. These reductions, effective January 1, 2012, included:

- (a) \$248 million from the Home-to-School Transportation program;
- (b) \$102 million from California community college apportionments;
- (c) \$100 million from the Department of Developmental Services;
- (d) \$100 million from the University of California; and
- (e) \$100 million from the California State University.

The County did not experience a material impact on its receipt of revenues from the State as a result of these "trigger" reductions.

State Budget for Fiscal Year 2012-13. In June 2012, the State budget for fiscal year 2012-13 (the "**2012 Budget Act**") was enacted. The 2012 Budget Act recognized a budget gap of \$15.7 billion, comprised of a 2011-12 estimated deficit of \$6.9 billion and a 2012-13 projected deficit, absent corrective actions, of \$8.8 billion. The 2012 Budget Act includes a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the 2012 Budget Act includes \$8.1 billion in expenditure reductions, \$6.0 billion in additional revenues and \$2.5 billion in other budget solutions. The 2012 Budget Act proposes that voters approve, at the November 2012 election, an increase in personal income tax on the State's wealthiest individuals for seven years and an increase in sales tax of one-quarter percent for four years. The 2012 Budget Act includes a "backup plan" if the ballot measure is not approved by the voters, which entails \$5.9 billion in further cuts including further impacts on education and public safety.

Features of the 2012 Budget Act affecting counties in general include the following:

(a) A permanent funding structure for the general realignment adopted in the 2011 Budget Act would be implemented, designed to provide local entities with a known and stable funding source for re-aligned programs. Counties would be responsible for drawing down the maximum amount of federal funding the re-aligned programs and, where applicable, meeting associated federal requirements.

(b) Reductions in expenditures at the State level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of \$469.1 million in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

In the event the State reduces funding for State-funded County programs, the County does not expect to backfill such reductions from other sources unless otherwise required by law, thereby resulting in corresponding reductions in County services.

LAO's Overview of Fiscal Year 2012-13. The Legislative Analyst's Office Overview of the Governor's Budget was released on January 11, 2012, and its overview of the May Revision was released on May 18, 2012 and further supplemented on August 10, 2012 (collectively, the "**Budget Overview**"). The Budget Overview projects lower revenues than are estimated by the 2012 Budget Act, but acknowledges that the adoption of the budgetary actions included in the 2012 Budget Act would move the State closer to a balanced budget over the next few years.

The Budget Overview credits the Governor for the proposed restructuring of the K-12 finance system, the community college categorical funding model and the education mandate system. The Legislative Analyst's Office looks favorably on these proposals, stating that the restructuring would overcome the main longstanding fundamental shortcomings of education funding and would institute lasting improvements. Likewise, the Budget Overview agrees with the 2012 Budget Act that now is not the time to initiate major new programs or authorize program expansions, such as the transitional kindergarten program and Cal Grant expansions scheduled to commence in 2012-13.

However, the Budget Overview highlighted several concerns with respect to the proposed budget that were not addressed by the 2012 Budget Act, including the uncertainty caused by increased dependency on income tax payments by the State's wealthiest individuals and the uncertainty caused by the timing of the election. Also, the Budget Overview recommends that the Legislature should carefully consider the Governor's proposed reductions in CalWORKs and child care, as well as whether specific proposed trigger plans are workable.

The Budget Overview also finds that the administration's estimate of liquid assets and property taxes available for distribution from former redevelopment agencies, and the timing of such distributions, is subject to considerable uncertainty, which may cause the State's budget deficit to be greater than estimated by the administration.

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.

RISK FACTORS

The following factors, along with all other information in this Official Statement, including, without limitation, APPENDIX A, should be considered by potential investors in evaluating the Series 2012 Bonds.

Not a Pledge of Taxes

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

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Facility Lease that, for as long as the Leased Property are available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments. See "Appendix A – Information Regarding the County of Riverside" for a description of other obligations of the County.

Additional Obligations of the County

The County may enter into other obligations that constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. See "APPENDIX A – Information Regarding the County of Riverside" for a description of other obligations of the County and, in particular, "– Retirement Program" regarding the County's unfunded accrued actuarial liability for its retirement program.

The Base Rental Payments and other payments due under the Facility Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the County. In the event that the amounts that the County is obligated to pay in a

fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. 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.

Limitations on Remedies

Limited Remedies on Default; No Right of Relet. On the occurrence of an Event of Default under the Facility Lease, the Trustee (as assignee of the Authority) must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due. **This is the sole and exclusive remedy available against the County under the Facility Lease or otherwise in the event of a default under the Facility Lease.** The Trustee may not terminate the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property. The County will remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay such rent or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent thereunder (without acceleration). The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Substitution or Removal of Property Could Adversely Affect Series 2012 Bonds. Subject to certain conditions, the County may amend the Facility Lease and the Site Lease to substitute Substituted Property for the then-existing Leased Property or remove real property (including undivided interests therein) or improvements from the real property description of the Leased Property contained in the Facility Lease and the Site Lease. See "SECURITY AND SOURCES OF PAFOR THE SERIES 2012 BONDS – Substitution or Removal." After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected will be released from the leasehold under the Facility Lease and the Site Lease.

A Substituted Property may be of a different nature or degree of essentiality to the County. Also, a replacement or release could have an adverse impact on the security for the Series 2012A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release.

Limitations on Remedies; Bankruptcy. In addition to the limitations described above, the rights of the Owners and Beneficial Owners of the Series 2012 Bonds are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Series 2012 Bonds, and the obligations incurred by the County, may become subject to 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, 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 Constitution, the

reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Beneficial Owners of the Series 2012 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.

The risks described in the previous paragraph are exacerbated by the fact that, on the occurrence of an Event of Default under the Facility Lease, the Trustee (as assignee of the Authority) may only recover rent and other monetary charges as they become due, and not terminate the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments will be abated only by an amount equal to the difference. Any abatement of rental payments will not be considered an Event of Default under the Facility Lease. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

Seismic Events; Force Majeure

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

Further, the County is not obligated under the Facility Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property, and no assurance can be made that the County will procure and maintain, or cause to be procured and maintained, such insurance. There can be no assurance that earthquake insurance on the Leased Property, if any, can be renewed or will be maintained by the County in the future, or will be available for payments in respect of the Series 2012 Bonds or debt service on the Series 2012 Bonds. If there is no earthquake insurance on the Leased Property and if the Leased Property is damaged in an earthquake, the Base Rental Payments would be subject to abatement. See "RISK FACTORS – Abatement."

The County's use and possession of the Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods and fires, among other events. The

Coachella Valley Animal Campus, for example, is located in a mapped flood 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 – 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.

Change in Law

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

State Law Limitations on Appropriations

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

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the Series 2012 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2012 Bonds, as a result of acts or omissions of the Authority or the County in violation of its covenants in the Indenture and the Facility Lease. Should such an event of taxability occur, the Series 2012 Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2012 Bonds or, if a secondary market exists, that any Series 2012 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon the

then-prevailing circumstances. The prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Series 2012 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Series 2012 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Series 2012 Bonds or obligations that present similar tax issues as the Series 2012 Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("**Bond Counsel**"), Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under the Code and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E attached to this Official Statement.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

Series 2012 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Bonds**") will be treated as having amortizable bond premium. No deduction is

allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012 Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent holders from realizing the full current benefit of the tax status of such interest. As one example, the Obama administration recently announced a legislative proposal that, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on

the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the County or the Beneficial Owners regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2012 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX E attached to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, and Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, for the County by the County Counsel and for the Underwriter by its counsel, Nossaman LLP, Irvine, California.

LITIGATION

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Series 2012 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2012 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Series 2012 Bonds, the completeness or accuracy of the Official Statement or the existence or powers of the Authority relating to the sale of the Series 2012 Bonds.

No litigation is pending or, to the best knowledge of the County, threatened against the County concerning the validity of the Series 2012 Bonds. The County is not aware of any litigation pending or threatened questioning the political existence of the County or contesting the County's ability to issue the Series 2012 Bonds or pay the Base Rental Payments pursuant to the Facility Lease. There are a number of lawsuits and claims pending against the County.

Other than as described in this section and in APPENDIX A, the County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

RATINGS

Fitch Ratings, Inc. ("**Fitch**") and Moody's Investors Service, Inc. ("**Moody's**") have assigned ratings of "___" and "___", respectively, to the Series 2012 Bonds. Each rating reflects only the view of, and explanations of the significance of the rating may be obtained only from, the applicable assigning rating agency at: Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500 or Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796, telephone number (212) 553-0317. There is no assurance that any rating will continue for a given period of time or that it will not be revised downward or withdrawn entirely by the assigning rating agency if, in its judgment, circumstances warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2012 Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2012 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations provided to it on behalf of the County relating to the sufficiency of the amounts deposited in the Escrow Fund (together with interest earnings) to pay, when due, the principal (whether at maturity or upon prior redemption) interest and redemption premium requirements of the Prior Bonds. See "THE REFINANCING PLAN."

UNDERWRITING

The Series 2012 Bonds are being purchased by Morgan Keegan & Company, Inc., or its successor in interest (the "**Underwriter**"). Pursuant to the Purchase Contract for the Series 2012 Bonds, the Underwriter has agreed, subject to certain conditions, to purchase the Series 2012 Bonds at a price of \$_____ (representing the principal amount of the Series 2012 Bonds, plus [net original issue discount or premium] of \$_____, less underwriter's discount of \$_____). The Purchase Contract for the Series 2012 Bonds provides that the Underwriter will purchase all the Series 2012 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Series 2012 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

On April 2, 2012, Raymond James Financial, Inc. ("**RJF**"), the parent company of Raymond James & Associates, Inc. ("**Raymond James**"), acquired all of the stock of Morgan Keegan & Company, Inc. ("**Morgan Keegan**") from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James I Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Series 2012 Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

FINANCIAL ADVISOR

C.M de Crinis & Co., Inc., Glendale, California served as Financial Advisor to the County in connection with the issuance of the Series 2012 Bonds. C.M de Crinis & Co., Inc., is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. The Financial 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.

CONTINUING DISCLOSURE

With respect to each fiscal year of the County commencing with fiscal year 2011-12, the County has agreed to provide, or cause to be provided to the Municipal Securities Rulemaking Board ("**MSRB**") certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in such annual financial information and operating data and the notice of enumerated events is set forth in "APPENDIX F – Form of Continuing Disclosure Agreement."

For each of the last five years, the County has timely filed each of its annual reports and all event notices as required by its previous undertakings with respect to the Rule. However, the County has recently determined that the previous filings did not include certain required budget information, although that information was available on the County's website or available in other continuing disclosure filings made by the County. The County has subsequently filed the budget information and is currently in compliance with all of its undertakings with respect to the Rule.

MISCELLANEOUS

Included in this Official Statement are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement by or among the Authority or the County and the purchasers or owners of any of the Series 2012 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in affairs in the County or the Authority since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the County.

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

By: _____
Chair

COUNTY OF RIVERSIDE

By: _____
County Executive Officer

APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE

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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 2,227,577 as of January 1, 2012, representing an approximately 1% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2003 to January 1, 2012, the County's population grew by 28.7%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 265,366 as of January 1, 2012. After giving effect to such incorporations, the population in the unincorporated areas of the County increased by 19.3% during such ten-year period. Currently, the population growth in the County has been hindered by continuing weak economic conditions within the County and State. See "— Industry and Employment," "— Commercial Activity" and "— Building and Real Estate Activity" herein. Between January 1, 2011 and January 1, 2012, the County population increased by approximately 1%, a rate close to the statewide average.

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>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Banning	28,148	28,551	29,507	29,723	29,965
Beaumont	31,317	32,448	36,496	38,034	38,851
Blythe	21,627	21,346	20,873	20,063	20,400
Calimesa	7,423	7,504	7,853	7,910	7,998
Canyon Lake	10,994	11,143	10,528	10,606	10,689
Cathedral City	51,972	52,508	51,037	51,400	51,952
Coachella	40,317	41,043	40,464	41,339	41,904
Corona	146,698	148,770	151,854	153,047	154,520
Desert Hot Springs	25,939	26,584	25,852	27,277	27,638
Eastvale	-	-	-	54,090	55,602
Hemet	73,205	74,931	78,335	79,309	80,089
Indian Wells	5,000	5,099	4,941	4,990	5,035
Indio	80,962	82,325	75,122	76,817	78,065
Jurupa Valley	-	-	-	-	96,456
Lake Elsinore	49,556	50,324	51,445	52,294	53,024
La Quinta	42,743	43,830	37,307	37,688	38,075
Menifee	-	67,819	77,267	79,139	80,589
Moreno Valley	182,945	186,515	192,654	194,451	196,495
Murrieta	99,576	100,835	103,085	104,051	104,985
Norco	27,143	27,189	27,066	26,968	27,053
Palm Desert	50,686	51,570	48,132	48,920	49,971
Palm Springs	47,019	47,653	44,385	44,829	45,279
Perris	53,340	54,387	67,879	69,506	70,180
Rancho Mirage	16,975	16,938	17,168	17,399	17,504
Riverside	296,191	300,769	302,814	306,069	308,511
San Jacinto	35,491	36,521	44,043	44,421	44,803
Temecula	99,873	102,713	99,611	101,255	103,092
Wildomar	-	31,374	32,006	32,414	32,719
TOTALS					
Incorporated	1,525,140	1,650,689	1,677,724	1,754,009	1,861,944
Unincorporated	553,461	459,193	501,968	451,722	365,633
County-Wide	<u>2,078,601</u>	<u>2,109,882</u>	<u>2,179,692</u>	<u>2,205,731</u>	<u>2,227,577</u>
California	37,883,992	38,255,508	37,223,900	37,510,766	37,678,563

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 2007 through 2011.

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

	<i>Total Effective Buying Income⁽²⁾</i>	<i>Median Household Effective Buying Income</i>	<i>Percent of Households with Income over \$50,000</i>
2007			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%
2008			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%
2009			
Riverside County	\$ 40,935,686	\$46,852	46.2%
California	\$832,528,809	\$48,915	48.7%
2010			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
2011			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009, 2010 and 2011.

Industry And Employment

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

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

	2007	2008	2009	2010	2011	July 2012 ⁽²⁾
Total Farm	16,400	15,900	14,900	15,000	14,900	15,200
Total Nonfarm	1,270,900	1,223,800	1,134,800	1,125,900	1,129,700	1,106,700
Total Private	1,045,600	994,000	906,400	891,600	902,400	770,400
Goods Producing	232,400	198,800	157,800	145,800	145,600	151,200
Natural Resources and Mining	1,300	1,200	1,100	1,000	1,000	1,100
Construction	112,500	90,700	67,900	59,700	58,700	63,700
Manufacturing	118,500	106,900	88,800	85,100	85,800	86,400
Service Providing	1,038,600	1,025,000	977,000	980,000	984,200	980,600
Trade, Transportation and Utilities	301,900	292,900	271,900	270,800	275,100	277,100
Wholesale Trade	56,800	54,100	48,900	48,600	49,400	53,700
Retail Trade	175,600	168,600	156,200	155,500	157,200	154,400
Transportation, Warehousing and Utilities	69,500	70,200	66,800	66,600	68,500	69,000
Information	15,400	14,900	15,100	15,800	15,000	14,800
Financial Activities	49,800	46,100	42,500	41,000	39,200	38,500
Professional and Business Services	145,200	137,700	124,300	123,400	126,100	139,000
Educational and Health Services	127,200	131,800	133,600	133,800	137,900	138,000
Leisure and Hospitality	132,600	131,000	123,800	122,800	124,300	124,000
Other Services	41,200	40,800	37,300	38,200	39,300	39,000
Government	225,300	229,900	228,400	234,300	227,300	210,200
Total, All Industries	<u>1,287,300</u>	<u>1,239,700</u>	<u>1,149,700</u>	<u>1,140,900</u>	<u>1,144,600</u>	<u>1,146,900</u>

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

⁽²⁾ Monthly totals, preliminary.

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

The following table sets forth the major employers located in the County as of 2011:

**COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2011)**

<i>Company Name</i>	<i>Product/Service</i>	<i>No. of Local Employees⁽²⁾</i>
County of Riverside	County Government	17,702
March Air Reserve Base	Military Reserve Base	9,000
Stater Bros. Markets	Supermarkets	6,900
University of California, Riverside	University	5,790
Wal-Mart	Retail Store	5,360
Corona-Norco Unified School District	School District	4,686
Pechanga Resort & Casino	Casino & Resort	4,000
Riverside Unified School District	School District	3,796
Moreno Valley Unified School District	School District	3,500
Hemet Unified School District	School District	3,238

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

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

Unemployment statistics for the County, the State of California (the "State") and the United States are set forth in the following table.

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

	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>July 2012*</i>
County ⁽¹⁾	6.0%	8.5%	13.6%	14.7%	13.6%	13.08%
California ⁽¹⁾	5.3	7.2	11.4	12.4	11.7	10.90
United States ⁽²⁾	4.6	5.8	9.3	9.6	8.9	8.3

* Preliminary data.

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

⁽²⁾ Data is seasonally adjusted.

Source: 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 two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2007 through 2010 and for the first quarter of 2011, the period for which data is currently available:

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

	2007	2008	2009	2010	2010 (1 st Quarter)	2011 (1 st Quarter)
Apparel Stores	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271	\$ 1,391,174	\$ 328,331	\$ 351,759
General Merchandise Stores	3,272,665	3,081,989	2,855,733	2,947,905	683,118	704,325
Drug Stores	320,469	307,947	288,768	292,463	99,215	110,328
Food Stores	1,352,609	1,254,366	1,144,235	1,152,507	305,333	313,652
Packaged Liquor Stores	84,397	98,338	106,981	115,251	26,592	29,907
Eating and Drinking Places	2,388,039	2,340,554	2,266,853	2,317,486	606,809	640,803
Home Furnishing and Appliances	843,945	816,379	858,098	883,109	113,343	226,124
Building Materials & Farm Implements	1,961,911	1,435,337	1,128,595	1,232,145	308,977	322,194
Auto Dealers & Supplies	4,301,385	3,115,036	2,449,747	2,620,568	621,109	752,845
Service Stations	2,835,690	3,011,476	2,300,247	2,685,840	625,772	772,871
Other Retail Stores	2,710,393	2,106,283	1,364,956	1,281,052	294,271	320,357
Retail Stores Total	\$ 21,242,516	\$ 18,689,249	\$ 16,057,488	\$ 16,919,500	\$ 4,088,902	\$ 4,516,256
All Other Outlets	7,781,093	7,314,346	6,170,390	6,233,280	1,465,855	1,599,655
Total All Outlets	\$ 29,023,609	\$ 26,003,595	\$ 22,227,878	\$ 23,152,780	\$ 5,554,758	\$ 6,115,911

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

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2007.

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

	2007	2008	2009	2010	2011
RESIDENTIAL					
New Single-Family	\$ 2,207,320	\$ 1,214,752	\$ 891,825	\$ 914,058	\$ 651,747
New Multi-Family	238,316	243,741	76,717	71,152	115,064
Alterations and Adjustments	141,996	118,490	85,148	94,429	119,684
Total Residential	\$ 2,587,832	\$ 1,576,983	\$ 1,053,690	\$ 1,079,639	\$ 886,495
NON-RESIDENTIAL					
New Commercial	\$ 682,331	\$ 539,944	\$ 94,653	\$ 191,324	\$ 152,160
New Industry	184,506	70,411	12,278	6,686	10,000
New Other ⁽¹⁾	240,765	138,766	107,334	98,105	99,898
Alterations & Adjustments	350,539	292,694	162,557	243,265	297,357
Total Nonresidential	\$ 1,458,141	\$ 1,041,815	\$ 376,822	\$ 539,380	\$ 559,415
TOTAL ALL BUILDING	\$ 4,045,973	\$ 2,618,798	\$ 1,430,512	\$ 1,619,019	\$ 1,445,910

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board.

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

	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Single Family	9,763	3,815	3,424	4,031	2,676
Multi-Family	<u>2,690</u>	<u>2,104</u>	<u>784</u>	<u>526</u>	<u>1,073</u>
TOTAL	<u>12,453</u>	<u>5,919</u>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>

Source: Construction Industry Research Board.

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES**

<i>Year Ending December 31,</i>	<i>Los Angeles County</i>	<i>Riverside County</i>	<i>San Bernardino County</i>	<i>Southern California⁽¹⁾</i>
2006	\$515,000	\$419,000	\$365,000	\$481,000
2007	535,000	395,000	355,000	487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000

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

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<i>Year Ending December 31,</i>	<i>Los Angeles County</i>	<i>Riverside County</i>	<i>San Bernardino County</i>	<i>Southern California⁽¹⁾</i>
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003

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

Agriculture

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

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

The value of agricultural production in the County for 2007 through 2011 is presented in the following table.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

	2007	2008	2009	2010	2011
Citrus Fruits	\$ 121,387,100	\$ 135,759,800	\$ 101,652,000	\$ 140,501,000	\$ 119,942,513
Trees and Vines	189,286,500	173,678,000	191,682,600	164,994,000	232,649,262
Vegetables, Melons, Miscellaneous	234,854,700	266,414,900	221,286,700	292,002,200	278,628,295
Field and Seed Crops	94,492,000	123,545,400	69,699,800	81,328,300	149,198,052
Nursery	272,326,200	230,416,200	206,499,900	169,341,300	200,154,964
Apiculture	3,948,900	5,637,000	5,017,600	4,631,700	4,844,400
Aquaculture Products	9,829,200	12,077,700	5,243,900	4,921,700	4,808,250
Total Crop Valuation	\$ 926,124,600	\$ 947,529,000	\$ 801,082,500	\$ 857,720,200	\$ 990,225,736
Livestock and Poultry Valuation	338,938,600	321,060,900	214,672,800	235,926,300	292,030,380
Grand Total	<u>\$ 1,265,063,200</u>	<u>\$ 1,268,589,900</u>	<u>\$ 1,015,755,300</u>	<u>\$ 1,093,646,500</u>	<u>\$ 1,282,256,116</u>

Source: Riverside County Agricultural Commissioner.

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

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

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Los Angeles World Airports, a proprietary department of the City of Los Angeles. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside,

Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

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

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

Environmental Control Services

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

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

The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California. The State's governor (the "Governor") and the State's legislature (the "Legislature") are currently engaged in discussions with respect to a comprehensive state-wide plan with respect to water supply, storage and conveyance, but no assurance can be made that a sustainable solution will be achieved.

Due to the water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 - Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

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

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

Riverside County operates on an annual budget cycle. Under the 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. A final budget that reflects any revisions to the recommended budget must be adopted 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 a quarterly review, with major adjustments generally addressed at the end of the first, second and third quarters.

Fiscal Year 2011-12 Budget

The Board of Supervisors approved the budget for fiscal year 2011-12 on September 13, 2011. The adopted budget includes total General Fund appropriations of approximately \$2.4 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated General Fund expenditures. The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-12 incorporated direct cuts and labor savings of \$31 million and a \$28 million draw on reserves. In recent years, the County has targeted a minimum unrestricted reserve level of 15% of discretionary revenues.

For fiscal year 2011-12, approximately 39% of the County's General Fund revenue is estimated to consist of payments from the State and 21% is estimated to consist of payments from the Federal government. The County estimates that discretionary revenue decreased by \$8 million from the prior year to \$584 million for fiscal year 2011-12.

The assessed valuation of taxable property decreased by approximately 1.5%, equating to a decrease of approximately \$9.4 million of property tax revenue, in fiscal year 2011-12. Sales tax receipts in fiscal year 2011-12 for the County from the 1/2 cent levy pursuant to Proposition 172 were budgeted at \$119 million. Any such revenue in excess of the budgeted amount will be added to a public safety reserve for future budgetary needs. General sales tax receipts for the County are expected to be approximately \$25 million, a reduction of more than \$3 million from the prior year due to revenue loss associated with newly incorporated areas.

Fiscal Year 2012-13 Budget

In June 2012, the Board of Supervisors approved the Fiscal Year 2012-13 Recommended Budget. The Recommended Budget includes total General Fund appropriations of approximately \$2.4 billion. For Fiscal Year 2012-13, the County projects that approximately 42.1% of its General Fund budget revenues will consist of payments from the State and approximately 21% will consist of payments from the Federal government. Discretionary revenue is budgeted to decline to approximately \$570 million for fiscal year 2012-13, a reduction of approximately 2% from the fiscal year 2011-12 adjusted budget estimates. The adopted budget includes a reduction in discretionary spending of approximately \$39 million from the prior fiscal year.

Property tax revenue is budgeted at approximately \$260 million for Fiscal Year 2012-13, and represents approximately 46% of the County's discretionary revenue. In July 2012, the County Assessor finalized the Fiscal Year 2012-13 assessment roll which reflected a 0.15% decrease from Fiscal Year 2011-12.

Such decrease is primarily a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years.

In addition, the Executive Office anticipates additional costs for upcoming fiscal years, including a larger operating budget associated with the newly implemented public safety communications project, increased labor costs based on newly negotiated agreements with various labor unions, and the County's commitment to the State to expand correctional facilities. County departments are managing these increases by identifying additional opportunities to achieve more at a reduced cost.

Impacts of State Budget

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2012-13 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

In 2011, the Legislature made a number of changes to realign certain State program responsibilities and revenues to local government, primarily counties. In total, the 2011 realignment shifted approximately \$6 billion in State sales tax revenues, vehicle license fee revenues, and (on a one-time basis) Mental Health Services Fund revenues to local governments to fund various criminal justice, mental health, and social service programs. As part of the Fiscal Year 2012-13 State Budget, the Legislature approved a number of changes to the funding structure and programs in the 2011 realignment, including without limitation establishing an ongoing funding structure for the programs realigned in 2011. The County has not yet determined the short-term or long term effect continued implementation of the 2011 realignment will have on the County.

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

Final Budget Comparison

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

COUNTY OF RIVERSIDE ADOPTED GENERAL FUND BUDGETS⁽¹⁾ FISCAL YEARS 2008-09, 2009-10, 2010-11, 2011-12 AND 2012-13 (IN MILLIONS)

	2008-09 Budget	2009-10 Budget	2010-11 Budget	2011-12 Budget	2012-13 Budget
REQUIREMENTS					
General Government	\$ 238.6	\$ 239.2	\$ 175.3	\$ 174.4	\$ 180.4
Public Protection	1,132.0	1,055.2	1,062.4	1,060.0	1,072.1
Public Ways and Facilities	2.1	2.2	0.0	0.0	0.0
Health and Sanitation	392.3	395.2	396.0	411.9	430.1
Public Assistance	791.1	815.5	780.0	802.9	762.3
Education	0.6	0.4	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.3	0.4	0.0
Debt Retirement-Capital Leases	22.3	6.8	6.8	5.0	5.0
Contingencies	34.8	30.0	20.0	20.0	7.0
Increase to Reserves	5.0	(12.8)	17.5	2.4	2.3
Total Requirements ⁽³⁾	<u>\$ 2,619.1</u>	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>
AVAILABLE FUNDS					
Use of Fund Balance and Reserves ⁽⁴⁾	\$ 107.1	\$ 112.8	\$ 107.8	\$ 90.1	\$ 74.0
Estimated Revenues:					
Property Taxes	287.2	244.9	222.4	214.9	211.5
Other Taxes	49.1	46.1	46.0	35.5	35.0
Licenses, Permits and Franchises	24.9	20.7	19.8	18.1	17.7
Fines, Forfeitures and Penalties	60.6	55.7	58.0	56.2	51.7
Use of Money and Properties	29.7	13.5	11.2	10.0	7.4
Aid from Other Governmental Agencies:					
State	991.8	962.0	921.7	936.3	1,005.5
Federal	465.4	511.1	501.2	506.7	493.9
Charges for Current Services ⁽²⁾	385.1	452.7	461.0	462.8	442.6
Other Revenues ⁽²⁾	217.9	112.5	111.9	147.7	120.5
Total Available Funds ⁽³⁾	<u>\$ 2,619.1</u>	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>

⁽¹⁾ Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

⁽²⁾ Due to reporting changes, certain accounts were reclassified from Other Revenues to Charges for Current Services after fiscal year 2008-09.

⁽³⁾ Column numbers may not add up to totals due to rounding.

⁽⁴⁾ See "— Financial Statements and Related Issues" herein for the actual General Fund balance at the end of fiscal years 2006-07 through 2010-11.

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 July 31, 2012, the portfolio assets comprising the PIF had a market value of \$5,159,646,617.47.

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, 2011, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary"

depositors. Collectively, these mandatory deposits constituted approximately 70.74% of the funds on deposit in the County Treasury, while approximately 29.26% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2012 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of July 31, 2012, was as follows:

	<i>% of Pool</i>
Federal Agency Securities	81.08%
Cash Equivalents & Money Market Funds	7.07
Commercial Paper	2.90
Municipal Notes	1.45
Repurchase Agreements	3.49
U.S. Treasury Bonds	4.00
Local Agency Obligations ⁽¹⁾	<u>0.01</u>
Total	100.00%
Book Yield:	0.42%
Weighted Average Maturity:	1.09 years

⁽¹⁾ Includes County obligations issued by the Riverside District Court Financing Corporation and the CalTrust Short Term Fund.

Source: County Treasurer-Tax Collector.

As of July 31, 2012, the market value of the PIF was 100.14% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to

have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

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

Ad Valorem Property Taxes

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the twenty-eight dollar administrative cost, a fifteen dollar 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 describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2000-01 through fiscal year 2011-12.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2000-01 THROUGH 2011-12
SECURED PROPERTY TAX ROLL⁽¹⁾

<i>Fiscal Year</i>	<i>Secured Property Tax Levy</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30⁽²⁾</i>	<i>Total Collections⁽³⁾</i>	<i>Percentage of Total Collections to Current Levy</i>
2000-01	\$1,106,323,882	\$40,719,497	3.68%	\$1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,805,588,954	104.82

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

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

⁽³⁾ Includes current and prior years' redemptions, penalties and interest. Abnormally high delinquencies in Fiscal Years 2006-07 through 2008-09 coincided with a significant decline in real estate prices and activity in the County during that period. See "DEMOGRAPHIC AND ECONOMIC INFORMATION — Building and Real Estate Activity" herein, and the following discussion regarding the decline in housing prices and assessed valuation in the County since 2007.

Source: County Auditor-Controller.

UNSECURED PROPERTY TAX ROLL⁽¹⁾

<i>Fiscal Year</i>	<i>Unsecured Property Tax Levy</i>	<i>Total Collections⁽²⁾</i>	<i>Percentage of Total Collections to Original Levy</i>
2000-01	\$44,069,979	\$42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
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	84,158,298	95.55
2012-13	83,848,832	N/A	N/A

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

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

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 describes the supplemental tax roll of the County for fiscal year 2001-02 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2001-02 THROUGH 2011-12**

<i>Fiscal Year</i>	<i>Tax Levy for Increased Assessments^{(1),(3)}</i>	<i>Refunds for Decreased Assessments⁽¹⁾</i>	<i>Net Supplemental Tax Levy</i>	<i>Collections^{(1),(2)}</i>
2001-02	\$ 68,229,225	\$ 2,080,315	\$ 66,148,910	\$ 58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) ⁽⁴⁾	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	11,846,770

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

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

The following table sets forth the assessed valuation by category and property type for fiscal year 2007-08 through fiscal year 2011-12.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 2007-08 THROUGH 2011-12
(IN MILLIONS)

<i>Category</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
SECURED PROPERTY:					
Land	\$ 76,817	\$ 82,768	\$ 69,917	\$ 65,877	\$ 64,308
Structures	153,297	149,837	137,292	132,431	131,516
Personal Property	841	860	906	819	836
Utilities	2,807	3,154	2,907	3,018	3,614
Total Secured	\$ 233,762	\$ 236,530	\$ 211,022	\$ 202,145	\$ 200,274
UNSECURED PROPERTY:					
Land	\$ 9	\$ 16	\$ 2	\$ 14	\$ 29
Improvements	3,199	3,866	3,761	3,748	3,778
Personal Property	3,996	4,426	4,154	4,049	3,975
Total Unsecured ⁽²⁾	\$ 7,204	\$ 8,308	\$ 7,917	\$ 7,811	\$ 7,782
Grand Total	\$ 240,966	\$ 244,838	\$ 218,939	\$ 209,956	\$ 208,056

(1) Assessed valuation is reported as of July 1 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 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. Columns may not add up due to rounding.

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

Source: County Auditor-Controller/County Assessor.

Housing prices in the County declined in 2007 and 2008 and remained at the lower levels since 2009. See "DEMOGRAPHIC AND ECONOMIC INFORMATION — Building and Real Estate Activity" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

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 marked values call for such reductions.

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2011-12 totaling approximately \$21.8 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$2.16 billion of assessed value was reduced from the County tax roll in fiscal year 2010-11 and fiscal year 2011-12, representing \$21.6 million in general purpose taxes over the two-fiscal year period. As of September 18, 2012, approximately 85% of the fiscal year 2010-11 assessment appeals had been completed, and approximately 27% of the fiscal year 2011-12 assessment appeals had been completed. The majority of the remaining fiscal year 2010-11 and fiscal year 2011-12 assessment appeals are expected to be completed by November 30, 2012 and November 30, 2013, respectively.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2012-13 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2010-11 assessment appeals still to be completed; (ii) a portion of the fiscal year 2011-12 and fiscal year 2012-13 assessment appeals being completed during fiscal year 2012-13.

Teeter Plan

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2011-12, approximately 76% of all taxing entities effectively participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at \$14.8 million as of June 30, 2012. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the sale, in October 2011, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "2011 B Notes") in the amount of approximately \$171.3 million. The total amount of approximately \$171.3 million is comprised of approximately \$64.7 million representing fiscal year 2010-11 delinquent property taxes and approximately \$106.6 million representing prior years' delinquent property taxes. Proceeds of the Notes will be used to retire all of the outstanding 2011 B Notes. The County's General Fund is pledged

to the repayment of the Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment. See "THE NOTES — Security for the Notes."

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2011-12.

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
COMBINED TAX ROLLS[†]**

<i>Taxpayer</i>	<i>Total Taxes Levied</i>	<i>Percentage of Total Tax Charge</i>
Southern California Edison Company	\$ 23,446,942.30	0.83%
Verizon California Inc.	10,213,927.62	0.36
Inland Empire Energy Center, LLC	8,422,577.26	0.30
Fannie Mae	6,612,150.42	0.23
Southern California Gas Company	6,553,812.58	0.23
Wells Fargo Bank	3,104,806.58	0.11
Abbot Vascular Inc.	3,095,876.90	0.11
Walgreen Co.	3,015,242.90	0.11
Tyler Mall Ltd Partnership	2,880,987.58	0.10
Standard Pacific Corp.	2,872,677.34	0.10
Lowe's HIW Inc.	2,616,515.40	0.09
Ashby USA	2,489,779.40	0.09
Blythe Energy, LLC	2,462,725.50	0.09
Chelsea GCA Realty Partnership	2,454,238.36	0.09
Federal Home Loan Mortgage Corp.	2,425,075.80	0.09
Richmond American Homes of Maryland Inc.	2,345,048.08	0.08
Target Corp.	2,326,056.98	0.08
Costco Wholesale Corp.	2,306,008.70	0.08
WalMart Real Estate Business Trust	2,192,416.22	0.08
Pacific Bell Telephone Co. DBA AT&T California	2,188,606.38	0.08
KB Home Coastal Inc.	2,125,032.80	0.08
Deutsche Bank National Trust Company	2,061,692.28	0.07
Palm Desert Funding Co.	2,031,157.10	0.07
Health Care REIT	2,004,059.06	0.07
Watson Laboratories Inc.	1,991,964.94	0.07
Total	\$ 104,239,378.48	3.69%
Total Tax Charge for 2011-12	<u>\$ 2,825,246,587.69</u>	

[†] Includes secured, unsecured and State-assessed property.
Source: County Treasurer and Tax Collector.

The 10 largest property owners in the County by assessed value for all properties, for the fiscal year 2011-12 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2011-12
BY ASSESSED VALUE**

<i>Assessee</i>	<i>Assessed Value</i>
Fannie Mae	\$ 406,311,651
Eisenhower Medical Center	348,117,164
Abbott Vascular Inc.	300,813,032
Kaiser Foundation Hospitals	299,690,062
Walgreen Co.	265,725,430
Target Corp.	213,907,840
Wells Fargo Bank	211,650,832
Lowes HIW Inc.	210,879,208
Costco Wholesale Corp.	202,994,718
Kaiser Foundation Health Plan Inc.	<u>196,869,609</u>
Subtotal	\$ 2,656,959,546
All Others	<u>202,530,732,634</u>
Total	<u>\$205,187,692,180</u> [†]

[†] 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. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2010-11, the County retained approximately 12.44% of the total amount collected (and is budgeted to retain 12.39% in fiscal year 2011-12). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution effective as of February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION — *Redevelopment Agencies*" in the forepart of this Official Statement.

Redevelopment Agencies

The California Community Redevelopment Law (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. Legislation enacted as part of the State's 2011

Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION — *Redevelopment Agencies*" in the forepart of this Official Statement.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

<i>Fiscal Year</i>	<i>Frozen Base Value</i>	<i>Full Cash Value Increments⁽¹⁾</i>	<i>Total Tax Allocations⁽²⁾</i>
2000-01	\$10,966,072,778	\$20,127,612,843	\$203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279 ⁽⁴⁾	56,587,373,841	568,873,738 ⁽³⁾

⁽¹⁾ Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.

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

⁽³⁾ Includes general purpose and debt; excluded negative increment.

⁽⁴⁾ Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2011-12.

Source: County Auditor-Controller.

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. In the early years of redevelopment the amount "passed through" by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County had 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, although the County is not liable for legacy redevelopment agency debt. 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 \$2,667,188,535, and a 2011-12 assessed value of \$86,592,259. In fiscal year 2011-12, the pass-through payment to the County's General Fund from the County's redevelopment agency totaled \$1,600,442.73, 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 will receive pass-through payments

directly from the County Auditor-Controller instead of from the County redevelopment agency. See "STATE OF CALIFORNIA BUDGET INFORMATION — *Redevelopment Agencies*" in the forepart of this Official Statement.

Financial Statements and Related Issues

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

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2010-11 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B — "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2011, which are included in APPENDIX B — "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2006-07 THROUGH 2010-11
(In Thousands)

	2006-07	2007-08	2008-09	2009-10	2010-11
BEGINNING FUND BALANCE	\$ 446,918	\$ 570,964	\$ 481,776 ⁽¹⁾	\$ 372,121	\$ 386,486
REVENUES					
Taxes	301,573	309,295	274,480	229,631	221,807
Licenses, permits and franchises	25,803	24,525	19,840	16,724	18,187
Fines, forfeitures and penalties	81,148	90,788	107,147	112,813	93,528
Use of money and property – Interest	62,848	61,623	33,414	12,197	8,196
Use of money and property –					
Rents and concessions	2,805	2,578	3,157	3,936	3,669
Government Aid – State	893,390	905,998	908,334	820,432	856,327
Government Aid – Federal	430,606	473,731	472,210	504,605	490,088
Governmental Aid-Other	81,703	95,808	95,812	89,312	82,147
Charges for current services	319,198	358,767	364,649	367,249	369,780
Other revenues	38,856	29,308	36,149	30,670	37,654
TOTAL REVENUES	\$2,237,932	\$ 2,352,421	\$2,315,192	\$ 2,187,569	\$ 2,181,383
EXPENDITURES					
General government	\$ 119,365	\$ 145,290	\$ 146,816	\$ 130,516	\$ 109,146
Public protection	916,524	1,032,582	1,062,437	1,005,679	1,025,584
Public ways and facilities	4,405	4,717	4,378	-	-
Health and sanitation	341,467	368,753	382,588	333,068	345,649
Public assistance	644,912	704,404	719,328	712,353	731,017
Education	394	464	675	551	548
Recreation and cultural	203	206	230	312	364
Capital Outlay	8,811	8,670	22,746	31,018	8,321
Debt service	29,751	26,132	22,501	21,876	24,829
TOTAL EXPENDITURES	\$2,065,932	\$ 2,291,218	\$2,361,699	\$ 2,234,373	\$ 2,245,458
Excess (deficit) of revenues					
over (under) expenditures	172,000	61,203	(46,507)	(47,804)	(64,075)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 89,449	\$ 104,892	\$ 99,825	\$ 168,833	\$ 106,047
Transfer to other funds	(146,214)	(269,961)	(185,719)	(132,682)	(93,217)
Capital Leases	8,811	8,670	22,746	31,018	8,321
Total other Financing Sources (Uses)	(47,954)	(153,399)	(63,148)	62,169	21,151
NET CHANGE IN FUND BALANCES	\$ 124,046	\$ (92,196)	\$ (109,655)	\$ 14,365	\$ (42,924)
FUND BALANCE, END OF YEAR ⁽²⁾	\$ 570,964	\$ 478,768	\$ 372,121	\$ 386,486	\$ 343,562

⁽¹⁾ Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

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

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2007 THROUGH JUNE 30, 2011
(In Thousands)**

	2007	2008	2009	2010	2011
ASSETS:					
Cash & Marketable Securities	\$ 283,080	\$ 216,816	\$ 150,728	\$ 122,902	\$ 160,887
Taxes Receivable	40,766	58,256	46,813	27,714	17,790
Accounts Receivable	60,621	48,196	31,150	8,468	12,771
Interest Receivable	14,673	9,384	3,315	2,091	1,119
Advances to Other Funds	37	0	0	0	3,692
Due from Other Funds	5,417	24,716	19,110	25,353	18,787
Due from Other Governments	252,411	239,844	250,144	263,240	276,656
Inventories	1,540	2,105	2,132	1,941	1,564
Prepaid items	0	0	3,720	888	277
Restricted Assets	263,390	263,566	252,084	296,543	283,095
Total Assets	<u>\$ 921,935</u>	<u>\$ 866,259</u>	<u>\$ 759,196</u>	<u>\$ 749,140</u>	<u>\$ 777,638</u>
LIABILITIES:					
Accounts Payable	\$ 82,441	\$ 94,061	\$ 68,560	\$ 57,236	\$ 84,116
Salaries & Benefits Payable	70,585	83,753	88,184	46,376	50,374
Due To Other Funds	288	283	0	2,155	2,639
Due to Other Governments	41,432	40,991	47,579	35,161	34,550
Deferred Revenue	156,155	168,282	180,777	218,676	260,343
Deposits Payable	70	121	1,975	3,050	2,054
Total Liabilities	<u>\$ 350,971</u>	<u>\$ 387,491</u>	<u>\$ 387,075</u>	<u>\$ 362,654</u>	<u>\$ 434,076</u>
FUND BALANCE: ⁽²⁾					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Unassigned					189,236
Reserved	\$ 88,233	\$ 84,466	\$ 91,196	\$ 90,374	
Unreserved	<u>482,731</u>	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>	
Fund Balance	<u>\$ 570,964</u>	<u>\$ 478,768</u>	<u>\$ 372,121</u>	<u>\$ 386,486</u>	<u>\$ 343,562</u>
Total Liabilities and Fund Balance	<u>\$ 921,935</u>	<u>\$ 866,259</u>	<u>\$ 759,196</u>	<u>\$ 749,140</u>	<u>\$ 777,638</u>

⁽¹⁾ No activity to report.

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

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2004 THROUGH JUNE 30, 2011
(In Thousands)**

	<i>Reserved</i>	<i>Unreserved</i>	<i>Total</i>
2004	\$100,940	\$148,113	\$249,053
2005	121,249	231,205	352,454
2006	100,436	346,482	446,918
2007	88,233	482,731	570,964
2008	84,466	394,302	478,768
2009	91,196	280,925	372,121
2010	90,374	296,112	386,486

	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>	<i>Total</i>
2011 ⁽¹⁾	\$2,214	\$98,552	\$50,097	\$3,463	\$189,236	\$343,562

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

Source: County Auditor-Controller.

Short-Term Obligations of County

In June 2012, the County issued an aggregate \$125,000,000 Series A 2012-13 Tax and Revenue Anticipation Notes (the "Series 2012A TRAN Notes"), and \$125,000,000 Series B 2012-13 Tax and Revenue Anticipation Notes (the "Series 2012B TRAN Notes," and, together with the Series 2012A TRAN Notes, the "2012 TRAN Notes"), to provide funds to meet the County's fiscal year 2012-13 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The Series 2012A TRAN Notes mature on March 29, 2013 and The Series 2012B TRAN Notes mature on June 28, 2013. The 2012 TRAN Notes are payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2012-13 fiscal years which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of September 3, 2012, the County had \$681,128,180 in direct General Fund obligations (consisting of the lease obligations described below) and \$357,540,000 in pension obligation bond indebtedness, as reflected in the following table. The County has no general obligation debt. Set forth below is an estimated direct and overlapping debt report as of September 3, 2012.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF SEPTEMBER 3, 2012)

2012-13 Assessed Valuation:	\$205,136,768,340 (includes unitary utility valuation)
Redevelopment Incremental Valuation:	<u>56,178,718,338</u> (preliminary)
Adjusted Assessed Valuation:	\$148,958,050,002

OVERLAPPING TAX AND ASSESSMENT DEBT:

	<u>% Applicable ⁽¹⁾</u>	<u>Debt 9/3/12</u>
Metropolitan Water District	5.814%	\$ 11,427,126
Community College Districts	1.435-99.999	551,415,409
Unified School Districts	2.879-100.	1,986,008,674
Perris Union High School District	100.	51,087,260
Union School Districts	100.	55,788,493
City of Riverside	100.	15,135,000
Eastern Municipal Water District Improvement Districts	100.	40,435,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,055,000
San Geronio Memorial Hospital District	100.	107,770,000
Community Facilities Districts	94.268-100.	2,574,915,747
Riverside County 1915 Act Bonds	100.	1,150,000
City and Special District 1915 Act Bonds (Estimated)	100.	<u>233,216,398</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,630,404,107

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

	100. %	\$
Riverside County General Fund Obligations	100.	\$ 681,128,180
Riverside County Pension Obligations	100.	357,540,000
Riverside County Board of Education Obligations	100.	5,055,000
School Districts General Fund and Lease Tax Obligations	2.879-100.	507,405,239
City of Corona General Fund Obligations	100.	60,870,000
City of Moreno Valley General Fund Obligations	100.	74,646,000
City of Murrieta General Fund Obligations	100.	12,770,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	165,408,438
City of Riverside Certificates of Participation	100.	207,355,000
City of Riverside Pension Obligations	100.	127,480,000
Other City General Fund and Special Tax Obligations	100.	111,909,800
Other Water District Certificates of Participation	98.511-100.	2,575,206
Other Special District Certificates of Participation	100.	<u>2,880,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,317,022,863
Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)		12,395,907
City of Corona Certificates of Participation supported by waste water revenues		1,965,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues		<u>8,595,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,294,066,956

GROSS COMBINED TOTAL DEBT	\$7,947,426,970 ⁽²⁾
NET COMBINED TOTAL DEBT	\$7,924,471,063

Ratios to 2012-13 Assessed Valuation:

Overlapping Tax and Assessment Debt.....	2.74%
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Ratios to Adjusted Assessed Valuation:

Combined Gross Direct Debt (\$1,038,668,180)	0.70%
Combined Net Direct Debt (\$1,026,272,273)	0.69%
Gross Combined Total Debt.....	5.34%
Net Combined Total Debt	5.32%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

⁽¹⁾ Based on Fiscal Year 2011-12 ratios.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

Lease Obligations

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

As of August 30, 2012, the County's current outstanding lease obligations total \$693,430,979. The County's annual lease obligation is approximately \$74,190,212 and the maximum annual lease payment is \$83,803,772.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of August 30, 2012.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of August 30, 2012)

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental⁽¹⁾</i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 50,400,000	\$ 12,729,444 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	28,395,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B ⁽³⁾	2019	90,530,000	90,530,000	19,478,099 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	850,000 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	17,935,000	1,479,748
2008 Series A	2022	72,445,000	61,480,000	8,259,350
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	871,255
2005 Series B ⁽⁵⁾	2027	22,610,000	19,360,000	1,545,126
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,019
County of Riverside Certificates of Participation ⁽⁶⁾ (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,400
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	11,860,906	
Series 2002	2020	925,000	535,000	1,811,849 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,236,323
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽⁹⁾	2018	8,685,000	2,470,000	406,228
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) ⁽¹⁰⁾	2036	51,655,000	45,775,000	3,401,925
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,165,306
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	4,155,790
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,605,000	1,154,155
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) ⁽¹¹⁾	2040	45,685,000	45,530,000	1,909,400
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	4,925,000	674,920
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) ⁽¹²⁾	2031	<u>33,360,000</u>	<u>33,360,000</u>	<u>2,985,838</u>
TOTAL		<u>\$ 1,054,405,073</u>	<u>\$ 693,430,979</u>	<u>\$ 74,190,212</u>

⁽¹⁾ Annual base rental for fiscal year 2011-12 unless otherwise noted.

⁽²⁾ Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending August 27, 2012 was approximately 0.13%.

⁽³⁾ Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.

⁽⁴⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending August 28, 2012 was approximately 0.19%.

⁽⁵⁾ The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

⁽⁶⁾ The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

⁽⁷⁾ Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

⁽⁸⁾ The 2008 Series A refunded the 2000 Series B SWJC Project.

⁽⁹⁾ The 2003 Series B refunded the 1993 Master Refunding Project.

⁽¹⁰⁾ A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).

⁽¹¹⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

⁽¹²⁾ The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

Source: County Executive Office.

Interest Rate Swap Agreements

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

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also 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 Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of August 2012. Downgrade provisions specify that if the long-term senior unsecured debt rating of the County or the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of June 30, 2012, the swap agreement had a negative fair market value of approximately \$35.2 million (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 August 29, 2012, Assured Guaranty Corp. had a rating of "AA-" by S&P and "Aa3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

A summary of the County's employment levels are reflected for the past ten years.

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2001 THROUGH 2011

<i>Year</i>	<i>Regular Employees⁽¹⁾</i>
2002	14,729
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,759

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

Source: County Human Resources Department

County employees comprise 12 bargaining units plus another six 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 74% 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 for personnel matters.

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

Recently the County entered into long-term agreements with RCDDAA, SEIU, and LEMU, The County's agreements with these unions extends through June 2015, December 2016, June 2017 respectively. For LIUNA and RSA the long-term agreements extend through June 2016.

Retirement Program

General. The County provides retirement benefits to most 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 coverage for eligible employees in the Miscellaneous Plan (herein defined) with PERS and Social Security, and coverage in lieu of Social Security for Safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits for Miscellaneous and Safety employees, hired prior to August 23, 2012, are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for Miscellaneous and Safety members is the product of the benefit factor (based on age), years of service, and final compensation. The benefit factor for Miscellaneous ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety

members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement.

The County amended the retirement contract with CalPERS, adopting a lower tier pension benefit for Miscellaneous and Safety Plans for new employees, hired on or after August 23, 2012, and first entering CalPERS membership with the County. The retirement benefits are based on years of service, age, and the average monthly qualifying wages during the highest three years of employment. The benefit factor for Miscellaneous and Safety members is the product of the benefit factor (based on age), years of service, and final compensation. The benefit factor for Miscellaneous ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety members, the benefit factor is 2% at age 50 for each year of service credited and the percent per year of service gradually increases for each attained age from 2% at age 50 to 2.7% at age 55 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement.

Trial Court ("Courts") employees are also included among the employees covered under the County's PERS retirement plan contract, although the Courts left the County's employment jurisdiction in December 2006 and since transitioned into an agency of the State. The State is obligated to reimburse the County for the share of PERS costs associated with Courts employees, but the County remains primarily liable for such costs under the PERS contract.

In 2003, the County established a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions regarding retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on June 26, 2012, the "2012 Annual Pension Report" and included discussion and recommendations regarding pension reform for the County.

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee's conclusions and recommendations included: (i) that current unfunded liability in the County's pension resulted in part from the "pension contribution holidays" and the County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In July 2012, the Board of Supervisors adopted the resolution giving notice of the County's intention to amend the contract to provide 2% at 60 for local miscellaneous and 2% at 50 for local safety members, both with three-year final compensation, for employees first entering CalPERS membership with the County after the contract amendment date. The County intended to implement a second tier of benefits immediately upon conclusion of collective bargaining and PERS approval, with the goal of substantial savings over the long term.

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 contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to

the County in October 2011 covered PERS' fiscal year 2009-10). 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, 2010, which was prepared in October 2011, is effective for the County's fiscal year 2012-13). 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 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, among others, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will distribute under the PERS Plans to retirees and active employees upon their retirement. It is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower.

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90%-110% of market value to 80%-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary spreads gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a "smoothing technique." Under the rate stabilization policy effective as of April 2005, one-fifteenth (1/15) of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return. However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In response to the significant asset value declines of fiscal year 2008-09, the PERS Board approved an enhancement to its smoothing methodology in June 2009. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand between 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30-year amortization schedule.

In May 2004, 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 3.5% to 3%. 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 8.25% to 7.75% effective March 2011; (ii) the long-term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. 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 significant demographic assumption changes.

In March 2012, the PERS Board lowered the discount rate assumption, from 7.75% to 7.50%. According to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution of approximately \$5.3 million representing a contribution rate of 0.6% of payroll for fiscal year 2013-14 and an increase of approximately \$13.3 million representing 1.3% of payroll for fiscal year 2014-15. The Safety Plan is estimated to incur an increase in employer contribution of approximately \$2.9 million representing 1.0% of payroll for fiscal year 2013-14 and an increase of approximately \$7.3 million representing 2.2% of payroll for fiscal year 2014-15. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 8% of salaries for the Miscellaneous Plan and 9% of salaries for the Safety Plan. After the CalPERS contract amendment, effective August 23, 2012, new employee's contribution rates for the second tier for the Miscellaneous Plan are fixed at 7% of salaries and 9% of salaries for the Safety Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is 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"). For Fiscal Year 2012-13, the County Offsets of Employee Contributions are estimated to be approximately \$12.3 million for Miscellaneous and \$4.5 million for Safety Plan.

In Fiscal Year 2011-12, the County entered into long-term agreements with all of its bargaining labor units. Most of the agreements cover a four to five year period with the longest agreement ending in June 2017. As part of those agreements the parties agreed on a phase out of the County's obligation to pay the employee's required member contributions. The elimination of the County's obligation to pay employee's required member contributions is anticipated to produce significant annual savings. Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.

Proposed Legislation. The Legislature approved a comprehensive pension reform package affecting state and local government on August 31, 2012. The legislation, AB 340 (the "Legislation"), is on the Governor's desk awaiting further action. The Legislation implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Though the Legislation covers most public employees in state government, cities, counties, special districts, school districts, and community colleges, the following discussion relates only to the Legislation's impact on County employee retirement.

Key changes to retirement plans affecting the County include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013.

For new employees, a cap on pensionable income of \$110,100, or \$132,120 (for employees not in Social Security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Consumers.

- A standard that employees pay at least 50 percent of normal costs.

- Establishes increases for current County civil service and related excluded employees who are not contributing at least half of normal costs.

Other provisions reduce the risk of the County incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit ("air time").

If the Legislation is implemented fully, CalPERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the County have not been quantified. OPEB costs are not addressed in the Legislation.

Provisions in the Legislation will not likely have a material effect on County contributions in the short term. However, additional employee contributions, limits on pensionable compensation, and higher retirement ages for new members will reduce the County's UAAL and potentially County contribution levels in the long term.

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Miscellaneous Plan and the Safety Plan are set forth under "– Historical Funding Status". In the actuarial valuation for the Miscellaneous Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.494% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$103.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$12.3 million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2012-13 of approximately \$116.2 million. In the actuarial valuation for the Safety Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 22.459% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$60.7 million for that fiscal year. In addition, the County will pay to PERS for the Safety Plan approximately \$4.5 million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2012-13 of approximately \$65.2 million.

Absent reforms, some of which have already been initiated by the County, contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during fiscal year 2008-09. While investment gains experienced in fiscal years 2009-10 and 2010-11 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. 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, due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of \$23.1 million as of February 15, 2012. The County believes that it is reasonable to expect that over the remaining 23 years of the bond's life, the transaction will produce savings. A liability management fund was established in connection with the 2005 pension obligation bonds. From 2006 to 2008 pursuant to recommendations set forth in the annual PARC reports the Board of Supervisors authorized the transfer of funds to PERS to reduce the County's PERS liability. In 2009 pursuant to the PARC recommendations, the Board of Supervisors authorized the use of \$6 million from the Liability Management Fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds.

Of this amount, the County has purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$247,000. In 2010, liability management funds of \$8.3 million were transferred to PERS. In 2011, liability management funds of \$5.4 million were transferred to balance the fund used to close out the PERS prepayments made in July 2011. In 2012, the County approved the use of \$931,000 in the Liability Management Fund to reduce the County's pension liability with CalPERS.

The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and the actuarial funded status as of the valuation dates from June 30, 2006 through June 30, 2010 and the total employer contributions made by the County for Fiscal Year 2008-09 through Fiscal Year 2012-13. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL ACTUARIAL FUNDING STATUS
(Safety Plan)

<i>Valuation Date</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Actuarial Funded Status⁽³⁾</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount⁽¹⁾</i>	<i>County Offsets of Employee Contributions</i>
June 30,					
2006	\$ 61,861,506	95.0%	2008-09	\$46,983,428	\$17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,667,388 ⁽²⁾	13,460,331 ⁽²⁾
2010	184,737,814	89.8	2012-13	60,667,388 ⁽²⁾	4,486,777 ⁽²⁾

⁽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 or otherwise.

⁽²⁾ Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12, estimated for Fiscal Year 2012-13.

⁽³⁾ Actuarial valuation and market valuation may differ significantly. See "—Projected County Contributions and UAAL" below.

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

HISTORICAL ACTUARIAL FUNDING STATUS
(Miscellaneous Plan)

<i>Valuation Date</i> <i>June 30,</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Actuarial Funded Status⁽³⁾</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount⁽¹⁾</i>	<i>County Offsets of Employee Contributions</i>
2006	\$142,160,688	94.8%	2008-09	\$ 95,930,361	\$40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	103,892,326 ⁽²⁾	36,974,032 ⁽²⁾
2010	444,330,905	89.2	2012-13	103,892,326 ⁽²⁾	12,324,677 ⁽²⁾

(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 or otherwise.

(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12, estimated for Fiscal Year 2012-13.

(3) Actuarial valuation and market valuation may differ significantly. See "—Projected County Contributions and UAAL" below.

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

SCHEDULE OF FUNDING PROGRESS
(Safety Plan)

<i>Valuation Date</i> <i>June 30,</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>
2006	\$1,231,954,415	\$1,170,092,909	\$ 61,861,506	95.0%	\$189,606,339	32.6%
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

<i>Valuation Date</i> <i>June 30,</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>
2006	\$2,741,753,157	\$2,599,592,469	\$142,160,688	94.8%	\$659,274,265	21.6%
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2008-09 through fiscal year 2012-13 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

<i>Valuation Date June 30,</i>	<i>Affects Contribution Rate for Fiscal Year:</i>	<i>Safety Plan</i>	<i>Miscellaneous Plan</i>
2006	2008-09	19.033%	12.164%
2007	2009-10	18.605	11.999
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

Projected County Contributions and UAAL. The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. 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.

The investment losses incurred by CalPERS in 2008 and 2009 impact the County's contribution rates beginning in fiscal year 2011-12. The PERS actuary, in its June 30, 2010 actuarial valuation, stated that the County's contribution rate under the Safety Plan for the fiscal year 2012-13 will be 22.459%, which would result in an approximate 1.173% increase in the contribution rate from fiscal year 2011-12 and projected a 0.34% increase for fiscal year 2013-14. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for fiscal year 2012-13 will be 13.494%, which would result in an approximate 0.382% increase in the contribution rate from fiscal year 2011-12, and projected a 13.7% increase for fiscal year 2013-14. Due to the smoothing methodology used by PERS, the County expects similar rate increases through fiscal year 2014-15 followed by additional but less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.50% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see "– The County's PERS Contract" above. According to the PERS actuary, as of June 30, 2010, the funded status of the Miscellaneous Plan based on its market value of \$2,882,444,152 was 70.4% and the funded status of the Safety Plan based on its market value of \$1,279,783,747 was 70.7%. However, market value and actuarial valuation for purposes of determining UAAL can differ significantly. See the preceding discussion and charts regarding historical funding status.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation

of July 1, 2011, the County's current required contribution level is 1.79%. The County elected to contribute 3.20% to achieve a 90% funded ratio for fiscal year 2011-12. The County's contribution to the Plan was \$1,547,322 for Fiscal Year 2010-11 and is estimated to be \$565,000 for Fiscal Year 2011-12. The Plan's unfunded liabilities as of June 30, 2011 are approximately \$4,015,383.

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

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). These disclosure requirements are effective for the County beginning fiscal year 2007-08.

GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

The County obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2011 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%, the present value of benefits was estimated to be \$49.1 million, the accrued actuarial liability was estimated to be approximately \$40.2 million and the annual normal cost was \$1.2 million. If the accrued actuarial liability of \$40.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would be \$2.5 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional \$2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to approximately \$40.2 million as of July 1, 2011.

Medical Center

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as a Riverside County safety net provider. Declining and inadequate federal and State health care reimbursement and non-payment by the growing uninsured, coupled with rising service needs as a result of the recent economic downturn and costs of an older and sicker population, place significant demands on the County's health care system.

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II trauma facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, Medi-Cal and insurance, in addition to the uninsured.

At June 30, 2012, RCRMC had a cash balance of approximately \$15.72 million. Later this year, once the annual audit is completed, it is anticipated that RCRMC fund balance will be approximately \$67.35 million. RCRMC continued to experience a decline in patient collections in fiscal year 2011-12 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2011-12 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for fiscal year 2011-12 or may be required to reimburse the State for any overpayment received during such fiscal year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2012-13, the County anticipates contributing approximately \$10 million to RCRMC from General Fund tobacco settlement revenues and \$5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses.

In its fiscal year 2012-13 recommended budget, RCRMC originally projected an operating deficit of approximately \$30 million, primarily attributable to uncompensated services provided to uninsured mental health patients and jail inmates. Since the presentation of the fiscal year 2012-13 recommended budget, RCRMC has reduced the projected deficit by approximately \$6.4 million, to \$23.6 million, by working with the sheriff and mental health departments to enroll eligible service recipients in the County's Low Income Health Program, which provides RCRMC with partial reimbursement for services provided. RCRMC is pursuing various other avenues to reduce such operating deficit, including maximizing reimbursement from available sources, implementing cost-saving measures and exploring new revenue opportunities. It is the County's intent that RCRMC's costs of providing services be recovered primarily through fees charged for services with minimal General Fund support, and the County does not intend to provide additional General Fund support to fund RCRMC's projected fiscal year 2012-13 operating deficit.

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 \$1 million for each occurrence and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each claim and insured for the balance to \$20 million for each claim on an occurrence basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance is statutory limits (unlimited) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$610 million in limits. Earthquake coverage (covering scheduled

locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2011 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2012 was approximately \$142 million.

Litigation

There is no action, suit or proceeding known to the County to be pending or threatened, restraining or enjoining the execution or delivery of the Series 2012 Bonds or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

APPENDIX B

**COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2011**

APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE COUNTY AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE COUNTY AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2012 Bonds. The Series 2012 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 Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has 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 and www.dtc.org. The information set forth on such websites is not incorporated by reference.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of

ownership interests in the Series 2012 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 the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds: DTC records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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. The Authority and the County will not have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2012 Bonds of a particular maturity are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2012 Bonds of such maturity to be redeemed. However, the Authority and the County understand that, in the case of a partial redemption of taxable bonds of a particular issue maturing on a particular date that are subject to proportional redemption among owners (such as the Series 2012 Bonds), DTC will reduce the position of each Direct Participant to whose DTC account the taxable bonds of such issue and maturity are credited on a proportional basis, subject to the authorized denominations. In addition, the Authority and the County understand that, in such case, Direct Participants and Indirect Participants to whose accounts interests in such taxable bonds are credited also will reduce the positions of the persons owning beneficial interests in such taxable bonds on a proportional basis, subject to the authorized denominations. None of the Authority, the County or the Trustee can provide any assurance that DTC, the Direct Participants or the Indirect Participants will allocate redemptions of the Series 2012 Bonds of a particular maturity among Beneficial Owners on such a proportional basis.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates 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 or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2012 BONDS (i) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2012 BONDS OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2012 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF THE AUTHORITY, THE COUNTY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SERIES 2012 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2012 BONDS.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority, the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the County believe to be reliable, but the Authority, the County and the Underwriter take no responsibility for the accuracy thereof.

APPENDIX E
FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§
**RIVERSIDE COUNT PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012**

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the COUNTY OF RIVERSIDE (the "County"), for and on behalf of itself and the Riverside County Public Financing Authority (the "Authority"), in connection with the issuance by the Authority of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture, dated as of October 1, 2012 (the "Indenture"), by and among the County, the Authority and Wells Fargo Bank, National Association, as trustee.

The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

"*Annual Report Date*" means February 15.

"*Dissemination Agent*" means the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the County in connection with the issuance of the Bonds.

"Participating Underwriter" means Morgan Keegan & Company, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it 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 the Annual Report Date, commencing February 15, 2013, with the report for the 2011-12 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder.

(b) If the County does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the County shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and 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:

(a) The County's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the County for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(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 budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of 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.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) 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 security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the County or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The County shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the County obtains knowledge of the occurrence of any of these Listed Events, the County will as soon as possible determine if such

event would be material under applicable federal securities law. If such event is determined to be material, the County will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States 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 County, or if such jurisdiction has been assumed by leaving the existing governing 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 County.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. 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(c).

Section 8. 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 Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Any Dissemination Agent may resign by providing 30 days' written notice to the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto

containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information: Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure 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 Disclosure 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 Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the Bond holders or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and

shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2012

COUNTY OF RIVERSIDE

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Riverside County Public Financing Authority

Name of Issue: Riverside County Public Financing Authority Lease Revenue
Refunding Bonds (County Facilities Projects), Series 2012

Date of Issuance: _____, 2012

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2012. The County anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____