

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

\$1,780,000

**REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
LIMITED OBLIGATION IMPROVEMENT BONDS**

Dated: Date of Delivery**Due: September 2, as shown below**

The Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds (the "Bonds") are limited obligations of the County of Riverside, California (the "County") secured by special reassessments to be levied on real property located within the County's Reassessment District No. 168 (Rivercrest) of the County of Riverside (the "Reassessment District").

The Bonds are issued pursuant to provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915 and an Indenture dated as of August 1, 2012 (the "Indenture") by and between the County and U.S. Bank National Association as Trustee (the "Trustee"). Proceeds from the sale of the Bonds will be used to (i) redeem the Assessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds, currently outstanding in the aggregate principal amount of \$2,495,000, (ii) fund a Reserve Fund, and (iii) pay the costs of issuing the Bonds.

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") in denominations of \$5,000 and any integral multiple thereof. Interest is payable on March 2, 2013, and semiannually thereafter on September 2 and March 2 of each year. Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal and interest on the Bonds will be paid by the Trustee directly to DTC as registered owner of the Bonds. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds are subject to redemption prior to maturity as described under "THE BONDS—Redemption of Bonds."

Under the provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual Bond debt service will be billed by the County of Riverside (the "County") to owners of property within the Reassessment District against which there are unpaid reassessments. Upon receipt by the County, these annual installments are to be paid into the Redemption Fund to be held by the Trustee and used to pay debt service on the Bonds as it becomes due.

Unpaid reassessments constitute fixed liens on the lots and parcels assessed within the Reassessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be had only against the real property securing the delinquent reassessment. Thus, the value of land within the Reassessment District is a critical factor in determining the investment quality of the Bonds. See "THE REASSESSMENT DISTRICT—Estimated Assessed Value-to-Lien Ratio."

The Trustee will establish a Reserve Fund and deposit Bond proceeds in the amount of the Reserve Requirement to provide funds for payment of principal and interest on the Bonds in the event of any delinquent reassessments. The County's obligation to advance funds to the Redemption Fund as a result of delinquent installments is limited to the balance in the Reserve Fund. The County has covenanted to initiate judicial foreclosure in the event of a delinquency as further described herein. See "SECURITY FOR THE BONDS—Covenant to Commence Superior Court Foreclosure."

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds, and the payment thereof is not secured by any encumbrance, mortgage or other pledge of property of the County except the pledge of the reassessments and moneys on deposit in the Redemption Fund and Reserve Fund. The County has determined not to advance available funds from its treasury in the event of delinquencies in the payment of reassessments.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including, without limitation, "SPECIAL RISK FACTORS," to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†]</i>	<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†]</i>
2013	100,000	1.000%	1.340%	76911PMF6	2020	125,000	5.000	3.730%	76911PMN9
2014	105,000	2.000	1.940	76911PMG4	2021	135,000	3.625	3.870	76911PMP4
2015	110,000	2.000	2.430	76911PMH2	2022	135,000	3.750	4.000	76911PMQ2
2016	110,000	2.500	2.730	76911PMJ8	2023	145,000	4.000	4.120	76911PMR0
2017	110,000	2.750	2.970	76911PMK5	2024	150,000	4.000	4.220	76911PMS8
2018	115,000	5.000	3.230	76911PML3	2025	155,000	4.000	4.310	76911PMT6
2019	120,000	5.000	3.490	76911PMM1	2026	165,000	4.125	4.350	76911PMU3

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the County with respect to the Bonds. Certain legal matters will be passed on for the County by the County Counsel and for the Underwriter by Nossaman LLP, Irvine, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about August 23, 2012.



Dated: August 9, 2012

[†] Copyright 2012, American Bankers Association. CUSIP® data herein is provided by Standard & Poor's, CUSIP® Service Bureau, a division of The McGraw-Hill Companies, Inc. The County and the Underwriter take no responsibility for the accuracy of such data.

**COUNTY OF RIVERSIDE
STATE OF CALIFORNIA**

BOARD OF SUPERVISORS

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

COUNTY OFFICIALS

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

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

REASSESSMENT ENGINEER

Albert A. Webb Associates
Riverside, California

DISCLOSURE COUNSEL

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

TRUSTEE

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

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

This Official Statement is not to be construed as a contract with the purchasers or Beneficial Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board, or a nationally recognized municipal securities depository.

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, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in APPENDIX D—"BOOK-ENTRY ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company, and no representation has been made by the County or the Underwriter as to the accuracy or completeness of such information.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the County. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or 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 County for further information in connection therewith.

A wide variety of other information, including financial information, concerning the County, is available from publications and websites of the County and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

Cautionary Information Regarding Forward-Looking Statements in the Official Statement

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached as Exhibit E, the County does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of such bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state.

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REASSESSMENT DIAGRAM

SHEET 1 OF 1 SHEET

FILED IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, THIS ____ DAY OF _____, 20__.

CLERK OF THE BOARD OF SUPERVISORS

A REASSESSMENT WAS LEVIED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE ON THE LOTS, PIECES, AND PARCELS OF LAND SHOWN ON THE REASSESSMENT DIAGRAM. SAID REASSESSMENT WAS LEVIED ON THE ____ DAY OF _____, 20__. SAID REASSESSMENT DIAGRAM AND THE REASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE COUNTY OF RIVERSIDE ON THE ____ DAY OF _____, 20__. REFERENCE IS MADE TO THE REASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF SAID COUNTY FOR THE EXACT AMOUNT OF EACH REASSESSMENT LEVIED AGAINST EACH PARCEL SHOWN ON THE REASSESSMENT DIAGRAM.

CLERK OF THE BOARD OF SUPERVISORS

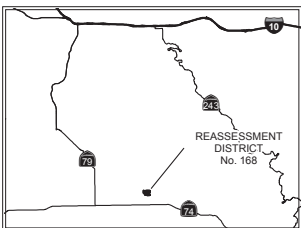
RECORDED THIS ____ DAY OF _____, 20__ AT THE HOUR OF ____ O'CLOCK ____ M IN BOOK ____ PAGE(S) ____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEE: ____ NO.: ____
LARRY W. WARD, ASSESSOR, COUNTY CLERK, RECORDER

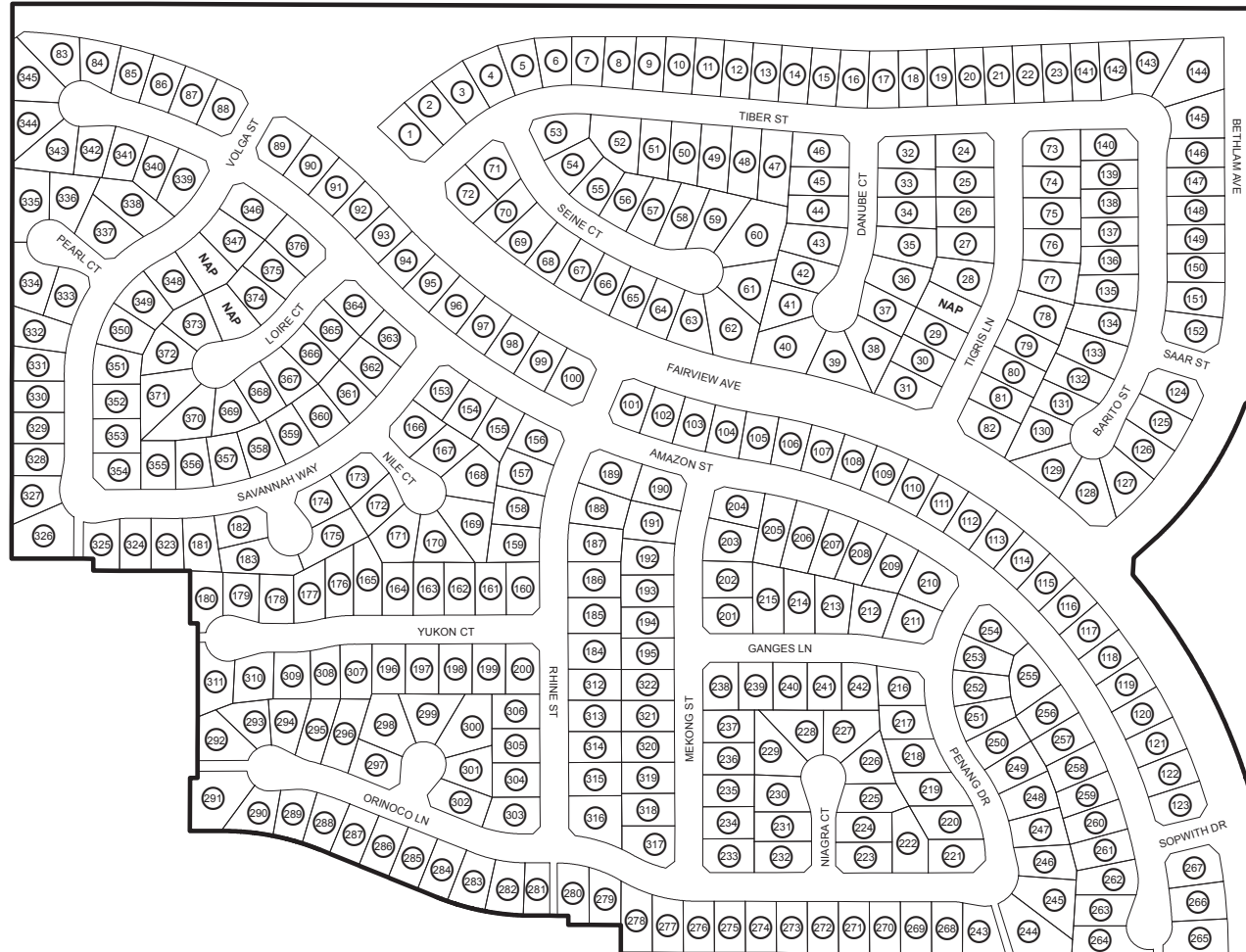
BY: ____ DEPUTY

FILED IN THE OFFICE OF THE SUPERINTENDANT OF THE COUNTY OF RIVERSIDE THIS ____ DAY OF _____, 20__.

SUPERINTENDENT OF STREETS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



REASSESSMENT DISTRICT NO. 168 (RIVERCREST) COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



LEGEND

- REASSESSMENT DISTRICT BOUNDARY
- PARCEL BOUNDARY
- XXX REASSESSMENT NUMBER



0 250 500 1,000 Feet

ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE REASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.

W.O. 12-0120

SUMMARY STATEMENT

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION IN THE ENTIRE OFFICIAL STATEMENT INCLUDING THE COVER PAGE AND APPENDICES HERETO AND THE OFFERING OF THE BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Purpose Proceeds of the \$1,780,000 principal amount of the Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds (the “Bonds”), and certain other monies are to be used to (i) redeem the Assessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds currently outstanding in the aggregate principal amount of \$2,495,000 (the “Prior Bonds”) on September 2, 2012, (ii) fund a debt service reserve fund, and (iii) pay the costs of issuing the Bonds. See “THE FINANCING PLAN.”

The Prior Bonds were issued pursuant to the Improvement Bond Act of 1915 (being Division 10 of the California Streets and Highways Code) (the “1915 Act”) to acquire and construct certain storm drain improvements owned and maintained by the Riverside County Flood Control and Water Conservation District and certain street improvements owned and maintained by the County of Riverside, on Fairview Avenue and Bethlehem Avenue (collectively, the “Improvements”) benefiting the properties within the Reassessment District No. 168 (Rivercrest) of the County of Riverside (the “Reassessment District”).

The Reassessment District The Reassessment District is fully developed and consists of 376 completed single family detached homes. The Reassessment District consists of approximately 106 acres located in the County near the City of San Jacinto, on the north and south side of Fairview Avenue, east of Chicago Avenue in Valle Vista. The Reassessment District is approximately one-half mile north of Highway 74 and one-half mile east of the Ramona Expressway.

Security for the Bonds The Bonds are being issued pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (being Division 11.5 of the California Streets and Highways Code) (the “Refunding Act”) and will be secured by a pledge of reassessments levied within the Reassessment District by the Board of Supervisors of the County (the “Board of Supervisors”) under the proceedings taken pursuant to the Refunding Act and Resolution No. 2012-175, adopted by the Board of Supervisors on July 31, 2012 (the “Resolution of Intention”) (the “Reassessments”) and received by the County in each Fiscal Year, but excluding levied amounts collected by the County for the payment of administration expenses. The unpaid Reassessments and interest and any penalties represent fixed liens on the assessed parcels. They do not, however, constitute a personal indebtedness of the owners of such parcels.

Semi-annual installments of Reassessments sufficient to meet annual debt service on the Bonds will be billed by the County to owners of parcels within the Reassessment District against which there are unpaid Reassessments. Upon receipt by the County, these Reassessments are to be deposited into the Redemption Fund, which shall be held by the Trustee and used to pay Bond principal and interest as they become due. The Reassessments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the unpaid Reassessment against that parcel bears to the total of unpaid Reassessments levied to repay the Bonds.

The Trustee will deposit \$171,806.26 from Bond proceeds into a Reserve Fund (the “Reserve Fund”). The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Reassessments. **The County’s obligation to advance funds to the Redemption Fund in the event of delinquent Reassessments is limited to the balance in the Reserve Fund. Pursuant to the Indenture, the County has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessments are paid or proceeds from foreclosure sales are realized.** See “SECURITY FOR THE BONDS—Reserve Fund.”

The County covenants that the County will commence appropriate judicial foreclosure proceedings against parcels with total Reassessment delinquencies in excess of \$2,300 (not including interest and penalties thereon) by the October 1 following the close of each Fiscal Year in which the last of such Reassessments were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Reassessments by the October 1 following the close of each Fiscal Year in which it receives Reassessments in an amount which is less than 95% of the total Reassessments levied in such Fiscal Year, and diligently pursue to completion such foreclosure proceedings; provided, however, that, notwithstanding the foregoing, the County may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys’ fees related to a Reassessment delinquency, if permitted by law. Notwithstanding the foregoing, in certain instances the amount of a Reassessment delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Reassessment delinquency and in such cases foreclosure proceedings may be delayed by the County until there are sufficient Reassessment delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost.

Redemption

Bonds may be called for optional redemption as described under “THE BONDS—Redemption of Bonds—*Optional Redemption*,” plus accrued interest to the date of redemption or date of payment if surrendered earlier. The Bonds are also subject to redemption on any Interest Payment Date as selected by the County from moneys derived by the County from Reassessment prepayments, at the redemption prices shown on the table under “THE BONDS—Redemption of Bonds—*Mandatory Redemption from Reassessment Prepayments*,” plus accrued interest to the date of redemption. The Bonds are also subject to mandatory redemption from Reassessment prepayments. See “THE BONDS—Redemption of Bonds—*Mandatory Redemption from Reassessment Prepayments*.”

Assessed Values and Value-to-Lien Ratios

The aggregate assessed value of the parcels in the Reassessment District, with unpaid Reassessments, as shown on the Riverside County Assessor’s roll for fiscal year 2012-13 is \$55,684,459. The ratio of the assessed value of such parcels to the total amount of the unpaid Reassessments and direct and overlapping debt secured by *ad valorem* taxes, special taxes and assessments on such parcels is approximately 19.04-to-1. See “THE REASSESSMENT DISTRICT—Estimated Assessed Value-to-Lien Ratio.”

Special Risk Factors

Unpaid Reassessments do not constitute a personal indebtedness of the owners of the parcels within the Reassessment District. There is no assurance the owners will be able to pay the Reassessments or that they will pay such Reassessments even though financially able to do so.

Because the County has not obligated itself to advance funds to pay Bond debt service in the event of delinquent Reassessments, failure by owners of the parcels to pay Reassessments when due, depletion of the Reserve Fund, or the inability of the County to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Reassessments levied against such parcels may result in the inability of the County to make full or punctual payments of debt service on the Bonds, and owners of the Bonds would therefore be adversely affected. See “SPECIAL RISK FACTORS.”

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\$1,780,000
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
LIMITED OBLIGATION IMPROVEMENT BONDS

THE FINANCING PLAN

Refunding of Prior Bonds

A portion of the proceeds from the sale of the Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds (the “Bonds”), together with other available funds, will be deposited into an escrow fund (the “Escrow Fund”) held by U.S. Bank National Association, acting as prior fiscal agent and as escrow bank (the “Escrow Agent”), pursuant to an Escrow Agreement dated as of August 1, 2012 by and between the County and the Escrow Agent. Amounts on deposit in the Escrow Fund will be held uninvested and will be irrevocably committed to be used to redeem the Assessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds in the original aggregate principal amount of \$3,620,000 and currently outstanding in the aggregate principal amount of \$2,495,000 (the “Prior Bonds”) on September 2, 2012 (the “Redemption Date”), at a redemption price equal to 100% of the principal amount of the Prior Bonds to be redeemed, together with accrued interest to the date of redemption, without premium. Amounts on deposit in the Escrow Fund are pledged to the payment of the Prior Bonds and are not available to pay debt service on the Bonds.

Grant Thornton LLP, upon delivery of the Bonds, will deliver a verification report relating to the sufficiency of moneys deposited into the Escrow Fund to pay the principal of, interest on and the redemption price with respect to the Prior Bonds on the Redemption Date.

Sources and Uses of Funds

The Trustee will receive the proceeds from the sale of the Bonds upon delivery of such Bonds to the purchasers of the Bonds. The proceeds of the Bonds, together with other available funds, will be applied as set forth in the following table:

Sources and Uses of Funds

SOURCES:

Par Amount of Bonds	\$ 1,780,000.00
Net Original Issue Premium	10,994.70
Funds on Hand	<u>1,143,554.56</u>
Total Sources	<u>\$ 2,934,549.26</u>

USES:

Escrow Fund	\$ 2,576,517.50
Reserve Fund	171,806.26
Costs of Issuance ⁽¹⁾	154,185.50
Underwriter's Discount	<u>32,040.00</u>
Total Uses	<u>\$ 2,934,549.26</u>

⁽¹⁾ Includes Bond Counsel fees, Financial Advisor fees, Disclosure Counsel fees, Reassessment Engineer fees, Verification Agent fees, Trustee and Escrow Agent fees and expenses, and other miscellaneous costs.

THE BONDS

Authority for Issuance

The Board of Supervisors previously formed Assessment District No. 168 (Rivercrest) (the “Prior District”) pursuant to the Municipal Improvement Act of 1913 (being Division 12 of the California Streets and Highways Code) (the “1913 Act”), for the purpose of financing the Improvements. In order to provide funds to finance the Improvements, the County previously issued the Prior Bonds payable from the special assessments levied within the Prior District, pursuant to the 1915 Act. The County is authorized by the Refunding Act to issue its Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds in the aggregate principal amount of \$1,780,000 (the “Bonds”) for the purpose of refunding the Prior Bonds and to provide for the levy and collection of the reassessments within the Reassessment District by the Board of Supervisors of the County under the proceedings taken pursuant to the Refunding Act and the Resolution of Intention (the “Reassessments”) as security for the Bonds. The Bonds are being issued pursuant to Resolution No. 2012-179 adopted by the Board of Supervisors on July 31, 2012 (the “Bond Resolution”) and an Indenture, dated as of August 1, 2012 (the “Indenture”), by and between the County and U.S. Bank National Association, as Trustee (the “Trustee”).

Description of the Bonds

The Bonds are dated as of their date of delivery and will mature in the amounts and on the dates set forth on the cover hereof. Interest will be paid at the rates set forth on the cover commencing on March 2, 2013, and semiannually thereafter on March 2 and September 2 of each year (each an “Interest Payment Date”) until maturity. The Bonds are issued only as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds will be executed and delivered as fully registered Bonds in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. The principal of and interest with respect to the Bonds will be paid directly to Cede & Co. by the Trustee as long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds. For information relating to DTC and the DTC book-entry system as it relates to the Bonds, see APPENDIX D—“BOOK-ENTRY ONLY SYSTEM.”

Principal and redemption premium, if any, will be payable at the principal corporate trust office of the Trustee on presentation of the Bonds. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless otherwise specified in the Indenture. See APPENDIX B—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The total amount of Reassessments levied in the Reassessment District is \$1,780,000.

Redemption of Bonds

Optional Redemption. The Bonds maturing on or after September 2, 2023 are subject to optional redemption, in whole on any date or in part in denominations of \$5,000 and any integral multiple thereof on any Interest Payment Date on or after September 2, 2022, from any source of available funds, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Redemption From Reassessment Prepayments. The Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date on or after March 2, 2013, from and to the extent of any prepayment of Reassessments, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
March 2, 2013 through March 2, 2020	103%
September 2, 2020 and March 2, 2021	102
September 2, 2021 and March 2, 2022	101
September 2, 2022 and each Interest Payment Date thereafter	100

Pursuant to Streets and Highways Code Section 8768, the County shall select Bonds for retirement in such a way that the ratio of outstanding Bonds to issued Bonds shall be approximately the same in each maturity insofar as possible. Within any one maturity, the County shall select Bonds by lot.

Notice of Redemption. So long as the Bonds are held by DTC, all notices of redemption will be sent only to DTC in accordance with its procedures and will not be delivered to any Beneficial Owner. The Trustee is obligated to mail, at least 30 days but not more than 60 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the original purchasers of the Bonds and the registered Owners of the Bonds at the addresses appearing on the Bond registration books. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) state the date of the notice; (vi) state that interest on the Bonds selected for redemption will not accrue from and after the date fixed for redemption; and (vii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee.

So long as notice by first class mail has been provided as set forth above, the actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent to redemption. Neither the failure to receive such notice nor any defect in such notice will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the principal of and premium, if any, on the Bonds on the date fixed for redemption (the "Redemption Price"), and accrued interest on, the Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the County shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Bonds pursuant to such notice of redemption.

Effect of Redemption. When notice has been mailed as provided in the Indenture, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

Redemption Fund

As soon as practicable after the receipt by the County of Reassessments, together with interest thereon, and any other amounts required to be deposited in the Redemption Fund by the Indenture or the Bond Act (excluding amounts collected for the payment of Administrative Expenses), the County will transfer such amounts to the Trustee for deposit in the Redemption Fund; provided, however, that, with respect to any such Reassessments that represent prepaid Reassessments that are to be applied to the redemption of Bonds, such prepaid Reassessments, the portion of such prepaid Reassessments to be applied to the Redemption Price of and interest on the Bonds to be redeemed will be identified as such in a Written Certificate of the County delivered to the Trustee at the time such prepaid Reassessments are transferred to the Trustee and will be deposited by the Trustee in the Redemption Fund.

On each Interest Payment Date, the Trustee will withdraw from the Redemption Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable. In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Redemption Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee will withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and will transfer any amounts so withdrawn to the Redemption Fund.

In the event that, on an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee will apply available funds therein in accordance with the provisions of the Indenture. See APPENDIX B—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default and Remedies.”

The Trustee will deposit in the Prepayment Account amounts received from the County in connection with the County’s exercise of its rights to optionally redeem Bonds. As soon as practicable after the receipt by the County of prepaid Reassessments, but in any event not later than ten Business Days after such receipt, the County will transfer the portion of such prepaid Reassessments to be applied to the Redemption Price of the Bonds to be redeemed from such prepaid Reassessments to the Trustee for deposit in the Prepayment Account.

Amounts in the Prepayment Account will be disbursed therefrom for the payment of the Redemption Price of Bonds redeemed pursuant to the optional redemption or mandatory redemption from Reassessment prepayment provisions of the Indenture, as applicable. Any surplus remaining in the Prepayment Account will be used by the County to advance the maturity of the Bonds as provided in Part 11.1 of the 1915 Act.

Reserve Fund

There will be deposited into the Reserve Fund from the proceeds of the sale of the Bonds an amount equal to \$171,806.26, which is equal to the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service (the “Reserve Requirement”).

Moneys in the Reserve Fund shall be held by the Trustee for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as otherwise provided in the Indenture, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium, if any, on the Bonds or transfers of moneys on deposit in the Reserve Fund in excess of the Reserve Requirement, or for the purpose of redeeming Bonds.

In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Redemption Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee will withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and will transfer any amounts so withdrawn to the Redemption Fund.

Whenever a Reassessment is prepaid, in whole or in part, the Trustee, pursuant to a Written Request of the County, will transfer from the Reserve Fund to the Prepayment Account an amount, specified in such Written Request, equal to the product of the ratio of the original amount of the Reassessment, or portion thereof, so prepaid to the original amount of all unpaid Reassessments, times the initial Reserve Requirement.

Whenever Bonds are to be optionally redeemed pursuant to the Indenture, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund will, on the date on which amounts to redeem such Bonds are deposited in the Prepayment Account or otherwise deposited with the Trustee pursuant to the Indenture, be transferred by the Trustee from the Reserve Fund to the Prepayment Account or to such deposit held by the Trustee and will be applied to the redemption of said Bonds; provided, however, that such amount will be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed). Such proportionate share will be equal to the largest integral multiple of \$5,000 that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

Proceeds from redemption or sale of properties, if and to the extent that payment of delinquent Reassessments and interest thereon was made from the Reserve Fund, will be credited to the Reserve Fund.

Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Reassessments will be discontinued and the Reserve Fund will be liquidated by the Trustee in retirement of the Outstanding Bonds, as directed by a Written Request of the County. In the event that the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Bonds, the excess will, after payment of amounts due to the Trustee, be transferred to the County to be used in accordance with the 1915 Act.

If as a result of the scheduled payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, the Trustee will transfer to the Redemption Fund an amount equal to the amount by which the amount on deposit in the Reserve Fund exceeds such reduced Reserve Requirement. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Rebate Fund

All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. On or before November 1 of each year, the County will deliver to the Trustee a Written Certificate of the County specifying the amount of the then applicable Rebate Requirement. Any amount in the Rebate Fund in excess of the Rebate Requirement on November 1 of each year will be withdrawn from the Rebate Fund by the Trustee and will be deposited in the Earnings Fund.

Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any Rebate Requirement, will, upon receipt by the Trustee of a Written Request of the County, be withdrawn by the Trustee and remitted to the County.

Administrative Expense Fund

As soon as practicable after the receipt by the County of amounts collected with the Reassessments for Administrative Expenses, but in any event not later than ten Business Days after such receipt, the County will transfer such amounts to the Trustee for deposit in the Administrative Expense Fund and the Trustee will so deposit such amounts so received. The moneys in the Administrative Expense Fund will be used and withdrawn by the Trustee from time to time to pay the Administrative Expenses. To the extent moneys are not otherwise available therefor in the Earnings Fund, amounts in the Administrative Expense Fund will, at the Written Request of the County, be transferred by the Trustee to the Rebate Fund.

Earnings Fund

The Trustee will deposit in the Earnings Fund the amounts required to be deposited under the Indenture. See “—Rebate Fund” and APPENDIX B—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” At least annually on or before November 1 of each year, if the amount on deposit in the Rebate Fund is less than the Rebate Requirement, the County will deliver to the Trustee a Written Request of the County directing the Trustee to transfer from the Earnings Fund to the Rebate Fund the amount specified in such Written Request (which will be an amount sufficient to cause the amount on deposit in the Rebate Fund to be equal to the Rebate Requirement), and the Trustee will so transfer such amount. On November 2 of each year, after having made any requested transfer to the Rebate Fund, the Trustee will transfer any amount in the Earnings Fund, first, to the Reserve Fund in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement and, second, to the Redemption Fund.

Investments

Moneys in any of the funds or accounts established pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the County received by the Trustee no later than two Business Days prior to the making of such investment. Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds. Absent a timely Written Request of the County with respect to the investment of moneys in any of the funds or accounts established pursuant to the Indenture, the Trustee shall invest such moneys in money market funds rated “AAAm” or “AAAm-G” or better by Standard & Poor’s. See APPENDIX B—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Annual Debt Service

Table 1, below, sets forth the annual debt service on the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement assuming no optional redemption or mandatory redemption from Reassessment prepayments.

TABLE 1
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
LIMITED OBLIGATION IMPROVEMENT BONDS
Annual Debt Service

<i>Bond Year Ending September 2</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 100,000	\$ 65,433.44	\$ 165,433.44
2014	105,000	62,837.50	167,837.50
2015	110,000	60,737.50	170,737.50
2016	110,000	58,537.50	168,537.50
2017	110,000	55,787.50	165,787.50
2018	115,000	52,762.50	167,762.50
2019	120,000	47,012.50	167,012.50
2020	125,000	41,012.50	166,012.50
2021	135,000	34,762.50	169,762.50
2022	135,000	29,868.76	164,868.76
2023	145,000	24,806.26	169,806.26
2024	150,000	19,006.26	169,006.26
2025	155,000	13,006.26	168,006.26
2026	<u>165,000</u>	<u>6,806.26</u>	<u>171,806.26</u>
Totals	<u>\$1,780,000</u>	<u>\$572,377.24</u>	<u>\$ 2,352,377.24</u>

Source: De La Rosa & Co.

SECURITY FOR THE BONDS

General

The Bonds are issued upon and secured by a pledge of the Reassessments (including prepayments thereof) and any other amounts held in the Redemption Fund and the Reserve Fund. Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund.

The payment of the amount of the Reassessments, interest and any penalties and collection costs is secured by a reassessment lien upon the applicable property in the Reassessment District. Such lien is coequal with the latest lien to secure the payment of general ad valorem property taxes, is not subject to extinguishment by the sale of any property on account of the non-payment of general property taxes, and is prior and superior to all liens, claims, encumbrances and titles other than the liens of assessments, special taxes and general property taxes. The Reassessments are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and, as received by the County, will immediately be subject to the lien of such pledge. Although the unpaid Reassessments constitute liens upon the parcels assessed, they do not constitute a personal indebtedness of the owners of said parcels. There can be no assurance as to the financial or legal ability, or the willingness, of such property owners to pay the unpaid reassessments.

The failure of a property owner to pay Reassessments will not result in an increase in Reassessments applicable to other parcels within the Reassessment District.

The unpaid Reassessments will be collected in semi-annual installments, together with interest on the declining balances, on the County tax roll on which general taxes on real property are collected, and the unpaid Reassessments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the Reassessment parcels are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. See also the section below entitled “—Covenant to Commence Superior Court Foreclosure.”

Reserve Fund

The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Reassessments. See “THE BONDS—Reserve Fund” herein. **The County’s obligation to advance funds to the Redemption Fund in the event of delinquent Reassessments is limited to the balance in the Reserve Fund. Pursuant to the Indenture, the County has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessments are paid or proceeds from foreclosure sales are realized.** However, the determination by the County not to obligate itself to advance available funds to cure delinquencies will not prevent the County from, in its sole discretion, advancing such funds.

Covenant to Commence Superior Court Foreclosure

The County has covenanted to institute judicial foreclosure in the event of a delinquency and thereafter to prosecute diligently to completion, court foreclosure proceedings upon the lien of any and all delinquent Reassessments and interest as further described below.

Pursuant to Part 14 of Division 10 of the California Streets and Highways Code, as amended, in the event any Reassessment is not paid when due, the County may order the institution of a court action to foreclose the lien of the delinquent unpaid Reassessments. In such an action, the property subject to the unpaid Reassessments may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. However, the County covenants that the County will commence appropriate judicial foreclosure proceedings against parcels with total Reassessment delinquencies in excess of \$2,300 (not including interest and penalties thereon) by the October 1 following the close of each Fiscal Year in which the last of such Reassessments were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Reassessments by the October 1 following the close of each Fiscal Year in which it receives Reassessments in an amount which is less than 95% of the total Reassessments levied in such Fiscal Year, and diligently pursue to completion such foreclosure proceedings; provided, however, that, notwithstanding the foregoing, the County may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys’ fees related to a Reassessment delinquency, if permitted by law. Notwithstanding the foregoing, in certain instances the amount of a Reassessment delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Reassessment delinquency and in such cases foreclosure proceedings may be delayed by the County until there are sufficient Reassessment delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost.

Judicial Foreclosure Proceedings. The 1915 Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Reassessments to be sold for an amount not less than all Reassessments, interest, penalties, costs, fees, and other charges that are delinquent at the time the foreclosure action is ordered, and certain other fees and amounts as provided therein (the “Minimum Price”). The court may also include subsequent delinquent Reassessments and all other delinquent amounts.

The County may, at its discretion, but is not required to, become the purchaser of any property sold in a foreclosure proceeding. If the County becomes the purchaser, it shall pay into the Redemption Fund an

amount necessary to satisfy the judgment, less any advances by the County to cover delinquent Reassessments plus simple interest on such net amount, at the interest rates borne by the Bonds, from the dates of delinquency. Unless such property is subsequently resold, the County must transfer to the Redemption Fund any future Reassessments pending redemption. The County may thereupon be reimbursed for any amount advanced from the County to the Redemption Fund to cover such future Reassessments with respect to the property so sold from the proceeds of such sale.

If the property is sold to a purchaser other than the County, the County shall deposit the proceeds from the sale of the property into the Redemption Fund. From such amount, the County shall reimburse the Reserve Fund the amount, if any, of funds advanced from the Reserve Fund to the Redemption Fund to cover the delinquent Reassessments with respect to the property which is sold. After reimbursement of the Reserve Fund, the County may be reimbursed for any other amounts advanced from it to the Redemption Fund to cover delinquent Reassessments and interest with respect to the property sold in such proceedings. Any funds in excess of the amount necessary to reimburse the County may be applied by the County to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sales proceeds.

If the property to be sold fails to sell for the Minimum Price, the County may petition the court to modify the judgment so that the property may be sold at a lesser price or without a Minimum Price. "Minimum Price" as used in the 1915 Act is the amount equal to the delinquent installments of principal or interest of the reassessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. Notice of the hearing on such petition must be given to all Bondowners. In certain circumstances, the court may modify the judgment after the hearing to permit the sale of the property at a price lower than the Minimum Price if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to Bondowners or that Bondowners of at least 75% of the principal amount of Bonds outstanding have consented to the petition and certain other circumstances described in the statute exist. Neither the property owner nor any holder of a security interest in the property nor any defendant in the foreclosure action may purchase the property at the foreclosure sale for less than the Minimum Price.

A period of 140 days must elapse after the date notice of levy of the interest in real property is served on the judgment debtor before the sale of such lot or parcel with not more than 4 dwelling units can be made. However, pursuant to Streets and Highways Code Section 8832, the 140 day period may be shortened to 20 days for undeveloped property. If the judgment debtor fails to redeem, and if the purchaser at the sale is the judgment creditor (e.g., the County), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the repeal of the one year redemption period has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the County of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See the section herein entitled "SPECIAL RISK FACTORS."

Covenants with Respect to Arbitrage and Maintenance of Tax Exemption

During the term of the Bonds, the County covenants and agrees that it will make no use of Bond proceeds which, if such use had been reasonably expected at the date the Bonds are issued, would have caused the Bonds to be "arbitrage bonds" within the meaning of the United States Internal Revenue Code of 1986 (the "Code"), and regulations of the Internal Revenue Service authorized thereby, and further will rebate to the United States any amounts actually earned as rebatable arbitrage in accordance with the provisions of the Code and such regulations.

Bonds Create a Lien

The Reassessments and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same is paid. Such lien has priority over all private liens and over all fixed special reassessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general and special taxes.

Limited County Obligation Upon Delinquency

The County's obligation to advance monies to pay Bond debt service in the event of delinquent Reassessments is limited to the balance in the Reserve Fund.

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

No Additional Bonds

The County shall not issue or incur any bonds, notes or other obligations payable from the Reassessments, except the Bonds.

THE REASSESSMENT DISTRICT

Description

The Reassessment District is fully developed and consists of 376 completed single family detached homes. The Reassessment District consists of approximately 106 acres located in the County near the City of San Jacinto, on the north and south side of Fairview Avenue, east of Chicago Avenue in Valle Vista. The Reassessment District is approximately one-half mile north of Highway 74 and one-half mile east of the Ramona Expressway. Three parcels within the prior assessment district previously prepaid the assessments with respect to such parcels.

Proceeds from the sale of the Prior Bonds financed storm drain improvements owned and maintained by the Riverside County Flood Control and Water Conservation District and certain street improvements owned and maintained by the County, on Fairview Avenue and Bethlehem Avenue, benefiting the properties within the Reassessment District.

Reassessments

On July 31, 2012, the Board of Supervisors took proceedings under the Refunding Act of 1984 for 1915 Act Improvement Bonds and confirmed a reassessment, which reassessment and a related diagram were recorded in the office of the County Recorder, with the County Recorder of the County of Riverside, acting as the Superintendent of Streets. A notice of reassessment, as prescribed in Section 3114 of the Streets and Highways Code, has been recorded with the County Recorder of the County of Riverside, whereupon the reassessment attached as a lien upon the property assessed within the Reassessment District as provided in Section 3115 of the Streets and Highways Code.

The amounts assessed against the parcels of property to pay the costs and expenses of the work and improvements have been based on the estimated benefits to be derived by the various properties within the Reassessment District.

Estimated Direct and Overlapping Indebtedness

Within the Reassessment District's boundaries are numerous overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and assessments on the parcels within the Reassessment District and others have authorized but unissued bonds which, if issued, will be secured by taxes and assessments levied on parcels within the Reassessment District. The approximate amount of the direct and overlapping debt secured by such taxes and assessments on the parcels within the Reassessment District for Fiscal Year 2011-12 is shown in Table 2 below (the "Debt Report").

The Debt Report has been derived from data assembled and reported to the Reassessment District by Albert A. Webb Associates. Neither the County nor the Underwriter has independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
Secured Property Tax Roll and
Direct and Overlapping Debt

I. ASSESSED VALUE

2012-13 Certified Roll Assessed Valuation⁽¹⁾ \$55,684,459

II. SECURED PROPERTY TAX ROLL

<i>Description of Tax Bill</i>	<i>Type</i>	<i>Parcels Levied</i>	<i>Total Levy</i>	<i>% Applicable</i>	<i>Parcels in AD 168⁽³⁾</i>	<i>Levy Amount in AD 168</i>
GENERAL PURPOSE	1%	887,116	\$1,868,507,661	0.030%	373	\$564,888
HEMET UNIFIED SCHOOL DISTRICT (0.12536%)	GO	56,714	9,043,860	0.783	373	70,813
METRO WATER EAST 1301999 (0.00370%)	GO	485,124	4,393,641	0.048	373	2,088
METRO WATER DIST STANDBY EAST	WTR	237,882	2,810,655	0.093	376	2,609
EMWD STANDBY-COMBINED CHG	WTR	240,359	5,564,142	0.067	373	3,730
LAKE HEMET MUNICIPAL WATER IMP U-2 STANDBY	WTR	1,850	10,112	13.104	265	1,325
FLOOD CONTROL NPDES - SANTA ANA	BAA	365,775	2,427,864	0.058	376	1,399
CSA #91 LIGHTS	LMD	2,603	134,756	15.190	375	20,469
CSA #152 STREET SWEEPING	LMD	58,796	1,512,888	1.021	375	15,453
VALLEY-WIDE REGIONAL FACILITIES LMD 88-1	LMD	66,340	1,115,419	0.746	376	8,325
VALLEY-WIDE RIVERCREST ZONE	LMD	379	34,034	99.208	376	33,765
ASSESSMENT DISTRICT NO. 168 (RIVERCREST)	AD	376	258,100	100.000	376	<u>258,100</u>
FISCAL YEAR 2011-12 PROPERTY TAX						\$982,965
TOTAL PROPERTY TAX AS A PERCENTAGE OF 2012-13 ASSESSED VALUATION						1.77%

III. LAND SECURED BOND INDEBTEDNESS

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels in AD 168⁽³⁾</i>	<i>Amount Applicable</i>
REASSESSMENT DISTRICT NO. 168 (RIVERCREST)	AD	\$3,620,000	\$1,780,000	100.000%	376	<u>\$1,780,000</u>
TOTAL LAND SECURED BONDED DEBT⁽²⁾						\$1,780,000

IV. GENERAL OBLIGATION BOND INDEBTEDNESS

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels in AD 168⁽³⁾</i>	<i>Amount Applicable</i>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$196,545,000	0.002835%	373	\$ 5,572
HEMET UNIFIED SCHOOL DISTRICT	GO	160,000,000	143,320,000	0.794631	373	<u>1,138,865</u>
TOTAL GENERAL OBLIGATION DEBT⁽²⁾						\$1,144,437

<i>Authorized But Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels in AD 168⁽³⁾</i>	<i>Amount Applicable</i>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$0	0.002835%	373	\$ 0
HEMET UNIFIED SCHOOL DISTRICT	GO	209,000,000	49,000,000	0.794631	373	<u>389,369</u>
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS⁽²⁾						\$389,369

TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS⁽²⁾ **\$1,533,806**

TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT⁽²⁾ **\$2,924,437**

TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS⁽²⁾ **\$3,313,806**

IV. Ratios to 2012-13 Assessed Valuation

Outstanding Land Secured Bonded Debt 31.28:1
Total Outstanding Bonded Debt 19.04:1

⁽¹⁾ Fiscal Year 2012-13 Certified Roll Assessed Valuation, Riverside County Assessor's Office.

⁽²⁾ Albert A. Webb Associates is not aware of any additional bonded debt for parcels in the Reassessment District for the referenced Fiscal Year 2012-13.

⁽³⁾ As of Fiscal Year 2002-03, all parcels had subdivided.

Source: Albert A. Webb Associates.

Expected Tax Burden

The following table sets forth estimated Fiscal Year 2011-12 property tax bills for an average sized single family detached unit within the Reassessment District. The projected total effective tax rate range for the units in the Reassessment District, based on Fiscal Year 2012-13 assessed values, is approximately 1.53% of assessed value to approximately 1.87% of assessed value.

TABLE 3
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
Sample Fiscal Year 2011-12 Property Tax Bill

	<u>Low⁽²⁾</u>	<u>Average</u>	<u>High</u>
Fiscal Year 2012-13 Assessed Value ⁽¹⁾	\$103,628.00	\$148,000.00	\$194,000.00
Ad Valorem Property Taxes			
General Purpose	\$1,036.28	\$1,480.00	\$1,940.00
Hemet Unified School District (0.12536%)	\$129.91	\$185.53	\$243.20
Metro Water East 1301999 (0.00370%)	<u>\$3.83</u>	<u>\$5.48</u>	<u>\$7.18</u>
Total General Property Taxes	\$1,170.02	\$1,671.01	\$2,190.38
Assessment, Special Taxes & Parcel Charges ⁽³⁾			
Metro Water Dist Standby East	\$6.94	\$6.94	\$6.94
EMWD Standby-Combined Chg	\$10.00	\$10.00	\$10.00
Lake Hemet Municipal Water Imp U-2 Standby	\$5.00	\$5.00	\$5.00
Flood Control NPDES - Santa Ana	\$3.76	\$3.76	\$3.76
CSA #91 Lights	\$57.00	\$57.00	\$57.00
CSA #152 Street Sweeping	\$44.00	\$44.00	\$44.00
Valley-Wide Regional Facilities LMD 88-1	\$22.14	\$22.14	\$22.14
Valley-Wide Rivercrest Zone	\$89.80	\$89.80	\$89.80
Reassessment District No. 168 (Rivercrest) ⁽⁴⁾	<u>\$530.00</u>	<u>\$530.00</u>	<u>\$530.00</u>
Total Assessments & Parcel Charges	\$768.64	\$768.64	\$768.64
Projected Total Property Tax	\$1,938.66	\$2,439.65	\$2,959.02
Projected Effective Tax Rate	1.87%	1.65%	1.53%

⁽¹⁾ Range of assessed values for homes owned by individuals from the Fiscal Year 2012-2013 Certified Roll, Riverside County Assessor's Office.

⁽²⁾ Low does not include the Assessed Value for one parcel that uses Base Year Values from 1989. The property owner transferred the trended Base Value from previous property per Proposition 60 and 90 and has a current Assessed Value of \$47,915.

⁽³⁾ Reflects actual amounts applied for Fiscal Year 2011-12.

⁽⁴⁾ Projected Reassessment levied is based on the principal amount of the Bonds of \$1,780,000.

Source: Albert A. Webb Associates.

Estimated Assessed Value-to-Lien Ratio

The value of the land within the Reassessment District is significant because in the event of a delinquency in the payment of Reassessments the Reassessment District may foreclose only against delinquent parcels. All of the property within the Reassessment District has been sold to individual homeowners. The aggregate assessed value of the parcels in the Reassessment District with unpaid reassessments as shown on

the Riverside County Assessor's roll for Fiscal Year 2012-13 is \$55,684,459. Dividing this assessed value by the sum of the principal amount of the Bond proceeds of \$1,780,000 plus the \$1,144,437 in direct and overlapping debt results in an estimated assessed value-to-lien ratio of approximately 19.04-to-1 for property in the Reassessment District.

Table 4 below sets forth the assessed value and the annual change in assessed value for fiscal years 2007-08 through 2012-13.

TABLE 4
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
Annual Change in Assessed Value

<i>Year</i>	<i>Taxable Parcels</i>	<i>Taxable Property Assessed Value⁽¹⁾</i>	<i>% Change</i>
2007-08	377	\$105,045,171	N/A
2008-09	377	95,362,630	-9.22%
2009-10	377	65,011,361	-31.83
2010-11 ⁽²⁾	376	58,490,529	-10.03
2011-12	376	58,609,989	0.20
2012-13 ⁽³⁾	376	55,684,459	-4.99

⁽¹⁾ Assessed values as of January 1 of each year from the County Assessor's Roll.

⁽²⁾ One parcel prepaid its assessment in 2009.

⁽³⁾ Fiscal Year 2012-2013 Certified Roll Assessed Valuation, Riverside County Assessor's Office.

Source: Riverside County Assessor.

As shown in Table 5 below, the estimated assessed Value-to-Reassessment lien on parcels within the Reassessment District varies by parcel.

TABLE 5
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
Estimated Value to Lien Analysis
Based on Fiscal Year 2012-13 Assessed Value and Reassessment Lien

<i>Value-to-Lien</i>	<i>Parcels</i>	<i>% of Total Parcels</i>	<i>Assessed Value⁽¹⁾</i>	<i>% of Assessed Value</i>	<i>Reassessment Lien</i>	<i>% of Reassessment Lien</i>	<i>Other Overlapping Debt</i>	<i>Aggregate Outstanding Debt⁽³⁾</i>
Less than 7:1	0	0.00%	\$ 0	0.00%	\$ 0	0.00%	\$ 0	\$ 0
Between 7:1 – 10:1 ⁽²⁾	1	0.27	47,915	0.09	4,734	0.27	985	5,719
Between 10:1 – 15:1	0	0.00	0	0.00	0	0.00	0	0
Between 15:1 – 17:1	10	2.66	1,160,420	2.08	47,340	2.66	23,849	71,190
Between 17:1 – 19:1	170	45.21	22,867,282	41.07	804,787	45.21	469,972	1,274,760
Between 19:1 – 21:1	167	44.41	26,581,281	47.74	790,585	44.41	546,303	1,336,888
Greater than 21:1	<u>28</u>	<u>7.45</u>	<u>5,027,561</u>	<u>9.03</u>	<u>132,553</u>	<u>7.45</u>	<u>103,327</u>	<u>235,881</u>
Totals	376	100.00%	\$ 55,684,459	100.00%	\$ 1,780,000	100.00%	\$ 1,144,437	\$ 2,924,437

⁽¹⁾ Fiscal Year 2012-13 Certified Roll Assessed Valuation, Riverside County Assessor's Office.

⁽²⁾ The Assessed Value for one parcel uses base year values from 1989. The property owner transferred the base value from previous property per Proposition 60 and 90. Excludes direct and overlapping debt, which if included would reduce the value-to-lien ratio.

⁽³⁾ Calculated by adding the Reassessment Lien column and the Other Overlapping Debt column.

Source: Albert A. Webb Associates.

Historical Assessment Collections and Delinquencies

The following table sets forth a history of the assessments levied and delinquencies within the Reassessment District since Fiscal Year 2007-08. The delinquency rate for Fiscal Year 2011-12 was 2.96% as of July 30, 2012. The County does not participate, on behalf of the Reassessment District, in the County Teeter Plan.

TABLE 6
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
Special Assessment Levies, Delinquencies and Delinquency Rates
Fiscal Year 2007-08 through 2011-12

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year</i>			<i>Delinquencies as of June 30, 2012</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2007-08	\$267,294.76	377	30	\$19,172.16	7.17%	1	\$ 710.08	0.27%
2008-09	267,650.40	377	19	10,692.80	4.00	2	1,070.78	0.40
2009-10	265,525.84	377	15	9,817.32	3.70	6	3,910.90	1.47
2010-11	265,210.40	376	8	3,933.41	1.48	6	2,859.98	1.08
2011-12	258,100.04	376	N/A	N/A	N/A	21	7,631.56 ⁽¹⁾	2.96 ⁽¹⁾

⁽¹⁾ As of July 30, 2012.

Source: Albert A. Webb Associates.

Concentration of Ownership

As can be seen from Table 7 below, no property owner within the Reassessment District currently owns parcels responsible for more than 0.53% of the Reassessment lien, and the six largest property owners are responsible for only 3.19% of the Reassessment lien. The table below includes property owners with more than one parcel.

TABLE 7
REASSESSMENT DISTRICT NO. 168
(RIVERCREST)
OF THE COUNTY OF RIVERSIDE
Estimated Value-to-Lien Ratios
Largest Property Owners by Reassessment

<i>Property Owner⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Assessed Value⁽²⁾</i>	<i>Reassessment Lien</i>	<i>Percentage of Lien</i>	<i>Other Overlapping Debt</i>	<i>Aggregate Outstanding Debt⁽³⁾</i>	<i>Value-to- Lien Ratio</i>
Garcia Eduardo	2	\$ 277,000	\$ 9,468	0.53%	\$ 5,693	\$ 15,161	18.27:1
Durocher Brian	2	243,455	9,468	0.53	5,004	14,472	16.82:1
Durocher Mark B	2	243,150	9,468	0.53	4,997	14,465	16.81:1
Ramirez Daniel M	2	304,149	9,468	0.53	6,251	15,719	19.35:1
Shah Rahul	2	286,000	9,468	0.53	5,878	15,346	18.64:1
Zendejas Jose	<u>2</u>	<u>308,000</u>	<u>9,468</u>	<u>0.53</u>	<u>6,330</u>	<u>15,798</u>	<u>19.50:1</u>
Subtotal	12	\$ 1,661,754	\$ 56,809	3.19%	\$ 34,153	\$ 90,961	18.27:1
All Others	<u>364</u>	<u>54,022,705</u>	<u>1,723,191</u>	<u>96.81</u>	<u>1,110,284</u>	<u>2,833,476</u>	<u>19.07:1</u>
Total	376	\$55,684,459	\$1,780,000	100.00%	\$1,144,437	\$2,924,437	19.04:1

⁽¹⁾ Reflects the assessed value based on ownership status as of June 30, 2012.

⁽²⁾ Fiscal Year 2012-13 Certified Roll Assessed Valuation, Riverside County Assessor's Office.

⁽³⁾ Calculated by adding the Reassessment Lien column and the Other Overlapping Debt column.

Source: Albert A. Webb Associates.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant investment risks and, therefore, the Bonds may not be suitable investments for many investors. The Bonds are not rated by any nationally recognized rating agency. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Reassessment District to pay their Reassessments when due. Such failures to pay Reassessments could result in the inability of the County to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Reassessment District. See "SPECIAL RISK FACTORS—Property Values" and "—Limited Secondary Market" below.

General

In order to pay debt service on the Bonds, it is necessary that unpaid Reassessments on land within the Reassessment District are paid in a timely manner. The Reserve Fund will be used to pay delinquent Reassessments should they occur. The reassessments are a lien on the parcels of land and the County can institute foreclosure proceedings to sell land with delinquent Reassessments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay Reassessments when due, depletion of the Reserve Fund or the inability of the County to sell parcels which have been subject to foreclosure proceedings for amounts

sufficient to cover the delinquent Reassessments for such parcels may result in the inability of the County to make full or punctual payments of debt service on the Bonds, and Bondowners would therefore be adversely affected.

Unpaid Reassessments do not constitute a personal indebtedness of the owners of the parcels within the Reassessment District. There is no assurance the owners will be able to pay the Reassessments or that they will pay such installments even though financially able to do so.

Non-Cash Payments of Reassessments

The 1915 Act may permit the owner of a parcel that is subject to an unpaid Reassessment to tender any bond secured by such Reassessment in payment or partial payment of any installment of the Reassessment or interest or penalties thereon which may be due or payable. A bond so tendered is to be accepted at the par amount and credit is to be given for any interest accrued to the date of the tender. Thus, if Bonds can be purchased at a discount, it may be to the advantage of a property owner to pay amounts due with respect to a Reassessment by tendering a Bond. Such a practice would decrease the cash flow available to the County to make payments with respect to other Bonds then outstanding.

Limited County Obligation Upon Delinquency

Pursuant to the 1915 Act, the County has elected not to be obligated to advance funds from the treasury of the County for delinquent Reassessments. The only obligation of the County with respect to such delinquencies and the consequent deficiencies in the Redemption Fund is to advance money to the Redemption Fund from the Reserve Fund. The County has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessments are paid or proceeds from foreclosure sales are realized. There is no assurance that the balance in the Reserve Fund will always be adequate to pay all delinquent Reassessments and if during the period of delinquency there are insufficient funds in the Reserve Fund, a delay may occur in payments to the Bondowners.

Property Values

The value of the property within the Reassessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Reassessments, the Reassessment District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Reassessments. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods or other events will adversely impact the security underlying the Reassessments. See "THE REASSESSMENT DISTRICT—Estimated Assessed Value-to-Lien Ratios" herein.

Prospective purchasers of the Bonds should not assume that the land within the Reassessment District could be sold for the assessed value at a foreclosure sale for delinquent Reassessments.

No assurance can be given that any bid will be received for a parcel with delinquent Reassessments offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Reassessments. See "SECURITY FOR THE BONDS—Covenant to Commence Superior Court Foreclosure."

Bankruptcy and Foreclosure

The payment of reassessments and the ability of the County to foreclose the lien of a delinquent unpaid Reassessment, as discussed in the section entitled "SECURITY FOR THE BONDS—Covenant to Commence Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the law of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the reassessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Reassessments not being paid in full. Where property is encumbered by liens securing mortgage loans, it is highly probable that bankruptcy of a property owner would delay foreclosure for an extended period of time. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

FDIC/Federal Government Interests in Properties

General. The ability of the Reassessment District to foreclose the lien of delinquent unpaid Reassessments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Reassessments within the Reassessment District but does not pay taxes and assessments levied on the parcel (including Reassessments), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Reassessment District wishes to foreclose on the parcel as a result of delinquent Reassessments, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Reassessments and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The County has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Reassessments within the County, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the Reassessment District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the Reassessment District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Reassessments may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy

Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. The County is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Reassessments on a parcel within the Reassessment District in which the FDIC has or obtains an interest, although prohibiting the lien of the Reassessments to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Natural Disasters

The Reassessment District, like many California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads and property within the Reassessment District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the Reassessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Reassessments when due. In addition, the value of land in the Reassessment District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Reassessments.

Property within the Reassessment District is not currently located in a designated Earthquake Study Zone as determined by the State Geologist.

Hazardous Substances

While government taxes, reassessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. The value of a parcel may be reduced as a result of a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super Fund Act", is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. Accordingly, the presence of hazardous substances on the property within the Reassessment District may negatively affect the value of such property.

Loss of Tax Exemption

As discussed under the heading “LEGAL MATTERS—Tax Exemption,” interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the County. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the County has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Future Debt Issuance

The ability of an owner of land within the Reassessment District to pay the Reassessments could be affected by the existence of other taxes and reassessments imposed upon taxable parcels. In addition, the County and other public agencies whose boundaries overlap those of the Reassessment District could impose additional taxes or reassessment liens on the property within the Reassessment District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the Reassessment District through the levy of such additional taxes may be on a parity with the lien of the Reassessments levied by the Reassessment District. See “THE REASSESSMENT DISTRICT—Estimated Direct and Overlapping Indebtedness.”

The imposition of additional liens on a parity with the Reassessments may reduce the ability or willingness of the landowners to pay the Reassessments and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Reassessments.

The County does not have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the Reassessment District. In addition, the landowners within the Reassessment District may, without the consent or knowledge of the County, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Reassessments and could reduce the estimated value-to-lien ratios for property within the Reassessment District described herein.

Ballot Initiatives

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

Constitutional Amendment – Articles IIIC and IIID

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article IIIC (“Article IIIC”) and Article IIID (“Article IIID”) to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related reassessments, fees and charges.”

Article IIID requires that, beginning July 1, 1997, the proceedings for the levy of any reassessment by the County under the Act (including, if applicable, any increase in such reassessment or any supplemental reassessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article IIID. The County completed its proceedings for the levy of assessments in the Assessment District on January 23, 2001, after complying with the procedural requirements of Section 4 of Article IIID. Under Section 10400 of the Act, any challenge to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied.

Article IIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article IIIC does not define the term “assessment”, and it is unclear whether this term is intended to include assessments levied under the Act. In the case of the unpaid assessments which are pledged as security for payment of the Bonds, the 1915 Act provides a mandatory, statutory duty of the County and the County Auditor to post Reassessments on account of the unpaid Reassessments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 2012-13, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year plus certain administrative costs. It is unlikely that the initiative power can be used to reduce or repeal the unpaid reassessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the County and the County Auditor with respect to the unpaid Reassessments which are pledged as security for payment of the Bonds.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

CONTINUING DISCLOSURE

The County has agreed to provide a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) prior to delivery of the Bonds for the benefit of the Underwriter, holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Reassessment District within nine months after the end of the County’s fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports will be filed on behalf of the County by U.S. Bank National Association as the initial dissemination agent (the “Dissemination Agent”) under the Continuing Disclosure Agreement, with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system. Notices of Listed Events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board. The specific nature of the information to be included in the Annual Report and the notices of Listed Events is set forth in APPENDIX E—“FORM OF COUNTY CONTINUING DISCLOSURE AGREEMENT.” The County has agreed to execute the Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See APPENDIX E—“FORM OF COUNTY CONTINUING DISCLOSURE AGREEMENT.”

It should be noted that the County is required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any

resources or property of the County other than as described hereinabove. See “SPECIAL RISK FACTORS—Limited County Obligation Upon Delinquency.” It should also be noted that the list of significant events which the County has agreed to report includes one item which has absolutely no application to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Any implication from the inclusion of these items in the list to the contrary notwithstanding, the Bonds have not been assigned a credit rating.

In the past five years, the County has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

LEGAL MATTERS

Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 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 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the 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 Bonds accrues daily over the term to maturity of such 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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 obligations, 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 bond 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 Bonds. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements

designed to ensure that interest on the 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 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 Bonds may adversely affect the value of, or the tax status of interest on, the 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 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 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or 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 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 beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the 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 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 Bonds. Prospective purchasers of the 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 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 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 County has covenanted, however, to comply with the requirements of the Code.

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

The proposed form of Bond Counsel's opinion with respect to the Bonds is attached as Appendix C.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, the pledge of Reassessments to repay the Bonds, the powers or authority of the County with respect to the Bonds, or seeking to restrain or enjoin development of the land within the Reassessment District and a certificate of the County to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the County Counsel, and for the County by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to advise the Beneficial Owners of the Bonds as to matters related to this Official Statement.

No Rating

The County has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Bonds.

Underwriting

The Bonds are being purchased by De La Rosa & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$1,758,954.70 (being \$1,780,000 aggregate principal amount thereof, less Underwriter's discount of \$32,040.00 plus net original issue premium of \$10,994.70). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Financial Interests

The fees being paid to the Underwriter, Financial Advisor, Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

Financial Advisor

The County has retained Fieldman Rolapp & Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. 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.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Pending Legislation

The County is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the County to pay the principal of and interest on the Bonds when due.

Miscellaneous

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

The execution and delivery of this Official Statement by an authorized representative of the County has been duly authorized by the Board of Supervisors of the County.

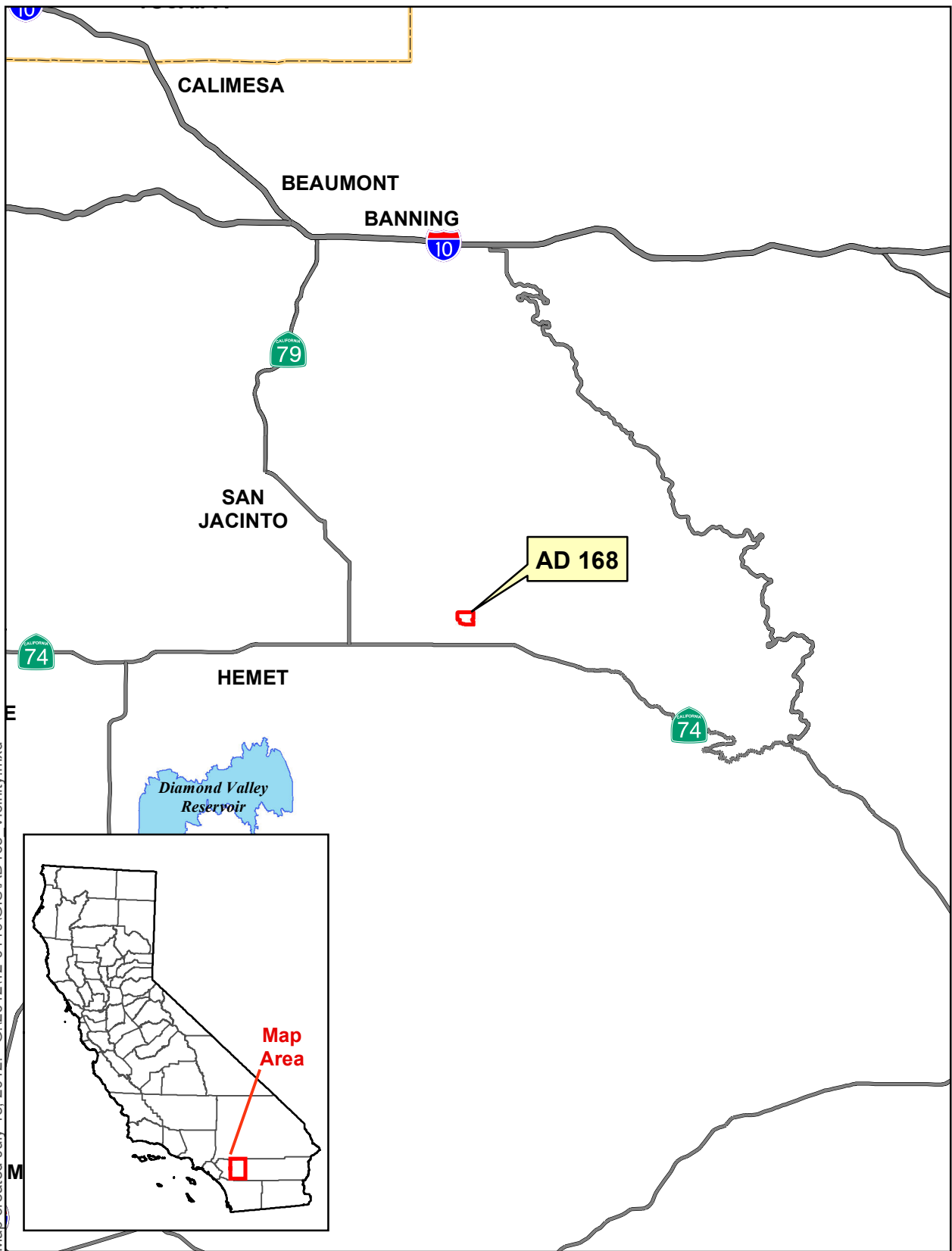
COUNTY OF RIVERSIDE

By: /s/ Jay Orr
County Executive Officer

APPENDIX A
REASSESSMENT DIAGRAM

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Map created July 18, 2012. G:\2012\12-0119\GIS\AD168_Vicinity.mxd



Regional Map

AD 168

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture for a full and complete statement of its provisions.

Definitions

The terms defined under this caption shall for purposes of the summary of the Indenture have the meanings defined below.

“Administrative Expense Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Administrative Expenses” means the costs resulting from the administration and collection of Reassessments, the administration or registration of the Bonds or the administration of the funds and accounts established under the Indenture, including the fees, costs and indemnifications due the Trustee or the County.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (b) the principal amount of the Outstanding Bonds due in such Bond Year.

“Authorized Denominations” means, with respect to the Bonds, \$5,000 and any integral multiple thereof.

“Authorized Representative” means, with respect to the County, the County Executive Officer, and any other Person designated as an Authorized Representative in a Written Certificate of the County filed with the Trustee.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Beneficial Owners” means those Persons for which the Participants have caused the Depository to hold Book-Entry Bonds.

“Board of Supervisors” means the Board of Supervisors of the County.

“Bond Act” means the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code).

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the County.

“Bond Year” means each twelve-month period beginning on September 3 in each year and extending to the next succeeding September 2, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 2, 2012.

“Bonds” means the Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds issued under the Indenture.

“Book-Entry Bonds” means the Bonds registered in the name of the Depository, or the Nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Closing Date” means the date upon which the Bonds are delivered to the Original Purchaser.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of August 1, 2012, by and between the County and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the County relating to the authorization, sale, issuance and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“County” means the County of Riverside, a county and political subdivision of the State organized and existing under the laws of the State, and any successor thereto.

“County Auditor” means the auditor of the County.

“Defeasance Securities” means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), and (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any Person claiming through the custodian or to whom the custodian may be obligated.

“Depository” means DTC, and its successors as securities depository for Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York.

“Earnings Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Event of Default” means any event or circumstance specified in the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the County.

“Indenture” means the Indenture, dated as of August 1, 2012, by and between the County and U.S. Bank National Association, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“Interest Payment Dates” means March 2 and September 2 of each year, commencing March 2, 2013.

“Letter of Representations” means the Letter of Representations from the County to the Depository, in which the County makes certain representations with respect to issues of its securities for deposit by the Depository.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Office of the Trustee” means the corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the County by the Trustee in writing; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, which office or agency shall be the Trustee’s corporate trust office in St. Paul, Minnesota, or such other office or agency of the Trustee as shall be specified to the County by the Trustee in writing.

“Original Purchaser” means the original purchaser of the Bonds from the County.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds with respect to which all liability of the County shall have been discharged in accordance with the Indenture, and (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

“Participating Underwriter” has the meaning ascribed to such term in the Continuing Disclosure Agreement.

“Permitted Investments” means the following, to the extent that such securities are otherwise eligible legal investments of the County:

(1) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America);

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including a fund for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) or (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P;

(9) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "Aa3" by Moody's and "AA-" by S&P; provided, that, by the terms of the investment agreement:

(a) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

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

(c) the Trustee or the County receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(d) the investment agreement shall provide that if during its term (i) the provider's rating by either Moody's or S&P falls below "Aa3" or "AA-," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody's and S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A-," respectively, the provider must, at the direction of the County or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

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

(f) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the County or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

(10) The Local Agency Investment Fund maintained by the Treasurer of the State; and

(11) The investment pool maintained by the Treasurer of the County.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepayment Account” means the account within the Redemption Fund by that name established and held by the Trustee pursuant to the Indenture.

“Reassessment District” means the area in and for which the Board of Supervisors levied the Reassessments, which area is denominated “Reassessment District No. 168 (Rivercrest) of the County of Riverside).”

“Reassessments” means the reassessments levied within the Reassessment District by the Board of Supervisors under the proceedings taken pursuant to the Refunding Act and the Resolution of Intention.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Rebate Requirement” has the meaning ascribed to such term in the Tax Certificate.

“Record Date” means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“Refunding Act” means the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code).

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Requirement” means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

“Resolution of Intention” means Resolution No. 2012-175, adopted by the Board of Supervisors on July 31, 2012.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

“State” means the State of California.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate executed by the County at the time of issuance of the Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture substituted in its place as provided in the Indenture.

“Verification Report” means, with respect to the deemed payment of Bonds pursuant to the Indenture, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of the Indenture.

“Written Certificate” and **“Written Request”** of the County mean, respectively, a written certificate or written request signed in the name of the County by an Authorized Representative of the County. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

The Bonds

Certain Terms of Bonds. Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon shall be payable from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for. Interest shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date, or by wire transfer at the written request of an Owner of not less than \$1,000,000 aggregate principal amount of Bonds, which written request is received by the Trustee on or prior to the Record Date. Notwithstanding the foregoing, interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date. The principal of the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

Transfer and Exchange of Bonds. Any Bond may be transferred upon the Registration Books by the Person in whose name it is registered, in person or by such Person’s duly authorized attorney, upon surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be so surrendered for transfer, the County shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

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

The Trustee shall not be obligated to make any transfer or exchange of Bonds pursuant to the provisions of the Indenture during the period established by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Book-Entry System. (a) The Bonds shall initially be issued as Book-Entry Bonds and the Bonds for each maturity date shall be in the form of a separate single fully registered Bond (which may be typewritten). Upon initial issuance, the ownership of each Bond shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository.

Payment of principal of, and interest and premium, if any, on, any Book-Entry Bond registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

(b) With respect to Book-Entry Bonds, the County and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the County and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds of a maturity to be redeemed in the event such Book-Entry Bonds are redeemed in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any amount with respect to principal of, or premium, if any, or interest on Book-Entry Bonds, or (v) any consent given or other action taken by the Depository as Owner.

(c) The County and the Trustee may treat and consider the Person in whose name each Book-Entry Bond is registered in the Registration Books as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal of, and premium, if any, and interest on such Bond, for the purpose of selecting any Bonds, or portions thereof, to be redeemed, for the purpose of giving notices of redemption and other matters with respect to such Book-Entry Bond, for the purpose of registering transfers with respect to such Book-Entry Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the County and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a redemption of all or a portion of a Book-Entry Bond, the Depository, in its discretion (i) may request the Trustee to authenticate and deliver a new Book-Entry Bond, or (ii) if the Depository is the sole Owner of such Book-Entry Bond, shall make an appropriate notation on the Book-Entry Bond indicating the date and amounts of the reduction in principal thereof resulting from such redemption, except in the case of final payment, in which case such Book-Entry Bond must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal of, and premium, if any, and interest on the Book-Entry Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) the respective Owner, as shown in the Registration Books, or such Owner's respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of, and premium, if any, and interest on the Book-Entry Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Registration Books, shall receive an authenticated Book-Entry Bond. Upon delivery by the Depository to the Owners, the County and the Trustee of

written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(f) In order to qualify the Book-Entry Bonds for the Depository's book-entry system, the County shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the County or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Bonds other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the County, the County and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(g) In the event the County determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Trustee shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the County shall discontinue the Book-Entry system with the Depository. If the County determines to replace the Depository with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate, fully registered Bond for each maturity date of such Book-Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the County fails to identify another qualified securities depository to replace the Depository, then the Book-Entry Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of the Indenture. Whenever the Depository requests the County to do so, the County shall cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Bonds.

(h) Notwithstanding any other provision of the Indenture to the contrary, if the Depository is the sole Owner of the Bonds, so long as any Book-Entry Bond is registered in the name of the Nominee, all payments of principal of, and premium, if any, and interest on such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the County or the Trustee, with respect to any consent or other action to be taken by Owners of Book-Entry Bonds, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the County, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same maturity in a like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the County. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the County, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have

matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The County may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture and of the expenses which may be incurred by the County and the Trustee. Any Bond issued under the provisions of the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the County, shall be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the County and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the County issues temporary Bonds, it shall execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver, in exchange for such temporary Bonds, an equal aggregate principal amount of definitive Bonds of such maturities in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Security for Bonds; Flow of Funds; Investments

Pledge. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture, the Refunding Act and the Bond Act, the County pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Reassessments (including prepayments thereof) and any other amounts held in the Redemption Fund and the Reserve Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the County, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act. The Reassessments, and any reassessments which may be issued thereon or in lieu thereof, together with interest thereon, shall remain and constitute a trust fund for the redemption and payment of the Bonds and the interest thereon.

Redemption Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Redemption Fund." As soon as practicable after the receipt by the County of Reassessments, together with interest thereon, and any other amounts required to be deposited in the Redemption Fund by the Indenture or the Bond Act (excluding amounts collected for the payment of Administrative Expenses), the County shall transfer such amounts to the Trustee for deposit in the Redemption Fund; provided, however, that, with respect to any such Reassessments that represent prepaid Reassessments that are to be applied to the redemption of Bonds in accordance with the provisions of the Indenture, said prepaid Reassessments shall be identified as such in a Written Certificate of the County delivered to the Trustee at the time such prepaid Reassessments are transferred to the Trustee, the portion of such prepaid Reassessments to be applied to the Redemption Price of the Bonds to be so redeemed shall be identified in such Written Certificate of the County and shall be deposited by the Trustee in the Prepayment Account and the portion of such prepaid Reassessments to be applied to the payment of interest on the Bonds to be so redeemed shall be identified in such Written Certificate of the County and shall be deposited by the Trustee in the Redemption Fund.

(b) On each Interest Payment Date, the Trustee shall withdraw from the Redemption Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable. In the

event that, on the Business Day prior to an Interest Payment Date, amounts in the Redemption Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee, shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Redemption Fund. In the event that, on an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee shall apply the available funds therein in accordance with the provisions of the Indenture.

Prepayment Account. (a) The Trustee shall establish and maintain a separate account within the Redemption Fund designated the "Prepayment Account." The Trustee shall deposit in the Prepayment Account amounts received from the County in connection with the County's exercise of its rights to optionally redeem Bonds pursuant to the Indenture. As soon as practicable after the receipt by the County of prepaid Reassessments, but in any event not later than ten Business Days after such receipt, the County shall transfer the portion of such prepaid Reassessments to be applied to the Redemption Price of the Bonds to be redeemed from such prepaid Reassessments to the Trustee for deposit in the Prepayment Account.

(b) Amounts in the Prepayment Account shall be disbursed therefrom for the payment of the Redemption Price of Bonds redeemed pursuant to the provisions of the Indenture relating to optional redemption or mandatory redemption from Reassessment Payments.

(c) Any surplus remaining in the Prepayment Account shall be used by the County to advance the maturity of the Bonds as provided in Part 11.1 of the Bond Act.

Reserve Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Reserve Fund." On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount required to be deposited therein pursuant to the Indenture. Additional deposits shall be made by the County as provided in the Bond Act.

(b) The County shall cause the Reserve Fund to be administered in accordance with Part 16 of the Bond Act; provided, however, that proceeds from redemption or sale of properties, if and to the extent that payment of delinquent Reassessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund.

(c) In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Redemption Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Redemption Fund.

(d) Whenever a Reassessment is prepaid, in whole or in part, as provided in the Bond Act, the Trustee, pursuant to a Written Request of the County, shall transfer from the Reserve Fund to the Prepayment Account an amount, specified in such Written Request, equal to the product of the ratio of the original amount of the Reassessment, or portion thereof, so prepaid to the original amount of all unpaid Reassessments, times the initial Reserve Requirement. Whenever Bonds are to be redeemed pursuant to the Indenture, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the date on which amounts to redeem such Bonds are deposited in the Prepayment Account or otherwise deposited with the Trustee pursuant to the provisions of the Indenture as described under the caption "Defeasance – Bonds Deemed To Have Been Paid," be transferred by the Trustee from the Reserve Fund to the Prepayment Account or to such deposit held by the Trustee and shall be applied to the redemption of said Bonds; provided, however, that such amount shall be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed). Such proportionate share shall be equal to the largest integral multiple of \$5,000 that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the

principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

(e) Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Reassessments shall be discontinued and the Reserve Fund shall be liquidated by the Trustee in retirement of the Outstanding Bonds, as directed by a Written Request of the County. In the event that the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Bonds, the excess shall, after payment of amounts due to the Trustee, be transferred to the County to be used in accordance with the Bond Act.

(f) If as a result of the scheduled payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, the Trustee shall transfer to the Redemption Fund an amount equal to the amount by which the amount on deposit in the Reserve Fund exceeds such reduced Reserve Requirement.

Rebate Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the County. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Indenture or anything to the contrary contained in the Indenture, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture under this caption and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate. The Trustee may conclusively rely upon the County's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the County's calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the Indenture, shall, upon receipt by the Trustee of a Written Request of the County, be withdrawn by the Trustee and remitted to the County.

(c) On or before November 1 of each year, the County shall deliver to the Trustee a Written Certificate of the County specifying the amount of the then applicable Rebate Requirement. Any amount in the Rebate Fund in excess of the Rebate Requirement on November 1 of each year shall be withdrawn from the Rebate Fund by the Trustee and shall be deposited in the Earnings Fund.

Administrative Expense Fund. The Trustee shall establish and maintain a separate fund designated the "Administrative Expense Fund." As soon as practicable after the receipt by the County of amounts collected with the Reassessments for Administrative Expenses, but in any event not later than ten Business Days after such receipt, the County shall transfer such amounts to the Trustee for deposit in the Administrative Expense Fund and the Trustee shall so deposit such amounts so received.

The moneys in the Administrative Expense Fund shall be used and withdrawn by the Trustee from time to time to pay the Administrative Expenses upon submission of a Written Request of the County stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred and that such purpose constitutes an Administrative Expense, (iv) that such payment is a proper charge against the Administrative Expense Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Administrative Expense Fund; in each case together with a statement or invoice for each amount requested thereunder.

To the extent moneys are not otherwise available therefor in the Earnings Fund, amounts in the Administrative Expense Fund shall, at the Written Request of the County, be transferred by the Trustee to the Rebate Fund.

Earnings Fund. The Trustee shall establish and maintain a separate fund designated the “Earnings Fund.” The Trustee shall deposit in the Earnings Fund the amounts required to be deposited therein pursuant to the Indenture.

At least annually on or before November 1 of each year, if the amount on deposit in the Rebate Fund is less than the Rebate Requirement, the County shall deliver to the Trustee a Written Request of the County directing the Trustee to transfer from the Earnings Fund to the Rebate Fund the amount specified in such Written Request (which shall be an amount sufficient to cause the amount on deposit in the Rebate Fund to be equal to the Rebate Requirement), and the Trustee shall so transfer such amount. On November 2 of each year, after having made any requested transfer to the Rebate Fund, the Trustee shall transfer any amount in the Earnings Fund, first, to the Reserve Fund in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement and, second, to the Redemption Fund.

Costs of Issuance Fund. The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture.

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the County stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Redemption Fund and, upon making such transfer, the Costs of Issuance Fund shall be closed.

Investment of Moneys. (a) Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the County received by the Trustee no later than two Business Days prior to the making of such investment. Moneys in all such funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds and, provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent a timely Written Request of the County with respect to the investment of moneys in any of the funds or accounts established pursuant to the Indenture, the Trustee shall invest such moneys in Permitted Investments described in paragraph (6) of the definition thereof.

(b) Subject to the provisions of the Indenture as described under the caption “Security For Bonds; Flow of Funds; Investments – Rebate Fund,” all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Reserve Fund) shall be retained therein. Subject to the provisions of the Indenture as described under the caption “Security For Bonds; Flow of Funds; Investments – Rebate Fund,” all interest, profits or other income received from the investment of moneys in the Reserve Fund shall be transferred to the Earnings Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued by the Trustee at the market value thereof (without regard to costs incurred in the acquisition or disposition thereof, including breakage, unwind or other similar fees), such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15. To the extent of any valuations to be made by the Trustee under the Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. Any Permitted Investment that is a registrable security shall be registered in the name of the Trustee.

(d) The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the County, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the provisions of the Indenture as described under the caption "Security For Bonds; Flow of Funds; Investments – Investment of Moneys." For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture. The Trustee, in making or disposing of any investment permitted by the provisions of the Indenture as described under the caption "Security For Bonds; Flow of Funds; Investments – Investment of Moneys," may deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as a principal for its own account.

(e) The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the County periodic cash transaction statements, which shall include detail for all investment transactions made by the Trustee under the Indenture.

Covenants

Collection and Application of Reassessments. (a) The County shall comply with all requirements of the Indenture and the Bond Act to assure the timely collection of the Reassessments, and interest thereon, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the County in and for the Reassessment District (excluding any penalty and interest charges imposed upon delinquent Reassessments), including, but not limited to, collections of Reassessments (including prepayments thereof), and interest thereon, upon the secured tax rolls, collections of delinquent Reassessments, through foreclosure proceedings or otherwise, shall, at such times as such funds available for the purposes for which they are to be applied in accordance with the Indenture, be transmitted directly to the Trustee, without deduction, to be deposited into the funds and accounts specified in the Indenture.

(b) The Reassessments and interest thereon, shall be payable and be collected in the same manner at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. The Reassessments, together with the interest thereon, shall be payable in annual series corresponding in number to the number of series of Bonds. An annual proportion of each Reassessment, together with interest thereon, shall be payable in each year preceding the date of maturity of each of the several series of Bonds in an amount sufficient to pay such Bonds, and interest thereon, when due. In addition, the County shall, in accordance with and subject to the limitations contained in the report for the Reassessment District and in Section 8682 and Section 8682.1 of the Bond Act, cause to be included in the annual assessment roll an amount estimated to be sufficient to pay Administrative Expenses for the following annual period.

(c) The County shall, before the final date on which the County Auditor will accept the transmission of the Reassessments for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the County Auditor, such data as the County Auditor requires to include the installments of such Reassessments, together with interest thereon, and Administrative Expenses on the next secured tax roll of the County.

(d) Any Reassessment may be prepaid at any time by paying, in whole or part, the unpaid amount thereof less, if available, the amount transferred to the Redemption Fund from the Reserve Fund pursuant to the Indenture, if any, together with the redemption premium, if any, set forth in the Indenture and interest on such prepaid Reassessment (if not collected in an Reassessment installment) to the earliest redemption date for which notice of redemption may be given in accordance with the Indenture.

Foreclosure. (a) The County covenants that it will commence appropriate judicial foreclosure proceedings against parcels with total Reassessment delinquencies in excess of \$2,300 (not including interest and penalties thereon) by the October 1 following the close of each Fiscal Year in which the last of such Reassessments were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Reassessments by the October 1 following the close of each Fiscal Year in which it receives Reassessments in an amount which is less than 95% of the total Reassessments levied in such Fiscal Year, and diligently pursue to completion such foreclosure proceedings; provided, however, that, notwithstanding the foregoing, the County may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys' fees related to a Reassessment delinquency, if permitted by law. Notwithstanding the foregoing, in certain instances the amount of a Reassessment delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Reassessment delinquency and in such cases foreclosure proceedings may be delayed by the County until there are sufficient Reassessment delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost.

(b) Upon the redemption or sale of the real property responsible for such delinquencies, the County shall apply the net proceeds thereof as follows: (i) deposit to the Reserve Fund the amount of any delinquency advanced therefrom pursuant to the Indenture, (ii) reimburse the County for the amount of any previously unreimbursed fees, costs and expenses incurred by the County in connection with such delinquency, (iii) deposit to the Reserve Fund an amount sufficient to cause the amount therein to be equal to the Reserve Requirement, and (iv) the balance, if any, shall be disbursed as set forth in the judgment of foreclosure or as required by law.

No Advances from Available Funds. The County shall not be obligated to advance available funds of the County to cure any deficiency which may occur in the Redemption Fund; provided, however, that said determination shall not prevent the County, in its sole discretion, from so advancing such funds.

Punctual Payment. The County shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Reassessments and other assets pledged for such payment as provided in the Indenture and received by the County or the Trustee.

No Additional Bonds. The County shall not issue or incur any bonds, notes or other obligations payable from the Reassessments, except the Bonds.

Extension of Payment of Bonds. The County shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the provisions of the Indenture as described under the caption "Covenants – Extension of

Payment of Bonds” shall be deemed to limit the right of the County to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances; Defense of Pledge. The County shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture, except as permitted by the Indenture. The County shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created by the Indenture, against all claims and demands of all Persons whomsoever.

Tax Covenants. (a) The County shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the County shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the County is of the opinion that for purposes of the provisions of the Indenture as described under the caption “Covenants – Tax Covenants” it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture as described under the caption “Covenants – Tax Covenants,” if the County shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under the provisions of the Indenture as described under the caption “Covenants – Tax Covenants” is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Indenture as described under the caption “Covenants – Tax Covenants” and of the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. Each of the County and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of the Indenture, failure of the County or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, and upon receipt of indemnification reasonably satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Accounting Records. The County shall keep or cause to be kept appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Reassessments, which records shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions.

Further Assurances. The County shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Events of Default and Remedies

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

- (a) failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;
- (b) failure to pay any installment of interest on any Bonds when and as the same shall become due and payable;
- (c) failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, or to the County and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that, if in the reasonable opinion of the County the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or
- (d) the commencement by the County of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Foreclosure. If an Event of Default shall occur under the provisions of the Indenture summarized under paragraphs (a) or (b) under the caption “Events of Default and Remedies – Events of Default,” and in each and every such case during the continuance of such Event of Default, the Trustee may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, commence foreclosure against any parcels of land in the Reassessment District with delinquent Reassessments, or delinquent payments of interest thereon, or delinquent payments of amounts for Administrative Expenses, as provided in Section 8830 et. seq. of the Bond Act.

Other Remedies. If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

- (a) by mandamus, suit, action or proceeding, to compel the County and its officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the County and the fulfillment of all duties imposed upon it by the Indenture and the Bond Act;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the rights of the Trustee or the Owners; or
- (c) by suit, action or proceeding in any court of competent jurisdiction, to require the County and its officers and employees to account as if it and they were the trustees of an express trust.

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

Application of Amounts After Default. If an Event of Default shall occur and be continuing, all Reassessments, and interest thereon, and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

- (a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;
- (b) to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

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

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference; and

- (c) any remaining funds shall be transferred by the Trustee to the Redemption Fund.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture; provided, however, that such direction shall not be otherwise than in accordance the provisions of the Indenture, the Bond Act and other applicable law and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Refunding Act, the Bond Act or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted to the Trustee in the Indenture or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request,

and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

Absolute Obligation. Nothing in the Indenture or the Bonds contained shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Reassessments and other assets pledged therefor in the Indenture, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

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

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

Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Qualifications; Removal and Resignation; Successors. (a) The Trustee initially a party to the Indenture and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by a federal or state agency. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this paragraph the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The County may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with paragraph (a) above, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the County, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of paragraph (a) above, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(d) Upon removal or resignation of the Trustee, the County shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in paragraph (a) above. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the County and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the County or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under paragraph (a) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything to the contrary notwithstanding in the Indenture.

Liability of Trustee. (a) The recitals of facts the Indenture and in the Bonds contained shall be taken as statements of the County, and the Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds.

(b) The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the County or others in accordance with the Indenture.

(c) The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

(d) No provision of the Indenture or any other document related to the Indenture shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties under the Indenture through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

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

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under the provisions of the Indenture as described under the captions “Events of Default and Remedies” of “Trustee” or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

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

(j) The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(k) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it under the Indenture if and to the extent that the Trustee’s taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

Right to Rely on Documents and Opinions. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

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

(c) The Trustee may consult with counsel, who may be counsel to the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Reassessments and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the County, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the County a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the County, the Owners and their agents and representatives duly authorized in writing.

Compensation and Indemnification. The County shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture. The County shall, to the extent permitted by law, indemnify and save the Trustee harmless against any costs, claims, expenses or liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture (including reasonable legal fees and expenses of counsel retained by the Trustee in connection with the performance of its duties under the Indenture), including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the County to indemnify the Trustee shall survive the resignation or removal of the Trustee and the termination and discharge of the Indenture.

Supplemental Indentures

Supplemental Indentures. (a) The Indenture and the rights and obligations of the County, the Trustee and the Owners under the Indenture may be modified or amended from time to time and at any time by a Supplemental Indenture, which the County and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture as described under the caption "Miscellaneous – Disqualified Bonds." No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon, extend the time of payment thereof or alter the redemption provisions thereof, without the consent of the Owner of each Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under

the Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Indenture or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Indenture, except as expressly provided in the Indenture, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) modify or amend the provisions of the Indenture as described under the caption “Supplemental Indentures – Supplemental Indentures” without the prior written consent of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the County, the Trustee and the Owners under the Indenture may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the County and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the County in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the County;
- (ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture;
- (iii) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect;
- (iv) to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and
- (v) in any other respect whatsoever as the County may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture.

(c) Promptly after the execution by the County and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the County), by first-class mail, postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture as described under the caption “Supplemental Indentures,” the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the County, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the Indenture may and, if the County so determines, shall bear a notation by endorsement or otherwise in form approved by the County and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date and presentation of such Bond for such purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the County and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the County and authenticated by the

Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of the Indenture as described under the caption "Supplemental Indentures" shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Defeasance

Discharge of Indenture. (a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Owners shall cease to be entitled to the pledge of the Reassessments and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the County under the Indenture shall thereupon cease, terminate and become void and the Indenture shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, the County shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Reassessments and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the County under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Bond, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on such Bond, and to pay to the Owner of such Bond the funds so held by the Trustee as and when such payment becomes due.

Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the Indenture as described under the caption "Defeasance – Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture as described under the caption "Defeasance – Discharge of Indenture" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture as described under the caption "Redemption of Bonds – Notice of Redemption," notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the provisions of the Indenture as described under the caption "Redemption of Bonds – Notice of Redemption," (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, together with the money, if any, deposited therewith, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the County shall have given the

Trustee, in form satisfactory to it, irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture as described under the caption "Defeasance – Bonds Deemed To Have Been Paid," and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii) of paragraph (a) above unless the County shall have caused to be delivered (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the County and the Trustee, in form and in substance acceptable to the County, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall be in form and in substance acceptable to the County and which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an opinion of Bond Counsel, dated the date of such deemed payment and addressed to the County and the Trustee, in form and in substance acceptable to the County, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, the Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the County under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

Unclaimed Moneys. Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bond which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the County for the payment of such principal, premium or interest.

Miscellaneous

Limitation of Rights. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the County and the Owners any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the County and the Owners.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the County of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

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

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

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

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the County in accordance therewith or reliance thereon.

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

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

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations under the Indenture.

Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

Waiver of Personal Liability. No member, officer, agent or employee of the County shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by any applicable provision of law or by the Indenture.

Conclusive Evidence of Regularity. Bonds issued pursuant to the Indenture shall constitute evidence of the regularity of all proceedings under the Refunding Act and the Bond Act relative to their issuance and the levy of the Reassessments.

Governing Laws. The Indenture shall be governed by and construed in accordance with the laws of the State.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Date of Delivery]

County of Riverside
Riverside, California

Reassessment District No. 168 (Rivercrest)
of the County of Riverside
Limited Obligation Improvement Bonds
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Riverside (the “County”) in connection with the issuance by the County of its Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds (the “Bonds”), in the aggregate principal amount of \$1,780,000 issued pursuant to the Indenture, dated as of August 1, 2012 (the “Indenture”), by and between the County and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, opinions of counsel to the County and the Trustee, certificates of the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the County in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, reports or other engineering or financial details of the proceedings, or upon the validity of the individual separate Reassessments securing the Bonds, which validity depends, in addition to

the legal steps required, upon the accuracy of certain of the engineering details. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding special obligations of the County, payable, as provided in the Indenture, solely from Reassessments and the other assets pledged therefor under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of, the County. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Indenture creates a valid pledge of, lien on and security interest in all of the amounts held in the Redemption Fund and the Reserve Fund to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture, the Refunding Act and the Bond Act.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to www.dtcc.com is presented as a link for additional information regarding DTC and is not a part of this Official Statement.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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APPENDIX E

FORM OF COUNTY CONTINUING DISCLOSURE AGREEMENT

Upon delivery of the Bonds, the County expects to enter into a Continuing Disclosure Agreement with respect to the Bonds in substantially the following form:

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of August 1, 2012, is by and between the COUNTY OF RIVERSIDE, a county and political subdivision of the State of California organized and existing under the laws of the State of California (the “County”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Trustee (the “Trustee”).

W I T N E S S E T H :

WHEREAS, pursuant to the Indenture, dated as of August 1, 2012 (the “Indenture”), by and between the County and the Trustee, the County has issued the Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds (the “Bonds”), in the aggregate principal amount of \$1,780,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the County and the Trustee for the benefit of the holders and beneficial owners of the Bonds and in order to assist the underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

“Annual Report” means any Annual Report provided by the County pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the ninth month after the end of the County’s fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

“County” means the County of Riverside, a county and political subdivision of the State organized and existing under the laws of the State, and any successor thereto.

“Disclosure Representative” means the County Executive Officer of the County of Riverside, or such other person as the County shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

“Indenture” means the Indenture, dated as of August 1, 2012, by and between the County and U.S. Bank National Association, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

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

“Official Statement” means the Official Statement, dated August 9, 2012, relating to the Bonds.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with the 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 the same may be amended from time to time.

“Trustee” means U.S. Bank National Association, as Trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2011-12 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the County, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County and the Dissemination Agent to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following:

(a) The County’s audited financial statements, if any, 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, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof,

the Annual Report shall contain unaudited financial statements, in a format similar to that used for the County's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Bonds Outstanding as of the September 30 next preceding the Annual Report Date.

(ii) The balance in the Reserve Fund, and a statement of the Reserve Requirement as of the September 30 next preceding the Annual Report Date.

(iii) The total assessed value of all parcels within the Reassessment District on which the Reassessments are levied, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g., "below 3:1," "3:1 to 4:1," etc.).

(iv) The Reassessment delinquency rate for all parcels within the Reassessment District, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of parcels within the Reassessment District delinquent in payment of Reassessments as of the September 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the County; provided, however, that parcels with aggregate delinquencies of \$2,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category.

(v) The status of foreclosure proceedings for any parcels within the Reassessment District on which the Reassessments are levied and a summary of the results of any foreclosure sales as of the September 30 next preceding the Annual Report Date.

(vi) The identity of any property owner representing more than 5% of the aggregate annual Reassessment installments delinquent in payment of Reassessments, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date.

(vii) A land ownership summary listing property owners responsible for more than 1% of the annual installments of the Reassessments, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Reassessments levied on the property within the Reassessment District owned by such property owners, and the assessed value of such property, as shown on such assessment roll; provided, however, that if more than ten property owners are each responsible for more than 1% of such annual installments of the Reassessments, such information need only be provided for the ten property owners responsible for the greatest portion of such annual installments.

(c) In addition to any of the information expressly required to be provided under the preceding paragraphs (a) and (b), the County shall provide such further 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.

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 have been made

available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the County.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.
- (ii) Modifications to rights of holders of the Bonds.
- (iii) Optional, unscheduled or contingent Bond calls.
- (iv) Release, substitution, or sale of property securing repayment of the Bonds.
- (v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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.

(vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event.

(d) If a Listed Event described in subsection (b) of this Section occurs, the County shall determine if such event would be material under applicable Federal securities law.

(e) If a Listed Event described in subsection (a) of this Section occurs, or if the County determines that the occurrence of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the County shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notices of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement 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 a filing with the MSRB.

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the County and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the County in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the County; provided, however, that the Trustee shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, 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 the 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 (i) is approved by Owners of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the County, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner 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, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the County, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur 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, and which are not due to its negligence or its willful

misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COUNTY OF RIVERSIDE

By:_____

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

By:_____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Riverside

Name of Bond Issue: Reassessment District No. 168 (Rivercrest) of the County of Riverside Limited Obligation Improvement Bonds

Date of Issuance: August 23, 2012

NOTICE IS HEREBY GIVEN that the County of Riverside (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of August 1, 2012, by and between the County and U.S. Bank National Association, as Trustee. [The County anticipates that the Annual Report will be filed by _____, 20__.]

Dated:

U.S. Bank National Association, as Trustee,
on behalf of the County of Riverside

cc: County of Riverside



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272