NEW ISSUE—BOOK-ENTRY ONLY

**RATINGS:**
**Moody's: "Aa1"**
**S&P: "AA+"**
**Fitch: "AA"**
**See "RATINGS" herein**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, 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 2010 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2010 Series A Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2010 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the 2010 Series B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2010 Bonds. See "TAX MATTERS" herein.*

# $150,000,000
# RIVERSIDE COUNTY TRANSPORTATION COMMISSION
## Sales Tax Revenue Bonds
## (Limited Tax Bonds)

| $37,630,000 | $112,370,000 |
|---|---|
| **RIVERSIDE COUNTY TRANSPORTATION COMMISSION** | **RIVERSIDE COUNTY TRANSPORTATION COMMISSION** |
| **Sales Tax Revenue Bonds (Limited Tax Bonds)** | **Sales Tax Revenue Bonds (Limited Tax Bonds)** |
| **2010 Series A** | **2010 Series B** |
| **(Tax-Exempt)** | **(Taxable Build America Bonds)** |

**Dated: Date of Delivery** **As shown on inside cover**

The Sales Tax Revenue Bonds described above (individually referred to as the "2010 Series A Bonds" and the "2010 Series B Bonds," collectively referred to herein as the "2010 Bonds") are being issued by the Riverside County Transportation Commission (the "Commission") pursuant to an Indenture, dated as of June 1, 2008, between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented, including as supplemented by a Third Supplemental Indenture, dated as of November 1, 2010, between the Commission and the Trustee (collectively, the "Indenture"). The proceeds of the 2010 Bonds will be applied to (i) pay a portion of the costs of the Project (as defined herein), (ii) retire $103,284,000 principal amount of the Commission's outstanding Commercial Paper Notes, and (iii) pay costs of issuance of the 2010 Bonds.

Interest on the 2010 Bonds will be payable on each June 1 and December 1, commencing June 1, 2011. The 2010 Bonds are initially being issued as fully registered bonds without coupons in the denominations of $5,000 and any integral multiple thereof. The 2010 Bonds will be registered in the name of Cede & Co., as holder of the 2010 Bonds and nominee for The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interest in the 2010 Bonds purchased. The principal or redemption price of and interest on the 2010 Bonds are payable by wire transfer to DTC which, in turn, is obligated to remit such principal, redemption price or interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the 2010 Bonds.

The 2010 Bonds will be subject to optional, extraordinary and mandatory sinking fund redemption as described herein. See "THE 2010 BONDS" herein.

The 2010 Bonds are special obligations of the Commission payable from and secured solely by a pledge of the Revenues (which is defined herein and which principally includes the receipts from the imposition in the County of Riverside, California of a ½-cent sales tax that became effective on July 1, 2009 (the "Sales Tax"), less certain administrative fees paid to the California State Board of Equalization), as described herein. The Sales Tax was approved by more than a two-thirds vote of the electorate of the County of Riverside on November 5, 2002 and is scheduled to expire on June 30, 2039.

The Commission will designate the 2010 Series B Bonds as build America bonds ("Build America Bonds") that are "qualified bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act"), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The Commission will designate a portion of the 2010 Series B Bonds as "Recovery Zone Economic Development Bonds" pursuant to Section 1400U-2 of the Internal Revenue Code of 1986.

The Commission expects to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the 2010 Series B Bonds, or 45% of the interest payable on such 2010 Series B Bonds that are additionally designated as "Recovery Zone Economic Development Bonds." The Commission is obligated to make all payments of principal of and interest on the 2010 Series B Bonds from the sources described herein whether or not it receives cash subsidy payments pursuant to the Stimulus Act.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THAT OF THE COMMISSION TO THE EXTENT OF THE PLEDGE OF THE REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2010 BONDS.

**This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision with respect to the 2010 Bonds.**

The 2010 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP as Bond Counsel to the Commission, and certain other conditions. Certain legal matters will be passed on for the Commission by Fulbright & Jaworski L.L.P., Los Angeles, California, as Disclosure Counsel, and by Best Best & Krieger LLP, Riverside, California, the Commission's General Counsel. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2010 Bonds will be available for delivery through the book-entry facilities of DTC on or about November 30, 2010.

**Barclays Capital** **De La Rosa & Co.**

Dated: November 17, 2010

## Maturity Schedule

### $37,630,000 2010 Series A Bonds

$37,630,000 5.00% Term Bonds due June 1, 2032 Yield: 5.20%; CUSIP†: 769125DV4

### $112,370,000 2010 Series B Bonds

$112,370,000 6.807% Term Bonds due June 1, 2039 Price: 100%; CUSIP†: 769125DW2

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† CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover hereof and herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The Commission, the Financial Advisor and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, salesman or any other person has been authorized by the Riverside County Transportation Commission (the "Commission") or the underwriters of the 2010 Bonds listed on the cover page hereof (the "Underwriters") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission or the Underwriters.

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 2010 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 of the 2010 Bonds. Neither the delivery of this Official Statement nor the sale of any of the 2010 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. 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 the implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The information set forth herein has been obtained from the Commission and other sources believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of the 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 Commission since the date hereof. All summaries contained herein of the Indenture (as defined herein) or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the Commission except statistical information or other statements where some other date is indicated in the text.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2010 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

## FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. 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. No assurance is given that actual results will meet the forecasts of the Commission in any way, regardless of the level of optimism communicated in the information. The Commission is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

## RIVERSIDE COUNTY TRANSPORTATION COMMISSION

### BOARD MEMBERS

Bob Buster, Chair
Greg Pettis, 1st Vice Chair    John J. Benoit, 2nd Vice Chair

Marion Ashley
Jeff Stone
John F. Tavaglione
Bob Botts
Roger Berg
Joseph DeConinck
Ray Quinto
Mary Craton
Eduardo Garcia
Karen Spiegel
Scott Matas
Adam Rush
Robin Lowe
Patrick J. Mullany
Glenn Miller

Terry Henderson
Bob Magee
Wallace Edgerton
Bonnie Flickinger
Rick Gibbs
Jim Ferguson
Steve Pougnet
Daryl Busch
Scott Hines
Steve Adams
Steve Di Memmo
Ron Roberts
Scott Farnam
Ray Wolfe
(vacant)

### MANAGEMENT

**Executive Director**
Anne Mayer

**Deputy Executive Director**
John Standiford

**Chief Financial Officer**
Theresia Trevino

### SPECIAL SERVICES

**Financial Advisor**

Fieldman, Rolapp & Associates
Irvine, California

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

**Disclosure Counsel**

Fulbright & Jaworski L.L.P.
Los Angeles, California

**Trustee**

U.S. Bank National Association
Los Angeles, California

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# OFFICIAL STATEMENT

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**RIVERSIDE COUNTY TRANSPORTATION COMMISSION**
**Sales Tax Revenue Bonds**
**(Limited Tax Bonds)**
**2010 Series**

| | |
|---|---|
| **$37,630,000** | **$112,370,000** |
| **RIVERSIDE COUNTY** | **RIVERSIDE COUNTY** |
| **TRANSPORTATION COMMISSION** | **TRANSPORTATION COMMISSION** |
| **Sales Tax Revenue Bonds** | **Sales Tax Revenue Bonds** |
| **(Limited Tax Bonds)** | **(Limited Tax Bonds)** |
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## INTRODUCTION

### General

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Riverside County Transportation Commission (the "Commission") of $37,630,000 principal amount of Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Tax-Exempt)(the "2010 Series A Bonds") and $112,370,000 principal amount of Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (Taxable Build America Bonds) (the "2010 Series B Bonds" and, together with the 2010 Series A Bonds, the "2010 Bonds"). As used herein, the term "Bonds" means any Bonds, including the 2010 Bonds, issued pursuant to the Indenture (as defined below).

### Authority for Issuance

The 2010 Bonds are being issued by the Commission under and pursuant to the Riverside County Transportation Sales Tax Act, being Division 25 of the Public Utilities Code of the State of California (Section 240000 et seq.) (the "Act"), the Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance, adopted by the Commission on May 8, 2002 and approved by at least two-thirds of electors of the County of Riverside (the "County") voting on such proposition in the November 5, 2002 election, and any amendments or extensions thereto (collectively, and together with the Act, the "Law"); and an Indenture, dated as of June 1, 2008 (the "2008 Indenture"), as supplemented by a First Supplemental Indenture, dated as of June 1, 2008 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as of October 1, 2009 (the "Second Supplemental Indenture") and a Third Supplemental Indenture, dated as of November 1, 2010 (the "Third Supplemental Indenture" and, together with the 2008 Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), each between the Commission and U.S. Bank National Association, as trustee (the

"Trustee"). All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" or in the Indenture.

**Purpose and Application of Proceeds**

The proceeds of the 2010 Bonds will be applied to (i) pay a portion of the costs of the Project (as defined herein), (ii) retire $103,284,000 principal amount of the Commission's outstanding Commercial Paper Notes, and (iii) pay costs of issuance of the 2010 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

**The 2010 Bonds**

Interest on the 2010 Bonds will be payable on each June 1 and December 1, commencing June 1, 2011. The 2010 Bonds are initially being issued as fully registered bonds without coupons in the denominations of $5,000 and any integral multiple thereof. The 2010 Bonds will be registered in the name of Cede & Co., as holder of the 2010 Bonds and nominee for The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interest in the 2010 Bonds purchased.

The 2010 Bonds will be subject to optional, extraordinary and mandatory sinking fund redemption. See "THE 2010 BONDS – Redemption of 2010 Series A Bonds" and "– Redemption of 2010 Series B Bonds" herein.

**Designation of 2010 Series B Bonds as "Build America Bonds" and "Recovery Zone Economic Development Bonds"**

The Commission will designate the 2010 Series B Bonds as "build America bonds" that are "qualified bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act"), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The Commission expects the Trustee to receive on the Commission's behalf cash subsidy payments from the United States Treasury ("Subsidy Payments") equal to 35% of the interest payable on the 2010 Series B Bonds, or 45% of the interest payable on such 2010 Series B Bonds that are additionally designated as "Recovery Zone Economic Development Bonds." The Commission will covenant for the benefit of the Holders of the 2010 Series B Bonds to comply with any conditions to receive the cash subsidy or to maintain the Commission's right to retain or receive future Subsidy Payments in respect of the 2010 Series B Bonds. The Commission is obligated to make all payments of principal of and interest on the 2010 Series B Bonds from Revenues (as defined below) whether or not it receives cash subsidy payments pursuant to the Stimulus Act.

**Security for the 2010 Bonds**

The 2010 Bonds are limited obligations of the Commission payable from and secured by certain revenues (the "Revenues") pledged under the Indenture, including a pledge of revenues (the "Sales Tax Revenues") derived from a ½-cent sales tax that became effective on July 1, 2009 (the "Sales Tax"), imposed in the County in accordance with the Law and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 et seq.), net of an administrative fee paid to the California State Board of Equalization (the "Board of Equalization") in connection with the collection and disbursement of the Sales Tax. The Sales Tax was approved by more than a two-thirds vote of the electorate of the County on November 5, 2002 and is scheduled to expire on June 30, 2039.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE COMMISSION TO THE EXTENT OF THE PLEDGE OF THE REVENUES, IS PLEDGED TO THE PAYMENT OF THE 2010 BONDS.

**No Reserve Fund for 2010 Bonds**

The Commission is not funding a reserve fund for the 2010 Bonds. The Commission has funded a reserve fund for its Sales Tax Revenue Bonds (Limited Tax Bonds) 2009 Series A, 2009 Series B and 2009 Series C (collectively, the "2009 Bonds"). The reserve fund for the 2009 Bonds is not available to pay debt service on the 2010 Bonds.

**Continuing Disclosure**

The Commission will covenant for the benefit of the beneficial owners of the 2010 Bonds to provide certain financial information and operating data relating to the Commission and notices of the occurrence of certain enumerated events, if material, to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"). These covenants are being made in order to assist the Underwriters of the 2010 Bonds in complying with Rule 15c2-12 (the "Rule") of the U.S. Securities and Exchange Commission ("SEC") promulgated under the Securities Exchange Act of 1934, as amended. See "APPENDIX F – PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." The Commission has not, within the past five years, failed to comply in all material respects with any previous continuing disclosure undertaking pursuant to the Rule to provide annual reports or notices of material events.

**References**

The descriptions and summaries of the Indenture and various other documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document, copies of which are available for inspection at the offices of the Commission.

## THE 2010 BONDS

### General

Interest on the 2010 Bonds will be payable on each June 1 and December 1, commencing June 1, 2011. DTC will act as the initial securities depository for the 2010 Bonds, which will be issued initially pursuant to a book-entry only system. See "APPENDIX D – BOOK-ENTRY SYSTEM." Under the Indenture, the Commission may appoint a successor securities depository to DTC for the 2010 Bonds. The information under this caption, "THE 2010 BONDS," is subject in its entirety to the provisions described in "APPENDIX D – BOOK-ENTRY SYSTEM" while the 2010 Bonds are in the book-entry only system.

The 2010 Bonds will be subject to optional and mandatory sinking fund redemption as described herein. See "THE 2010 BONDS – Redemption of 2010 Series A Bonds" and "– Redemption of 2010 Series B Bonds" herein.

### Designation of 2010 Series B Bonds as "Build America Bonds" and "Recovery Zone Economic Development Bonds"

The Commission is issuing the 2010 Series B Bonds as taxable bonds, and will designate the 2010 Series B Bonds as "build America bonds" under Section 54AA(d) of the Internal Revenue Code of 1986 (the "Code") and as "qualified build America bonds (Direct Payment)" under Section 54AA(g) of the Code (the "Build America Bonds"). In addition, the Commission will designate a portion of the 2010 Series B Bonds in the amount of $44,800,000 as "qualified" "Recovery Zone Economic Development Bonds" under Section 1400U-2 of the Code (the "Recovery Zone Bonds"). For the amount of each 2010 Series B Bonds Mandatory Sinking Account Payment that constitutes Recovery Zone Bonds, see "THE 2010 BONDS – Redemption of 2010 Series B Bonds – *Mandatory Redemption of the 2010 Series B Bonds from Mandatory Sinking Account Payments*" herein. In connection with the issuance of the 2010 Series B Bonds, and as permitted by the Stimulus Act, the Commission will elect (which election is irrevocable pursuant to the provisions of the Stimulus Act) to receive directly from the United States Department of the Treasury on or about each interest payment date for the 2010 Series B Bonds a Subsidy Payment equal to 35% of the taxable interest it pays on the 2010 Series B Bonds, or 45% of the taxable interest it pays on such 2010 Series B Bonds that are Recovery Zone Bonds. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the Stimulus Act. If the Commission fails to comply with the conditions to receiving the Subsidy Payments throughout the term of the 2010 Series B Bonds, it may no longer receive the Subsidy Payments and could be subject to a claim for the return of previously received Subsidy Payments. The Commission will covenant for the benefit of the Holders of the 2010 Series B Bonds to comply with any conditions to receive the Subsidy Payments or to maintain the Commission's right to retain or receive future Subsidy Payments in respect of the 2010 Series B Bonds. The Commission is obligated to make all payments of principal of and interest on the 2010 Series B Bonds from Revenues whether or not it receives Subsidy Payments pursuant to the Stimulus Act.

**Redemption of 2010 Series A Bonds**

***Optional Redemption***. The 2010 Series A Bonds maturing on or after June 1, 2021 shall be subject to redemption prior to their respective stated maturities, at the option of the Commission, from any source of available funds, as a whole or in part, on any date on or after June 1, 2020 at the principal amount of 2010 Series A Bonds called for redemption plus accrued interest to the date fixed for redemption, without premium.

***Sufficient Funds Required for Optional Redemption.*** Any optional redemption of 2010 Series A Bonds and notice thereof shall be conditional and rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2010 Series A Bonds called for redemption.

***Mandatory Redemption of the 2010 Series A Bonds from Mandatory Sinking Account Payments***. The 2010 Series A Bonds maturing on June 1, 2032 shall be subject to mandatory redemption prior to their respective stated maturities, in part, by lot, from Mandatory Sinking Account Payments on each June 1 a Mandatory Sinking Account Payment is due, in the principal amount equal to the Mandatory Sinking Account Payment due on such date and at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium.

| Redemption Date (June 1) | Mandatory Sinking Account Payment |
|---|---|
| 2030 | $12,105,000 |
| 2031 | 12,710,000 |
| 2032 | 12,815,000† |

† Final Maturity.

**Redemption of 2010 Series B Bonds**

***Optional Redemption with Make-Whole Premium.*** The 2010 Series B Bonds shall be subject to redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, as a whole or in part in authorized denominations of $5,000 and any integral multiple thereof, on any date at a redemption price equal to 100% of the principal amount of 2010 Series B Bonds to be redeemed plus the Make-Whole Premium (using a discount rate equal to the Comparable Treasury Yield plus 50 basis points) together with accrued interest, if any, to the date fixed for redemption.

"Make-Whole Premium" means, with respect to any 2010 Series B Bond to be redeemed, an amount calculated by an Independent Banking Institution equal to the positive difference, if any, between:

(1) The sum of the present values, calculated as of the date fixed for redemption of:

(A) Each interest payment that, but for the redemption, would have been payable on the 2010 Series B Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such 2010 Series B Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such 2010 Series B Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2010 Series B Bond to the date fixed for redemption; plus

(B) The principal amount that, but for such redemption, would have been payable on the maturity date of the 2010 Series B Bond or portion thereof being redeemed; minus

(2) The principal amount of the 2010 Series B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus the applicable spread as described herein. See "– Optional Redemption with Make-Whole Premium" and "– Extraordinary Optional Redemption of 2010 Series B Bonds."

"Comparable Treasury Yield" means, with respect to any 2010 Series B Bond to be redeemed, the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2010 Series B Bond being redeemed. The Comparable Treasury Yield will be determined as of the third Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the 2010 Series B Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2010 Series B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2010 Series B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) at the Comparable Treasury Price as of the date fixed for redemption (which Comparable Treasury Price shall be determined based upon the bid and asked prices for the Comparable Treasury Issue on the third Business Day preceding the date fixed for redemption in accordance with the procedures prescribed in the definition of the term "Comparable Treasury Price").

"Independent Banking Institution" means, with respect to any 2010 Series B Bond to be redeemed, an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the Commission (which may be the underwriters of the 2010 Series B Bonds). If the Commission fails to appoint an Independent Banking Institution at least 45 days prior to the date fixed for redemption, or if the Independent Banking Institution appointed by the Commission is unwilling or unable to determine the Comparable Treasury Yield, the Comparable Treasury Yield will be determined by an Independent Banking Institution designated by the Trustee.

"Comparable Treasury Issue" means, with respect to any 2010 Series B Bond to be redeemed, the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the 2010 Series B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2010 Series B Bond being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a 2010 Series B Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on the third Business Day preceding the date fixed for redemption.

"Reference Treasury Dealer" means, with respect to any 2010 Series B Bond to be redeemed, a primary United States Government securities dealer in the United States appointed by the Commission and reasonably acceptable to the Independent Banking Institution (which may be one of the underwriters of the 2010 Series B Bonds). If the Commission fails to select the Reference Treasury Dealers within a reasonable period of time, the Trustee will select the Reference Treasury Dealers in consultation with the Commission.

***Extraordinary Optional Redemption of 2010 Series B Bonds.*** The 2010 Series B Bonds shall be subject to redemption prior to maturity at the option of the Commission upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part, on any date, at a Redemption Price equal to 100% of the principal amount of 2010 Series B Bonds to be redeemed plus the Make-Whole Premium (using a discount rate equal to the Comparable Treasury Yield plus 100 basis points) together with accrued interest, if any, to the date fixed for redemption.

"Tax Law Change" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Commission, would be to suspend, reduce or terminate the Subsidy Payments from the United States Treasury to the Commission or the Trustee as its agent with respect to the 2010 Series B Bonds, or payments to state or local government issuers generally with respect to obligations of the general character of, and issued in the same calendar year as, the 2010 Series B Bonds, pursuant to Sections 54AA or 6431 of the Code of an amount equal to 35% (45% for Recovery Zone Bonds) of the interest due thereon on each Interest Payment Date; provided, that such suspension, reduction or termination is not due to a failure by the Commission to comply with the requirements under the Code to receive the Subsidy Payments.

***Sufficient Funds Required for Optional Redemption.*** Any optional redemption of 2010 Series B Bonds and notice thereof may be conditional and rescinded and cancelled pursuant to the provisions of the Indenture if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2010 Series B Bonds called for redemption.

***Mandatory Redemption of the 2010 Series B Bonds from Mandatory Sinking Account Payments***. The 2010 Series B Bonds maturing on June 1, 2039 (the "2010 Series B Term Bond"), shall also be subject to mandatory redemption prior to their respective stated maturities, in part, from Mandatory Sinking Account Payments on each June 1 a Mandatory Sinking Account Payment is due, in the principal amount equal to the Mandatory Sinking Account Payment due on such date and at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium.

| Redemption Date (June 1) | Mandatory Sinking Account Payment | Redemption Date (June 1) | Mandatory Sinking Account Payment |
|---|---|---|---|
| 2032 | $ 530,000 | 2036 | $15,955,000 |
| 2033 | 14,010,000 | 2037 | 16,660,000* |
| 2034 | 14,630,000 | 2038 | 17,330,000* |
| 2035 | 15,275,000 | 2039 | 17,980,000†* |

† Final Maturity.
* The Commission expects to designate $9,490,000 of the 2037 Mandatory Sinking Account Payment and all of the 2038 and 2039 Mandatory Sinking Account Payments as Recovery Zone Bonds.

**Selection of 2010 Bonds for Redemption**

***Selection of 2010 Series A Bonds for Redemption.*** The Commission shall designate which maturities of any 2010 Series A Bonds are to be called for optional redemption. If less than all 2010 Series A Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 2010 Series A Bonds of such maturity date to be redeemed in any matter that it deems appropriate and fair and shall promptly notify the Commission in writing of the numbers of the 2010 Series A Bonds so selected for redemption. For purposes of such selection, 2010 Series A Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. "Authorized Denomination" means, with respect to the 2010 Bonds, $5,000 and any integral multiple thereof. In the event of an optional redemption of the 2010 Series A Term Bonds, the Commission shall designate the Mandatory Sinking Account Payments, or portions thereof, in an aggregate amount equal to the principal amount of 2010 Series A Term Bonds so optionally redeemed, that are to be reduced as allocated to such redemption, and such Mandatory Sinking Account Payments shall be reduced accordingly.

***Selection of 2010 Series B Bonds for Redemption.*** The Commission shall designate which maturities of any 2010 Series B Bonds are to be called for optional redemption, and shall observe the following procedures:

Non-Book Entry Bonds. If the 2010 Series B Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the 2010 Series B Bonds shall be effected by the Trustee among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular 2010 Series B Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate.

Book-Entry Bonds. If the 2010 Series B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2010 Series B Bonds, if less than all of the 2010 Series B Bonds of a maturity are called for prior redemption, the particular 2010 Series B Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the 2010 Series B Bonds are held in book-entry form, the selection for redemption of such 2010 Series B Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided pursuant to DTC operational arrangements. It is the Commission's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Commission and the Beneficial Owners be made on a pro rata basis as described above with respect to the 2010 Series B Bonds. However, neither the Commission nor the Underwriters can provide any assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2010 Series B Bonds on a pro rata basis as discussed above or if the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, then the 2010 Series B Bonds will be selected for redemption in accordance with DTC operational arrangements by lot or in such other manner as is in accordance with applicable DTC procedures.

2010 Series B Term Bonds. In the event of an optional redemption of the 2010 Series B Term Bonds, the Commission shall designate the Mandatory Sinking Account Payments, or portions thereof, in an aggregate amount equal to the principal amount of 2010 Series B Term

Bonds so optionally redeemed, that are to be reduced as allocated to such redemption, and such Mandatory Sinking Account Payments shall be reduced accordingly.

**Notice of Redemption**

Each notice of redemption is to be mailed by the Trustee not less than 20 nor more than 90 days prior to the redemption date, to DTC and other parties specified in the Indenture. Conveyance of notices and other communications by DTC to DTC Direct Participants, by DTC Direct Participants to DTC Indirect Participants, and by DTC Direct Participants and DTC Indirect Participants to Beneficial Owners of 2010 Bonds will be governed by arrangements among them, and the Commission and the Trustee will not have any responsibility or obligation to send a notice of redemption except to DTC. Failure of DTC to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

**Purchase In Lieu of Redemption**

The Commission reserves the right at all times to purchase any of its 2010 Bonds on the open market. In lieu of mandatory redemption, the Commission may surrender to the Trustee for cancellation 2010 Bonds purchased on the open market, and such 2010 Bonds shall be cancelled by the Trustee. If any 2010 Bonds are so cancelled, the Commission may designate the Mandatory Sinking Account Payments or portions thereof within such 2010 Bonds so purchased that are to be reduced as a result of such cancellation.

## PLAN OF FINANCE

The proceeds of the 2010 Bonds will be applied to (i) to pay a portion of the costs of the Project, (ii) retire all or a portion of the Commission's outstanding Commercial Paper Notes, and (iii) pay costs of issuance of the 2010 Bonds. "Project" means projects authorized to be financed with the proceeds of the 2010 Bonds on the Riverside County Transportation Commission Transportation Expenditure Plan. See "RIVERSIDE COUNTY TRANSPORTATION COMMISSION – The Transportation Expenditure Plan" herein.

## ESTIMATED SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the 2010 Bonds and certain other amounts are expected to be applied as follows:

| | **2010 Series A Bonds** | **2010 Series B Bonds** |
|---|---|---|
| **Sources of Funds:** | | |
| Principal Amount | $37,630,000.00 | $112,370,000.00 |
| Original Issue Discount | (967,467.30) | -- |
| Total Sources: | $36,662,532.70 | $112,370,000.00 |
| | | |
| **Uses of Funds:** | | |
| Deposit to 2010 Bonds Project Fund | -- | $44,228,938.79 |
| Transfer to Commercial Paper Notes Trustee | $36,284,000.00 | 67,000,000.00 |
| 2010 Costs of Issuance[1] | 378,532.70 | 1,141,061.21 |
| Total Uses: | $36,662,532.70 | $112,370,000.00 |

(1) Includes Underwriters' discount, Rating Agency fees, Trustee fees, printing costs, fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Auditor, and other miscellaneous costs of issuance.

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## DEBT SERVICE SCHEDULE

| Fiscal Year Ending June 30 | 2009 Bonds[1] | 2010 Series A Bonds Principal | 2010 Series A Bonds Interest | 2010 Series B Bonds Principal | 2010 Series B Bonds Interest | Subsidy Payments[2] | Annual Net Debt Service |
|---|---|---|---|---|---|---|---|
| 2011 | $12,564,856.57 | - | $ 945,976.39 | - | $ 3,845,760.24 | ($1,499,339.98) | $ 15,857,253.22 |
| 2012 | 12,563,345.95 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,111,759.19 |
| 2013 | 12,621,803.77 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,170,217.01 |
| 2014 | 12,686,267.08 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,234,680.32 |
| 2015 | 12,740,638.17 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,289,051.41 |
| 2016 | 12,898,368.44 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,446,781.68 |
| 2017 | 12,914,473.49 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,462,886.73 |
| 2018 | 13,033,937.81 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,582,351.05 |
| 2019 | 13,139,632.04 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,688,045.28 |
| 2020 | 13,242,330.14 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,790,743.38 |
| 2021 | 13,209,719.41 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,758,132.65 |
| 2022 | 13,377,299.57 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 19,925,712.81 |
| 2023 | 13,527,432.07 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,075,845.31 |
| 2024 | 13,667,605.47 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,216,018.71 |
| 2025 | 13,676,303.58 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,224,716.82 |
| 2026 | 13,778,239.80 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,326,653.04 |
| 2027 | 13,962,718.08 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,511,131.32 |
| 2028 | 14,029,092.25 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,577,505.49 |
| 2029 | 14,172,924.74 | - | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 20,721,337.98 |
| 2030 | - | $12,105,000.00 | 1,881,500.00 | - | 7,649,025.90 | (2,982,112.66) | 18,653,413.24 |
| 2031 | - | 12,710,000.00 | 1,276,250.00 | - | 7,649,025.90 | (2,982,112.66) | 18,653,163.24 |
| 2032 | - | 12,815,000.00 | 640,750.00 | $ 530,000.00 | 7,649,025.90 | (2,982,112.66) | 18,652,663.24 |
| 2033 | - | - | - | 14,010,000.00 | 7,612,948.80 | (2,969,485.68) | 18,653,463.12 |
| 2034 | - | - | - | 14,630,000.00 | 6,659,288.10 | (2,635,704.44) | 18,653,583.66 |
| 2035 | - | - | - | 15,275,000.00 | 5,663,424.00 | (2,287,152.00) | 18,651,272.00 |
| 2036 | - | - | - | 15,955,000.00 | 4,623,654.76 | (1,923,232.76) | 18,655,422.00 |
| 2037 | - | - | - | 16,660,000.00 | 3,537,597.90 | (1,543,112.86) | 18,654,485.04 |
| 2038 | - | - | - | 17,330,000.00 | 2,403,551.70 | (1,081,598.26) | 18,651,953.44 |
| 2039 | - | - | - | 17,980,000.00 | 1,223,898.60 | (550,754.38) | 18,653,144.22 |
| Total | $251,806,988.43 | $37,630,000.00 | $38,611,476.39 | $112,370,000.00 | $196,199,668.00 | ($77,114,746.22) | $559,503,386.60 |

(1) Interest on the 2009 Bonds is calculated assuming the interest rates are equal to the fixed rates on the Existing Swaps, excluding remarketing and liquidity fees. See "OTHER SALES TAX OBLIGATIONS – Existing Swap Agreements."

(2) Under the Indenture, Subsidy Payments are treated as an off-set to Debt Service.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS

### Limited Obligation

THE 2010 BONDS ARE LIMITED TAX OBLIGATIONS OF THE COMMISSION PAYABLE SOLELY FROM REVENUES AS DEFINED AND PROVIDED IN THE INDENTURE AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THE COMMISSION IS NOT OBLIGATED TO PAY THE 2010 BONDS EXCEPT FROM REVENUES AND THOSE CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THE 2010 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE COMMISSION, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE. THE GENERAL FUND OF THE COMMISSION IS NOT LIABLE, AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE INDENTURE) OF THE COMMISSION IS NOT PLEDGED, FOR THE PAYMENT OF THE 2010 BONDS, THEIR INTEREST, OR ANY PREMIUM DUE UPON REDEMPTION OF THE 2010 BONDS. THE 2010 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE COMMISSION OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AND THE CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE.

### Pledge of Revenues

All Revenues, consisting of Sales Tax Revenues and Swap Revenues, are irrevocably pledged by the Commission to secure the punctual payment of the principal of, premium, if any, and interest on the 2010 Bonds and any additional Series of Bonds issued under the Indenture and all amounts owing on any Parity Obligations in accordance with their terms. The Revenues shall not be used for any other purpose while any of the Bonds or Parity Obligations remain Outstanding, except as permitted by the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Additionally, all amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Bond Purchase Fund) are pledged to secure the payment of all amounts owing on the Bonds and Parity Obligations, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Pursuant to the Indenture, the pledge of Revenues constitutes a first lien to secure the Bonds and Parity Obligations. The pledge of Revenues shall be irrevocable until all Bonds issued under the Indenture, including the 2010 Bonds, and all Parity Obligations are no longer Outstanding.

The Revenues pledged to the payment of the Bonds and Parity Obligations shall be applied without priority or distinction of one over the other and the Sales Tax Revenues shall constitute a trust fund for the security and payment of the Bonds and Parity Obligations; but nevertheless out of Revenues certain amounts may be applied for other purposes as provided in the Indenture.

For a detailed description of the Sales Tax and projected receipts of Sales Tax Revenues, see "THE SALES TAX" herein. For a discussion of Swap Revenues, see "OTHER SALES TAX OBLIGATIONS – Existing Swap Agreements" herein.

**Revenue Fund; Allocation of Revenues**

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Commission has assigned the Sales Tax Revenues to the Trustee and shall cause the Board of Equalization to transmit the same directly to the Trustee. The Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and any Parity Obligations. The Trustee shall forthwith deposit all Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such Sales Tax Revenues are received by the Trustee. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues." Investment income on amounts held by the Trustee (other than amounts held in the Rebate Fund or for which particular instructions are provided) shall also be deposited in the Revenue Fund.

In each month while Bonds remain Outstanding, the Trustee is required to set aside receipts of Sales Tax Revenues in the following respective funds, amounts and order of priority (provided that deficiencies in any previously required deposit shall be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to Parity Obligations, including certain regularly scheduled payments pursuant to Interest Rate Swap Agreements that are payable on a parity with the 2010 Bonds, shall be made on a parity basis, as provided in the Indenture):

1. <u>Interest Fund</u>. The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Current Interest Bonds (other than Bonds constituting Variable Rate Indebtedness) during the ensuing six-month period, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Commission, or if the Commission has not specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred (100) basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month will be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Outstanding Bonds issued under the Indenture, and on June 1 and December 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than June 1 and December 1) will be transferred to

the Commission (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Swap Revenues received with respect to Interest Rate Swap Agreements that are Parity Obligations shall be deposited in the Interest Fund and credited to the above-required deposits, and payments on such Interest Rate Swap Agreements (other than fees and expenses and termination payments) shall be payable from the Interest Fund and the above-required deposits shall be adjusted to include such payments.

2. Principal Fund; Sinking Accounts. The Indenture also requires the Trustee to make monthly deposits in the Principal Fund in an amount equal to at least (a) one-sixth of the aggregate semiannual amount of principal and accreted value, if applicable, becoming due and payable within the next six months on Outstanding Bonds having semiannual maturity dates, plus (b) one-twelfth of the aggregate yearly amount of principal, accreted value, if applicable, becoming due and payable within the next twelve months on Outstanding Bonds having annual maturity dates, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts are required to be set aside toward such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments are to be made without priority of any payment into any one such Sinking Account over any other such payment.

If the Sales Tax Revenues are not sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys will be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually which will have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually which will have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues will not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking

Accounts are to be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit must be made into the Principal Fund as long as such fund holds (i) moneys sufficient to pay the Bond Obligations of all then Outstanding Serial Bonds maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than June 1 of each year, the Trustee is required to request from the Commission a Certificate of the Commission setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than June 1) are required to be transferred to the Commission.

3. Bond Reserve Fund. The Indenture also requires the Trustee to make deposits to the Bond Reserve Fund, to the extent required. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS – No Reserve Fund for 2010 Bonds."

4. Subordinate Obligations Fund. As long as any Subordinate Obligations remain unpaid, any Revenues remaining in the Revenue Fund after the transfers described in (1), (2) and (3) above have been made shall be transferred to the Notes Trustee in connection with the Commission's Commercial Paper Notes (Limited Tax Bonds), Series A and Series B (the "Notes"). After the Notes Trustee has made the required deposit of Revenues under the Subordinate Indenture, the Notes Trustee shall transfer any remaining Revenues back to the Trustee.

5. Fees and Expenses Fund. At the direction of the Commission, after the transfers described in (1), (2), (3) and (4) above have been made, the Trustee is required to deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds or any Parity Obligations) owing in such month or the following month by the Commission in connection with the Bonds or any Parity Obligations and (ii) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Commission in connection with Subordinate Obligations. The

Commission shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers described in (1), (2), (3), (4) and (5) above, except as the Commission shall otherwise direct in writing or as is otherwise provided in a supplemental indenture, shall be transferred to the Commission on the same Business Day or as soon as practicable thereafter. The Commission may use and apply the Revenues when received by it for any lawful purpose of the Commission, including the redemption of Bonds upon the terms and conditions set forth in the supplemental indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

If, five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date, the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent not required to satisfy the Bond Reserve Requirement, any Bond Reserve Fund established in connection with the 2010 Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission has covenanted and agreed to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues" and "– Definitions" for a more complete discussion.

**No Reserve Fund for 2010 Bonds**

The Commission is not funding a reserve fund for the 2010 Bonds. In connection with the issuance of the 2009 Bonds, the Commission funded a reserve fund securing only the 2009 Bonds. The reserve fund for the 2009 Bonds is not available to pay debt service on the 2010 Bonds.

**Additional Bonds and Parity Obligations**

In addition to the 2010 Bonds, the Commission currently has $181,000,000 in aggregate principal amount of its 2009 Bonds Outstanding, payable from Sales Tax Revenues on a parity with the 2010 Bonds. See "OTHER SALES TAX OBLIGATIONS – Existing Bonds." Under the Indenture, the Commission may issue other obligations payable in whole or in part from Sales Tax Revenues, subject to the limitations of the Act and to the terms and conditions contained in the Indenture.

***Issuance of Additional Series of Bonds.*** The Commission may by Supplemental Indenture establish one or more additional Series of Bonds payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the 2010 Bonds, but only upon compliance by the Commission with the provisions of the Indenture, including the conditions that:

(1) No Event of Default shall have occurred and then be continuing.

(2) The aggregate principal amount of Bonds issued pursuant to the Indenture may not exceed any limitation imposed by the Act.

(3) If so required in the Supplemental Indenture providing for the issuance of such Series, either (i) a Bond Reserve Fund shall be established to provide additional security for such Series of Bonds or (ii) the balance in an existing Bond Reserve Fund, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series shall be increased, if necessary, to an amount at least equal to the Bond Reserve Requirement with respect to all Bonds to be considered Outstanding upon the issuance of Bonds of such Series. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Commission or from both such sources or may be made in the form of a Reserve Facility.

(4) The Commission shall place on file with the Trustee a Certificate of the Commission certifying that the amount of Sales Tax Revenues collected during the Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.5 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based. For purposes of determining Debt Service, interest on the 2010 Series B Bonds will be calculated net of the Subsidy Payments. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

Nothing in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

***Issuance of Refunding Bonds.*** Refunding Bonds may be authorized and issued by the Commission without compliance with the provisions of the Indenture described above under (4) "Issuance of Additional Series of Bonds" and other terms of the Indenture; provided, that Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations Outstanding prior to the issuance of such Refunding Bonds, or (ii) that the Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds.

***Issuance of Parity Obligations.*** The Commission may also issue Parity Obligations which will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (4) above under the caption "Issuance of Additional Series of Bonds" (unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply).

As defined in the Indenture, "Parity Obligations" means any indebtedness, installment sale obligation, lease obligation or other obligation of the Commission for borrowed money, the Existing Swaps or any other Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Indenture and having an equal lien and charge upon the Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

The Commission's obligation to make regularly scheduled payments under the Existing Swap Agreements (as defined below) constitutes a Parity Obligation under the Indenture.

The Ordinance limits the amount of the Commission's bonds secured by Sales Tax Revenues to, initially established at a maximum aggregate principal amount of $500 million at any one time outstanding. A ballot measure to increase this limit to $975 million was approved at a special election held in the County on November 2, 2010. See "OTHER SALES TAX OBLIGATIONS – Limitation on Outstanding Sales Tax Obligations."

## OTHER SALES TAX OBLIGATIONS

### Existing Bonds

On October 1, 2009, the Commission issued $185,000,000 in original, aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds) 2009 Series A, 2009 Series B and 2009 Series C (collectively, the "2009 Bonds"), which are currently outstanding in the aggregate principal amount of $181,000,000. The 2009 Bonds mature on June 1, 2029 and are variable rate obligations currently bearing interest at a weekly rate. In order to hedge its variable rate exposure on the 2009 Bonds, the Commission entered into interest rate swap agreements with Bank of America, N.A. and Deutsche Bank AG, New York Branch, as described further in "Existing Swap Agreements" below. The 2009 Bonds are currently subject to optional tender by the holders thereof. The payment of the purchase price of tendered 2009 Bonds is payable from the proceeds of remarketing the 2009 Bonds and, to the extent remarketing proceeds are insufficient, from amounts available from Standby Bond Purchase Agreements relating to each series of the 2009 Bonds, each dated as of October 1, 2009 (each, a "2009 Bonds Liquidity Facility"), between the Commission and JPMorgan Chase Bank, National Association (the "2009 Bonds Liquidity Provider"), and from any Alternate Liquidity Facility that may be obtained by the Commission. Each 2009 Bonds Liquidity Facility expires on September 30, 2011, unless extended by the parties thereto.

The obligation of the Commission to reimburse the 2009 Bonds Liquidity Provider or make any other payments under a 2009 Bonds Liquidity Facility is secured by a pledge of Sales Tax Revenues on a parity with the pledge securing the Bonds, including the 2010 Bonds. Under certain circumstances, 2009 Bonds purchased by the 2009 Bonds Liquidity Provider and not remarketed may become Liquidity Facility Bonds. Such Liquidity Facility Bonds shall bear interest as provided in the relevant 2009 Bonds Liquidity Facility and may be subject to mandatory prepayment upon the occurrence of certain events of default described in such 2009 Bonds Liquidity Facility.

**Existing Swap Agreements**

The Commission has entered into the following interest rate swap agreements (collectively, the "Existing Swap Agreements"), in the combined initial notional amount of $185,000,000 (subject to amortization corresponding to the amortization of the 2009 Bonds, which are currently Outstanding in the aggregate principal amount of $181,000,000), which Existing Swap Agreements have an effective date of October 1, 2009 and expire on June 1, 2029, and are designed to cause the total interest obligation with respect to the 2009 Bonds to accrue at a synthetic fixed rate:

(i) An ISDA Master Agreement, dated as of August 22, 2006, between Bank of America, N.A. ("BofA") and the Commission, as supplemented by the Schedule, dated as of August 22, 2006 and the confirmation of a transaction entered into on August 22, 2006 between BofA and the Commission (the "BofA Swap Agreement").

(ii) An ISDA Master Agreement, dated as of September 24, 2008, between Deutsche Bank AG, New York Branch ("DBAG") and the Commission, as supplemented by the Schedule, dated as of September 24, 2008 and the confirmation of a transaction entered into on September 24, 2008 between DBAG and the Commission (the "DBAG Swap Agreement").

The Commission's obligation to make regularly scheduled payments to the swap counterparties under the Existing Swap Agreements is secured by Sales Tax Revenues on a parity basis with the Commission's obligation to pay principal of and interest on the Bonds, including the 2010 Bonds, and therefore such obligation constitutes a Parity Obligation under the Indenture. The Commission's obligation to make any early termination payment under the Existing Swap Agreements is secured by a pledge of Sales Tax Revenues subordinate to the pledge of Sales Tax Revenues in favor of the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

The BofA Swap Agreement is in the initial notional amount of $100,000,000, subject to amortization as set forth therein, which corresponds to the combined amortization of the 2009 Series B Bonds and 2009 Series C Bonds. Pursuant to this agreement, BofA has agreed to pay the Commission a floating rate equal to 67% of USDLIBOR (One Month) and the Commission has agreed to pay BofA a fixed rate equal to 3.679%. The BofA Swap Agreement is subject to early termination in the event that the unenhanced ratings on the 2009 Bonds issued by Moody's Investors Service ("Moody's") and Standard & Poor's Rating Service ("S&P") fall below investment grade or are withdrawn or suspended; a reduction in the long-term unsubordinated ratings of BofA below investment grade can also result in an early termination of the BofA Swap Agreement. The Commission has the option of terminating the BofA Swap Agreement upon two Business Days' notice provided it has sufficient funds to pay any early termination amount.

The DBAG Swap Agreement is in the initial notional amount of $85,000,000, subject to amortization as set forth therein, which corresponds to the amortization of the 2009 Series A Bonds. Pursuant to this agreement, DBAG has agreed to pay the Commission a floating rate equal to 67% of USDLIBOR (One Month) and the Commission has agreed to pay DBAG a fixed rate equal to 3.206%. The DBAG Swap Agreement is subject to early termination in the event that the unenhanced ratings on the 2009 Bonds issued by Moody's and S&P fall below investment grade or are withdrawn or suspended; a reduction in the unenhanced ratings of the long-term unsecured unsubordinated debt of DBAG below investment grade can also result in an early termination of the DBAG Swap Agreement. The Commission has the option of terminating the DBAG Swap Agreement upon two Business Days' notice provided it has sufficient funds to pay any early termination amount.

In the event of an early termination of one or both of the Existing Swap Agreements, a termination payment will be payable by either the Commission or the swap counterparty depending on the then current market value of the Existing Swap Agreement subject to termination. Any such termination payment payable by the Commission could be substantial. As of November 1, 2010, the value of the termination payment, if each of the Existing Swap Agreements were terminated based on the mid-market swap curve and assuming functioning markets was estimated by the Commission's financial advisor to be approximately $25,664,000 payable by the Commission. Any early termination payments are payable from Sales Tax Revenues on a basis subordinate to the Bonds (including the 2010 Bonds).

**Subordinate Obligations**

The Commission may issue obligations ("Subordinate Obligations") payable out of Sales Tax Revenues on a basis subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable. The Commission's Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) (the "Notes") and the credit agreements supporting the Notes constitute Subordinate Obligations under the Indenture. The Commission's obligation to make early termination payments under the Existing Swap Agreements is secured by a pledge of the Sales Tax Revenues subordinate to the pledge in favor of the 2010 Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

As of November 1, 2010, there was $103,284,000 principal amount of Notes outstanding of an authorized $120,000,000 program. The program was initially established at a maximum of $185,000,000 in principal amount and has been reduced to a maximum of $120,000,000 in principal amount. The principal of and interest on the Notes are payable from draws under an irrevocable, direct pay letter of credit issued by Bank of America, N.A. ("BofA"), pursuant to a Reimbursement Agreement, dated as of March 1, 2005, as amended ("Reimbursement Agreement"), by and between the Commission and BofA. The stated amount of the letter of credit may not exceed $121,500,000. The letter of credit expires March 29, 2012, unless terminated earlier as provided in the Reimbursement Agreement. The Commission's obligation to reimburse BofA for draws under the letter of credit to pay the principal of and interest on the Notes is secured by a pledge of Sales Tax Revenues subordinate to the pledge in favor of the holders of the Bonds, including the 2010 Bonds, and on parity with the obligation to pay Note holders. If the Commission is unable to extend or replace such letter of credit by its expiration date, the Commission may refund any outstanding Notes and any related reimbursement obligations due to BofA with the proceeds of an additional Series of Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS – Additional Bonds and Parity Obligations" herein.

## Limitation on Outstanding Sales Tax Obligations

Under the Ordinance, the Commission has the power to sell or issue, from time to time, bonds or other evidence of indebtedness, including but not limited to capital appreciation bonds, secured solely by Sales Tax Revenues, in the aggregate principal amount at any one time outstanding of, initially, not to exceed \$500 million. A ballot measure to increase this limit to \$975 million was approved at a special election held in the County on November 2, 2010. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS – Additional Bonds and Parity Obligations" herein.

# THE SALES TAX

## General

The Act, among other things, authorizes the Commission to develop a countywide consensus on a proposed transaction expenditure plan to be submitted to the voters as part of an ordinance imposing a retail transactions and use tax in the County in accordance with the provisions of the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251, et seq.). In accordance with the Act, on November 5, 2002, more than two-thirds of the voters of the County voting on the measure approved Measure "A," which authorized the imposition of the Sales Tax in the County. The Sales Tax commenced on July 1, 2009 and will be collected for a thirty-year period ending on June 30, 2039. The Sales Tax consists of a one-half of one percent (1/2%) sales tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions described below. See "RIVERSIDE COUNTY TRANSPORTATION COMMISSION – The Transportation Expenditure Plan" herein.

The one-half of one percent sales tax imposed in the County for transportation purposes and administered by the Commission, is in addition to an eight and one-quarter percent sales tax levied statewide by the State of California (the "State"). In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property. The statewide use tax is imposed on the storage, use or other consumption in the state of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State.

On November 8, 1988, more than two-thirds of the voters approved the Riverside County Transportation Commission Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance (the "Prior Ordinance") which authorized the imposition of a retail transactions and use tax of one-half of one percent (½%) of the gross receipts of retailers from the sales of all tangible personal property sold at retail in the county and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the county, subject to certain limited exceptions (the "1988 Sales Tax"). The 1988 Sales Tax ceased to be effective on June 30, 2009. The Commission has previously issued indebtedness secured by the 1988 Sales Tax, and all outstanding principal and interest with respect to such indebtedness has been fully paid on or before June 1, 2009.

The Sales Tax is generally imposed upon the same transactions and items subject to the sales and use tax levied statewide by the State (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. Many categories of transactions are exempt from the State Sales Tax and the Sales Tax. The most important of these exemptions are: sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivered to consumers through mains, lines and pipes. In addition, "Occasional Sales" (*i.e.*, sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the county which are shipped to a point outside the county, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt from the State Sales Tax and from the Sales Tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Sales Tax Revenues. The Commission is not currently aware of any proposed legislative change which would have a material adverse effect on Sales Tax Revenues. See also "RISK FACTORS – Proposition 218" herein.

**Collection of Sales Tax Revenues**

Collection of the Sales Tax is administered by the Board of Equalization. The Commission and the Board of Equalization have entered into an agreement for state administration of district transactions and use taxes to authorize payment of Sales Tax Revenues directly to the Trustee. The Board of Equalization, after deducting amounts payable to itself, is required to remit the balance of amounts received from the Sales Tax directly to the Trustee. The Trustee is required to apply the Sales Tax Revenues to make deposits to the funds and accounts established under the Indenture and to transfer the remaining amounts to U.S. Bank Trust National Association, as issuing and paying agent for the Notes (the "Issuing and Paying Agent"). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS" herein. The remaining unapplied Sales Tax Revenues, if any, are transferred to the Commission for use for any purpose contemplated by the Ordinance. The fee that the Board of Equalization is authorized to charge for collection of the Sales Tax is determined by State legislation. The Board of Equalization fee for collection of the Sales Tax for fiscal year 2010-11 is estimated at $1,389,200.

**Historical Sales Tax Revenues**

The following table sets forth net sales tax revenues for the Fiscal Years indicated below. Net sales tax revenues through a portion of 2010 were received under the Prior Ordinance and were levied by the Commission at the same rate and on the same types of transactions as the Measure A Sales Tax.

**RIVERSIDE COUNTY TRANSPORTATION COMMISSION**
**HISTORICAL SALES TAX REVENUES**

| Fiscal Year Ended June 30 | Net Sales Tax Revenues[1] | % Change From Prior Fiscal Year |
|---|---|---|
| 2001 | $ 89,710,797 | |
| 2002 | 95,782,282 | 6.77% |
| 2003 | 102,442,647 | 6.95 |
| 2004 | 120,564,890 | 17.69 |
| 2005 | 138,921,247 | 15.23 |
| 2006 | 157,236,314 | 13.18 |
| 2007 | 154,539,723 | (1.71) |
| 2008 | 142,537,548 | (7.77) |
| 2009 | 119,688,289 | (16.03) |
| 2010 | 114,526,253 | (4.31) |

(1) Net of Board of Equalization administrative fee.
Source: The Commission.

Annual Measure A Sales Tax Revenues for the Fiscal Year ended June 30, 2010 were $114,526,253, representing a decline of 4.31% from the Measure A Sales Tax Revenues for the Fiscal Year ended June 30, 2009.

Year over year quarterly increases/(decreases) on a percentage basis for the Fiscal Year ended June 30, 2010 were (25.91%) for the first quarter, (1.99%) for the second quarter, 2.91% for the third quarter and 11.36% for the fourth quarter. See "APPENDIX B – COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION" and "RISK FACTORS" herein.

The Commission is unable to predict if and when annual Sales Tax Revenues will increase. For a summary of historical taxable retail sales within the County, see the table entitled "County of Riverside, Taxable Sales Transactions" in "APPENDIX B – COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION."

The following table sets forth the Maximum Annual Debt Service coverage on the Bonds based on Sales Tax Revenues for the Fiscal Year ended June 30, 2010.

| Sales Tax Revenues | Maximum Annual Debt Service on all Bonds[1] | Coverage Ratio |
|---|---|---|
| $114,526,253 | $20,721,337.98 | 5.53x |

[1] Interest on variable rate debt is calculated assuming the interest rates are equal to the fixed rates on the Existing Swaps. Under the Indenture, the Subsidy Payments are treated as an off-set to Debt Service. "See DEBT SERVICE SCHEDULE" herein.
Source: The Commission and Fieldman, Rolapp & Associates.

## RIVERSIDE COUNTY TRANSPORTATION COMMISSION

### General

The Commission is charged with a number of important responsibilities in serving the residents of the County. Administering the sales tax program, which has raised more than $1 billion, has been by far the most prominent of these responsibilities. The Commission, which has the responsibility of placing future transportation ballot measures before the public, was successful in November 2002 in obtaining more than two-thirds voter approval of the Sales Tax.

In addition to the Commission's Measure A responsibilities, the Commission has also been designated as the congestion management agency (the "CMA") for the County. As the CMA, the Commission has developed a congestion management program that more effectively utilizes transportation funds by linking land use, transportation and air quality efforts.

The Commission serves as the Service Authority for Freeway Emergencies and operates the freeway service patrol (the "FSP") for the County. The results of these programs – 680 call boxes along the County roadways and 20 FSP tow trucks providing assistance to more than 52,000 motorists annually – are among the most visible of the Commission's programs.

In 1998, the State Legislature gave new authority to the Commission by changing the way funding is distributed from the State Transportation Improvement Program, which is funded through state and federal gas taxes. In simple terms, counties no longer apply to the State for funding their most urgent transportation needs. Instead, State transportation dollars are given directly as an entitlement, leaving the decision making about transportation spending up to the designated county transportation commission like the Commission. While this gives the Commission greater control over how transportation dollars are spent, it also requires a much higher level of local communication and participation to determine how these dollars are spent throughout a county with so many transportation needs. The Commission has the responsibility to program funds received under the California Transportation Development Act, a statewide source of funding for transit purposes, primarily to the County's major public transit providers, although the Commission has no responsibility to provide transit services.

To enhance County-wide participation and improve its decision-making, the Commission made a major change in its structure in 1999 by expanding the Board from eight members to thirty. The Board expanded in 2008 with the addition of two members representing newly incorporated cities and again in 2010 with addition of one member representing another newly incorporated city. The current Board now has 33 members. The expanded Commission ensures better representation throughout the County and provides the participatory framework for continued success in carrying out these responsibilities.

**The Transportation Expenditure Plan**

On November 5, 2002, 69.2% of the voters of the County approved Measure "A" – The Riverside County Transportation Commission Transportation Expenditure Plan (the "Plan") and Retail Transaction and Use Tax Ordinance (the "Ordinance") which expressed the following concerns in its preamble:

"The transportation system in Riverside County is rapidly deteriorating and our population and economy are growing rapidly. Maintenance and repairs of existing roadways and improvements to relieve congestion cannot be accomplished with available funds. Without additional funds, the system will bog down and pavement will crumble into permanent disrepair…. Local governments must either generate revenues to expand our system and maintain our investments or watch the system collapse and endanger the health, welfare and safety of all Riverside County residents."

The goals of the Plan are as follows:

(1) Maintain and improve the quality of life in Riverside County by supplementing existing funds for transportation;

(2) provide for accountability in the expenditure of taxpayer funds;

(3) provide for equity in the distribution of Measure "A" Revenues; and

(4) provide for local control of the Transportation Improvement Program.

To address the concerns as expressed in the preamble, and to accomplish its goals and policies, the Ordinance provided that sales tax revenues be distributed to the specific geographic areas of Riverside County (*i.e.*, Western County, Coachella Valley, and Palo Verde Valley) based on their proportionate share of revenues generated in the County, and that funds (including proceeds of bonds secured by such sales tax revenues) be allocated for highway and regional arterial projects, local streets and roads, transit and commuter rail, new corridors and economic development. In the Western County, $370 million is to be used for new corridor projects, $1.020 billion for highway projects, $300 million for regional arterial projects, $390 million for public transit, $970 million for local street and road improvements, $270 million for bond financing costs, and the remaining $40 million for economic development projects. In the Coachella Valley, fifty percent is to be earmarked for its highway and regional arterial system, thirty-five percent for local streets and roads, and the remaining fifteen percent for transit. All Palo Verde Valley funds are designated for the maintenance of local streets and roads.

**Toll Road Bonds**

On July 14, 2010, the Commission adopted Resolution No. 10-026 authorizing the issuance and sale of not to exceed $900 million principal amount of toll revenue bonds. The proceeds of the toll revenue bonds will be applied to finance certain State Route 91 corridor improvement project costs through a design-build method of delivery. The Commission expects to secure the toll revenue bonds by a first lien on toll revenues and possibly by a subordinate pledge of Sales Tax Revenues. The Commission does not view any such bonds secured by toll revenues and by a subordinate pledge of Sales Tax Revenues to be subject to the Ordinance's limit on the total principal amount of bonds secured solely by Sales Tax Revenues. See "OTHER SALES TAX OBLIGATIONS - Limitation on Outstanding Sales Tax Obligations" herein.

**Commissioners**

Section 130053 of the California Public Utilities Code specifies that the Commission consists of five members of the Riverside County Board of Supervisors, one member from each incorporated city in Riverside County (each of whom must be a mayor or member of the City Council) and one non-voting member appointed by the governor of the State of California. The role of the Commission is to act as the policy-making board for Riverside County transportation activities.

**Executive Staff**

The Commission's key staff members, the position held by each and a brief statement of the background of each staff member are set forth below.

**Anne Mayer,** *Executive Director*. Anne Mayer was appointed in October 2007 as the Chief Executive Officer of the Commission. She is responsible for overall management of the Commission including execution of operational policies and procedures and all personnel decisions. Ms. Mayer joined the Commission in May 2005 as Deputy Executive Director. Prior to joining the Commission, she was the District 8 Director for the California Department of Transportation ("CALTRANS"). As District Director, she was responsible for management of the state highway system in San Bernardino and Riverside counties. With 27 years of experience in the public works field, Ms. Mayer was with CALTRANS for 14 of those years. Ms. Mayer holds a civil engineering degree from Michigan State University.

**John Standiford,** *Deputy Executive Director*. In January 2008, John Standiford was appointed as Deputy Executive Director for the Commission, he joined the Commission in 1999 and was the Public Affairs Director prior to his current appointment. Mr. Standiford also served as the Manager of Government and Media Relations for the Orange County Transportation Authority, where he worked for more than seven years. Earlier in his career, Mr. Standiford worked for three state legislators from the Los Angeles area. He received his bachelor and masters degrees from the University of California, Irvine.

**Theresia Trevino,** *Chief Financial Officer*. Ms. Trevino joined the Commission as the Chief Financial Officer in January 2004. Ms. Trevino previously worked as Manager of Accounting and Financial Reporting for the Orange County Transportation Authority. She also served as an adjunct professor for governmental accounting and reporting at the University of

Redlands. Ms. Trevino's 19-year public accounting career included 16 years with Ernst & Young LLP. As Senior Manager in its Assurance and Advisory Business Services practice serving government clients, she led the development of the Southern California practice and served as a national technical resource. She is a Certified Public Accountant in California and completed the Executive Management Program at the University of California, Riverside. Ms. Trevino received a bachelor of science degree in accounting from Loyola Marymount University with Magna Cum Laude Honors.

## RISK FACTORS

### Economic Recession and Financial Crisis

The amount of Sales Tax Revenues collected at any time is directly dependent upon the level of retail sales within the County. For the past two years the economy of the County has been in a recession, as evidenced by a high unemployment rate, a decrease in total personal income and taxable sales, a drop in residential and commercial building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums, an increase in notices of default on mortgage loans secured by homes and condominiums and an increase in foreclosures resulting from such defaults. While recent quarterly data indicate that Sales Tax Revenues may be recovering from recent declines, a further deterioration in economic activity within the County could have a material adverse impact upon the level of Sales Tax Revenues generated. For information relating to current economic conditions within the County and the State, see "APPENDIX B –COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION."

### Investments

The Commission has significant holdings in a broad range of investments. Market fluctuations have affected and will continue to affect materially the value of those investments and those fluctuations may be and historically have been material. Recent market disruptions have exacerbated the market fluctuations, but as a result of stable investments in government securities, the Commission's portfolio has not suffered any major losses with respect to the principal amount of funds invested. The Commission has experienced a reduction in interest income on such investments as a result of current market conditions.

### Parity with Liquidity Facility Bonds

The Indenture does not contain a provision allowing for acceleration of any Bonds, including the 2010 Bonds, in the event of a default in the payment of principal of and interest on the Bonds when due; provided, however, that if any 2009 Bonds become Liquidity Facility Bonds, such Liquidity Facility Bonds are subject to mandatory prepayment as set forth in the related 2009 Bonds Liquidity Facility. See "OTHER SALES TAX OBLIGATIONS – Existing Bonds." Upon a default by the Commission, each Holder of a 2010 Bond will have the rights to exercise the remedies set forth in the Indenture, subject to the limitations thereon. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

### The Sales Tax

With limited exceptions, the Sales Tax will be imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. For a further description of the Sales Tax, see "THE SALES TAX."

### Impact of Bankruptcy of the Commission

As a municipal entity, the Commission may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. Under Chapter 9, the pledge of Sales Tax Revenues is fully enforceable only if a bankruptcy court determines that the Sales Tax Revenues are "Special Revenues" under Chapter 9 and that the pledge is valid and binding under Chapter 9. Sales Tax Revenues may not constitute "Special Revenues" under Chapter 9 because, among other reasons, the Measure A Sales Tax was not levied for a particular project and is available for the general purposes of the Commission. If a bankruptcy court were to hold the pledge of Sales Tax Revenues to be unenforceable under Chapter 9, then the owners of the Bonds (including the 2010 Bonds) would no longer be entitled to any special priority to the Sales Tax Revenues and may be treated as general unsecured creditors of the Commission as to the Sales Tax Revenues.

Furthermore, since the obligations of the Commission under the Indenture, including its obligation to pay principal of and interest on the 2010 Series Bonds, are limited obligations and are payable solely from Sales Tax Revenues and certain other amounts held by the Trustee under the Indenture, if the Commission filed a petition for bankruptcy under Chapter 9, the owners of the Bonds (including the 2010 Bonds) would have no recourse to any assets or revenues of the Commission other than Sales Tax Revenues and such other amounts.

### Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Commission. The Sales Tax was approved by more than two-thirds of the voters in Riverside County and is therefore in compliance with the requirements of Proposition 218. Article XIIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized local taxes, even previously voter-approved taxes like the Sales Tax. In the view of the Commission, however, any attempt by the voters to use the initiative provisions of Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner which would prevent the payment of debt service on the 2010 Bonds, would violate the Contracts Clause of the United States Constitution and, accordingly, would be precluded. The interpretation and application of Proposition 218 will ultimately be determined by the courts.

**Further Initiatives**

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the Commission's ability to levy and collect the Sales Tax, or change the types of transactions or items subject to a Sales Tax.

**Loss of Tax Exemption**

As discussed under "TAX MATTERS," interest on the 2010 Series A Bonds could become includable in federal gross income, possibly from the date of issuance of the 2010 Series A Bonds, as a result of acts or omissions of the Commission subsequent to the issuance of the 2010 Series A Bonds. Should interest become includable in federal gross income, the 2010 Series A Bonds are not subject to mandatory redemption by reason thereof and may remain outstanding until maturity.

**Loss of Subsidy Payments**

The 2010 Series B Bonds are being issued as "Build America Bonds" or "Recovery Zone Economic Development Bonds." See "THE 2010 BONDS – Designation of 2010 Series B Bonds as 'Build America Bonds' or 'Recovery Zone Economic Development Bonds'" herein. The amount of any Subsidy Payments to be received in connection with the 2010 Series B Bonds are subject to legislative changes by the United States Congress. Further, Subsidy Payments will only be paid if the 2010 Series B Bonds continue to qualify as Build America Bonds or Recovery Zone Bonds. For the 2010 Series B Bonds to be and remain Build America Bonds or Recovery Zone Bonds, the Commission must comply with certain covenants and establish certain facts and expectations with respect to the 2010 Series B Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Thus, it is possible that the Commission may not receive the Subsidy Payments. Subsidy Payments are also subject to offset against amounts that may, for unrelated reasons, be owed by the Commission to any agency of the United States of America. The Commission does not believe that failure to receive the Subsidy Payments or any offset to the Subsidy Payments will materially and adversely impact the Commission's ability to pay interest on the 2010 Series B Bonds.

## FINANCIAL STATEMENTS

The financial statements of the Commission for the Fiscal Year ended June 30, 2010, included in APPENDIX A of this Official Statement, have been audited by McGladrey & Pullen, LLP, certified public accountants, as stated in their report therein. McGladrey & Pullen, LLP was not requested to consent to the inclusion of its report in APPENDIX A, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by McGladrey & Pullen, LLP with respect to any event subsequent to the date of its report. Except as described herein, the Commission represents that there has been no material adverse change in its financial position since June 30, 2010.

## LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the 2010 Bonds or questioning or affecting the validity of the 2010 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the Commission, nor the title of the present members of the Commission to their respective offices, is being contested.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission ("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 2010 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the 2010 Series A Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2010 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the 2010 Series B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or accrual or receipt of interest on the 2010 Bonds. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in APPENDIX E.

### Tax Matters Relating to the 2010 Series A Bonds

To the extent the issue price of any maturity of the 2010 Series A Bonds is less than the amount to be paid at maturity of such 2010 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010 Series A 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 2010 Series A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2010 Series A Bonds is the first price at which a substantial amount of such maturity of the 2010 Series A 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 2010 Series A Bonds accrues daily over the term to maturity of such 2010 Series A 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 2010 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010 Series A Bonds. Beneficial owners of the 2010 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010 Series A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2010 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2010 Series A Bonds is sold to the public.

2010 Series A 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 2010 Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium 2010 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 2010 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium 2010 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 2010 Series A Bonds. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2010 Series A 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 2010 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2010 Series A 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 2010 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2010 Series A 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 2010 Series A Bonds is excluded from gross income for federal income tax purposes and that the interest on the 2010 Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2010 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.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2010 Series A 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. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2010 Series A Bonds. Prospective purchasers of the 2010 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax 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 2010 Series A 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 Commission, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Commission has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2010 Series A Bonds ends with the issuance of the 2010 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the beneficial owners regarding the tax-exempt status of the 2010 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Commission and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2010 Series A 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 2010 Series A Bonds, and may cause the Commission or the beneficial owners to incur significant expense.

**Tax Matters Relating to the 2010 Series B Bonds**

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2010 Series B Bonds that acquire their 2010 Series B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2010 Series B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their 2010 Series B Bonds pursuant to this offering for the issue price that is applicable to such 2010 Series B Bonds (i.e., the price at which a substantial amount of the 2010 Series B Bonds are sold to the public) and who will hold their 2010 Series B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a 2010 Series B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a 2010 Series B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2010 Series B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2010 Series B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2010 Series B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

***For U.S. Holders.*** The 2010 Series B Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the 2010 Series B Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2010 Series B Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2010 Series B Bonds.

***Disposition of the 2010 Series B Bonds.*** Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the Commission) or other disposition of a 2010 Series B Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2010 Series B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2010 Series B Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the 2010 Series B Bond (generally, the purchase price paid by the U.S. Holder for the 2010 Series B Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the 2010 Series B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2010 Series B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

***For Non-U.S. Holders.***

*Interest.* Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any 2010 Series B Bond to a

Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Commission through stock ownership and (2) a bank which acquires such 2010 Series B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the 2010 Series B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

*Disposition of the Bonds.* Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition of a 2010 Series B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A 2010 Series B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such 2010 Series B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the 2010 Series B Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition of a 2010 Series B Bond, to certain noncorporate holders of 2010 Series B Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any 2010 Series B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2010 Series B Bond or a financial institution holding the 2010 Series B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the 2010 Series B Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the 2010 Series B Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a 2010 Series B Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a 2010 Series B Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

**Circular 230**

Under 31 C.F.R. part 10, the regulations governing practice before the I.R.S. (Circular 230), the Commission and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the 2010 Series B Bonds and the transactions described herein (or in such opinion or other advice); and

- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## CERTAIN LEGAL MATTERS

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 Commission. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation paid to Bond Counsel, Disclosure Counsel and Underwriters' Counsel is conditioned upon the successful issuance of the 2010 Bonds. Certain legal matters will be passed upon for the Commission by Fulbright & Jaworski L.L.P., Los Angeles, California, as Disclosure Counsel, and by Best Best & Krieger LLP, Riverside, California, the General Counsel for the Commission. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

## RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings have assigned each Series of the 2010 Bonds the long-term municipal bond credit ratings of "Aa1," "AA+" and "AA," respectively. Each such rating should be evaluated independently of any other rating. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

The ratings described above do not constitute a recommendation to buy, sell or hold the 2010 Bonds. The Commission has furnished to the rating agencies certain information respecting the 2010 Bonds and the Commission. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision, suspension or withdrawal at any time by the rating agencies, and there is no assurance that the ratings will continue for any period of time or that they will not be lowered or withdrawn. The Commission and the Underwriters undertake no responsibility to oppose any such revision, suspension or withdrawal. Any downward revision, suspension or withdrawal of any rating may have an adverse effect on the market price of the 2010 Bonds or the ability to remarket the 2010 Bonds.

## UNDERWRITING

Barclays Capital Inc. as representative (the "Representative") of itself and De La Rosa & Co., as underwriters of the 2010 Series A Bonds (the "Underwriters"), has agreed, subject to certain conditions, to purchase the 2010 Series A Bonds at a price of $36,429,391.01 (representing the aggregate principal amount of the 2010 Series A Bonds, less an original issue discount of $967,467.30, less an underwriters' discount of $233,141.69). The Representative has agreed, subject to certain conditions, to purchase the 2010 Series B Bonds at a price of $111,673,796.69 (representing the aggregate principal amount of the 2010 Series B Bonds, less an underwriters' discount of $696,203.31).

The Purchase Contract for the 2010 Bonds provides that the Underwriters will purchase all the 2010 Bonds if any are purchased. The 2010 Bonds may be offered and sold by the Underwriters to certain dealers and others at yields lower than the public offering yield indicated on the inside cover hereof, and such public offering yield may be changed, from time to time, by the Underwriters.

The following language has been provided by and is being included in this Official Statement at the request of De La Rosa & Co., one of the Underwriters of the 2010 Bonds. The Commission cannot and does not assume any responsibility for the accuracy or completeness of such statements or information. De La Rosa & Co. has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the 2010 Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the 2010 Bonds with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

## FINANCIAL ADVISOR

The Commission has retained Fieldman, Rolapp & Associates, Irvine, California, as Financial Advisor in connection with the issuance of the 2010 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 financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Compensation paid to the Financial Advisor is contingent upon the successful issuance of the 2010 Bonds.

## CONTINUING DISCLOSURE

The Commission has agreed to execute the Continuing Disclosure Agreement and will covenant therein for the benefit of the beneficial owners of the 2010 Bonds to provide certain financial information and operating data relating to the Commission and the Sales Tax by not later than nine months after the end of the Commission's prior fiscal year (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The Annual Reports and notices of Listed Events will be filed with the MSRB. See "APPENDIX F – FORM OF CONTINUING DISCLOSURE UNDERTAKING." The Commission has not, within the past five years, failed to comply in all material respects with any previous continuing disclosure undertaking pursuant to the Rule to provide annual reports or notices of material events.

## MISCELLANEOUS

The references herein to the Act and the Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents or the Act, as the case may be. Copies of the documents mentioned under this heading are available for inspection at the Commission and following delivery of the 2010 Bonds will be on file at the offices of the Trustee in Los Angeles, California. References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Commission and the purchasers or Holders of any of the 2010 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Commission.

**RIVERSIDE COUNTY TRANSPORTATION COMMISSION**

By: /s/ Anne Mayer
Executive Director

# APPENDIX A

## COMMISSION AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2010

# Riverside County Transportation Commission

Riverside County, California

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

RCTC

Riverside County Transportation Commission

# Riverside County Transportation Commission

Riverside County, California

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

Submitted By:Theresia Treviño, Chief Financial Officer

## Contents

### Introductory Section



### Financial Section

## Contents, Continued

**Statistical Section**

# Introductory Section

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RCTC
Riverside County Transportation Commission

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Mailing Address: P. O. Box 12008 • Riverside, CA 92502-2208
(951) 787-7141 • Fax (951) 787-7920 • www.rctc.org

October 28, 2010

To the Riverside County Transportation Commission Commissioners
and Citizens of the County of Riverside:

**Letter of Transmittal**

State law requires that the Riverside County Transportation Commission (Commission or RCTC) publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by independent certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Commission for the fiscal year ended June 30, 2010.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon the Commission's comprehensive framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, has issued an unqualified opinion on the Commission's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

**Profile of the Government**

The Commission was established by state law in 1977 to oversee the funding and coordination of all public transportation services within the county of Riverside (County). The Commission's mission is to assume a leadership role in improving mobility in Riverside County and to maximize the cost effectiveness of transportation dollars in the County. The governing body is the Board of Commissioners (Board), which consists of all five members of the County Board of Supervisors, one elected official from each of the County's 26 cities, and one non-voting member appointed by the Governor. In October 2010, an official for a newly incorporated city was added to the expanded 33-member Board. The Commission is responsible for setting policies, establishing priorities, and coordinating activities among the County's various transportation operators and agencies. The Commission also programs and/or reviews the allocation of federal, state, and local funds for highway, transit, rail, non-motorized travel (bicycle and pedestrian), and other transportation activities.

The Commission also serves as the tax authority and implementation agency for the voter-approved Measure A Transportation Improvement Program, which imposes a half-cent sales tax to fund transportation improvements. Originally approved in 1988, Riverside County's voters in 2002 approved a 30-year extension of Measure A commencing July 1, 2009 through June 30, 2039 (2009 Measure A).

The Commission is also legally responsible for allocating Transportation Development Act (TDA) funds, the major source of funds for transit in the County. The TDA provides two major sources of funding: Local Transportation Funds (LTF), which are derived from a one-quarter cent state sales tax, and State Transit Assistance, which is derived from the statewide sales tax on gasoline and diesel fuel.

Additionally, the Commission provides motorist aid services designed to expedite traffic flow. These services include the Service Authority for Freeway Emergencies (SAFE), a program that provides call box service for motorists, and the Freeway Service Patrol (FSP), a roving tow truck service to assist motorists with disabled vehicles on the main highways of the County during peak rush hour traffic periods. These services and operations of the Inland Empire 511 (IE511) system are provided at no charge to motorists and are funded through a $1 surcharge on vehicle registrations. The Commission is financially accountable for SAFE, a legally separate entity which is blended within the Commission's financial statements.

Finally, the Commission has been designated as the Congestion Management Agency (CMA) for the County. As the CMA, the Commission coordinates with local jurisdictions in the establishment of congestion mitigation procedures for the County's roadway system.

The Commission is required to adopt a budget prior to the beginning of each fiscal year. The annual budget, which includes all funds, serves as the foundation for the Commission's financial planning and control regarding staffing, operations, and capital plans. The budget is prepared by fund (financial responsibility unit), department, and function. Management has the discretion to transfer budgeted amounts within the financial responsibility unit according to function. During the fiscal year, all budget amendments requiring Board approval are presented to the Board for consideration and adoption.

**Local Economy**

Through FY 2005/06, the County had experienced significant growth corresponding to the national economic expansion and amplified locally by competitive advantages of Riverside County over other coastal counties (Los Angeles, Orange, and San Diego): (i) housing that was (and remains) more available and affordable; and (ii) plentiful commercial real estate and available development land at lower rates. Moreover, both transportation and communication access to employment centers in Los Angeles and Orange counties improved. Riverside County's economy thrived, reflecting the area's competitive advantages over its neighboring counties, largely as a result of the County's continuing ability to draw jobs, residents, and affordable housing away from the Los Angeles, Orange, and San Diego county areas. As a result, the County enjoyed a more diversified employment and commercial base and an increasing share of the regional economy.

Today the economy in Riverside County reflects the nationwide recession, as evidenced by increased unemployment; decreases in total personal income and taxable sales, residential building permits, and the rate of home sales and the median price of single-family residences; and high rates of notices of default on mortgage loans secured by single-family residences. The impact of the recession has been amplified in the Inland Empire (i.e., Riverside and San Bernardino counties) due to its relatively greater recent growth and the relatively lower average income levels when compared to coastal areas. These factors have resulted in declines in Measure A and LTF sales tax revenues and Transportation Uniform Mitigation Fees.

While economic reports indicate that the nationwide recession has ended and economic growth has resumed, recovery in the local Inland Empire economy is expected to be protracted. The outlook for FY 2010/11 is guarded with some recent signs that the decrease in local economic activity has ended and an economic recovery may have begun. Should Measure A and LTF sales tax revenues continue to decline and the availability of federal and state revenues continue to be uncertain, the timing and scope of the Commission's projects and programs may be impacted.

Regardless of the recent economic trends, the Commission faces formidable ongoing challenges in terms of providing needed infrastructure enhancements to support a population and an economy that has outgrown the capacity of its existing infrastructure. Fortunately, the foundation of the regional economy continues to retain many of the fundamental positive attributes that fueled its growth earlier in this decade, including lower priced real estate with proximity to coastal communities, a large pool of skilled workers, and increasing wealth and education levels.

**Long-term Financial Planning**

Proactive financial planning is a critical element for the success of the Commission as it builds for the future. Continually reviewing revenues and projecting expenditures ensures that the Commission's expectations are realistic and goals are achievable. Scarce resources, especially at the state and federal level, can be directed to projects of regional significance or, with additional funding, project priorities can be expanded to address unfunded project requirements or developing needs.

At the state level, there continues to be concerns regarding California's overall budget situation. Governor Schwarzenegger and the Legislature are faced with an ongoing, structural imbalance in the state budget which has impacted the state's ability to sell infrastructure bonds approved by the voters in 2006. The state budget uncertainty has also impacted cash flow for the State Transportation Improvement Program (STIP) which is also relied upon for funding several major projects.

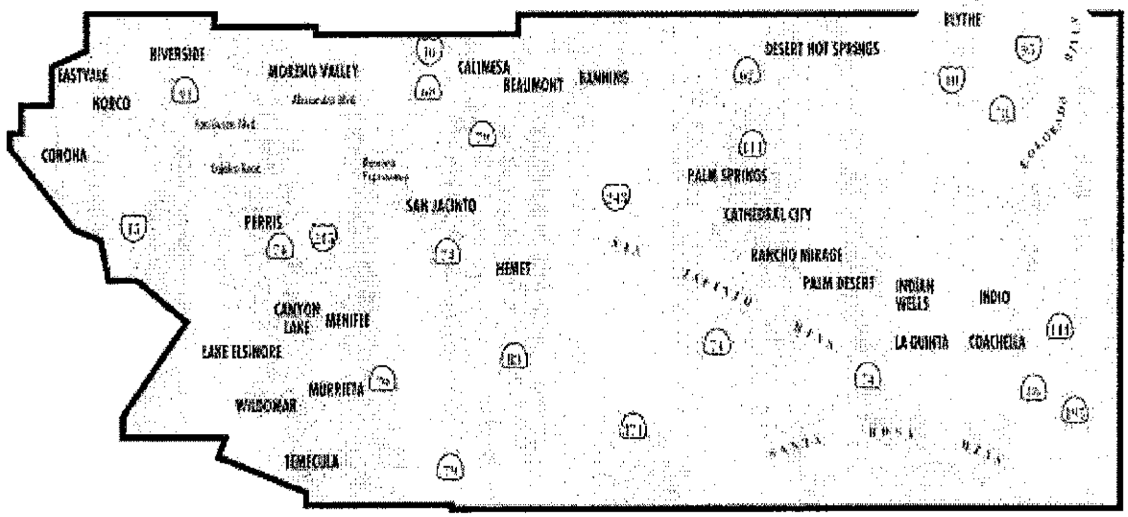
The news on the federal level is somewhat less predictable. The federal government is a source of highway funding through the Surface Transportation Program and the Congestion Mitigation Air Quality program. Federal dollars are also needed by the Commission's transit partners for capital programs, and the Commission will utilize $75 million in Federal Transit Administration (FTA) Small Starts funding to pay for its Metrolink expansion project to Perris. All of these programs depend on the authorization of federal funding by Congress and the President.

The current federal authorization bill for transportation known as SAFETEA-LU has expired and is being continued at reduced funding levels on a month-to-month basis until Congress can agree on a multi-month extension of the program or a new full six-year program. The Commission's objective in working with Congress on the new authorization bill will be to secure predictable and substantial investments on key Riverside County transportation corridors including railroad grade separations on the Alameda Corridor East (ACE) and freeway improvements on major interstates (I) such as I-10 and I-215. Yet another priority will be to advocate for continued funding and support of the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Obtaining TIFIA financing is a key component of the Commission's $1.3 billion project to widen State Route (SR) 91 in Corona.

The widening of SR-91 is part of a multi-year Western Riverside County Delivery Plan (Delivery Plan) that focuses on investing more than $2 billion in improvements along a number of major freeways during the first ten years of the 2009 Measure A program. The Delivery Plan was adopted by the Commission in December 2006 and was updated in January 2010. In order to make the needed investments, the plan relies on Measure A, STIP, and Proposition 1B dollars as well as the development of tolled express lanes on I-15 and the extension of the 91 Express Lanes into Riverside County.

While the Delivery Plan is ambitious, it is only one portion of a much larger program of projects and services the Commission will provide throughout the County. Additional responsibilities and challenges include working cooperatively with the Coachella Valley Association of Governments (CVAG) to fund projects, continued oversight and funding of transit services throughout the County, and a 22-mile expansion of Metrolink service to Perris.

The success of all of these efforts will require a combination of funding sources that will depend on the State's commitment to funding infrastructure and major investments from the federal government via the approval of a federal transportation bill. However, the primary—and most predictable—source of funding for the Commission will continue to be the Measure A half-cent sales tax program approved by Riverside County voters.




**Major Initiatives**

*Capital Project Delivery and Implementation*

The Capital Project Development and Delivery Department is responsible for major highway, regional arterial, and rail capital projects from initial environmental study through preliminary engineering, final design, right of way acquisition, and construction. This past year was one of significant accomplishments for the Commission as progress was made on a number of major projects. Difficult funding decisions were made on millions of dollars in transportation projects to expand freeways, improve mobility on streets and roads, and improve rail passenger facilities.

***Highways.*** The Commission is currently working on the development phases for a number of projects that are slated for construction in the near future. For example, the 60/215 East Junction High Occupancy Vehicle (HOV) connector project has completed the design phase. This project will provide two HOV bridges that will connect the SR-60 HOV lanes constructed by the Commission in Moreno Valley to the HOV lanes that were constructed on the 60/91/215 interchange and corridor improvement project. The 60/215 East Junction project is anticipated to begin construction in Fall 2010 with an estimated completion date of Summer 2013.

The SR-91 HOV project from Adams Street to the 60/91/215 in terchange was approved for Corridor Mobility Improvement Account (CMIA) funding of $157.2 million related to the construction phase. The environmental document was approved in August 2007. Given the stringent deadlines associated with the CMIA projects, the Commission and California Department of Transportation (Caltrans) District 8 are partnering on the design and right of way activities. It is anticipated that the project will begin construction in Summer 2011 with an estimated completion date of Summer 2015. The SR-91 HOV project is one of the few remaining projects yet to be completed from the 1989 Measure A program.

Another remaining 1989 Measure A project is the 74/215 interchange. This project is currently under construction. The project will realign and widen the on-ramps from SR-74 to I-215 and widen the Redlands Avenue overcrossing. The project is funded with Transportation Uniform Mitigation Fee (TUMF) zonal funding and ARRA funding. The construction contract was awarded in May 2010. Construction commenced in June 2010 and will take approximately 24 months to complete.

In addition to the 74/215 interchange, the I-215 corridor will prove to be an important corridor for the Commission in the coming years. Three projects make up the I-215 widening projects included in the Delivery Plan. The first is the I-215 mixed flow lanes from I-15 to Scott Road. This project will provide a third mixed flow lane in each direction of the existing median of I-215. Final design began in early 2008 with construction commencing in early 2011. The project is funded with STIP funds and was approved for CMIA funding of $27,600,000 for the construction phase. Due to the current lack of a State budget, the state funds are not yet available. As a result, the Commission will provide the funds from Measure A and be reimbursed from the State as soon as a budget is passed and state bonds can be sold, which is expected within this fiscal year. This is accomplished through agreements approved by the Commission and the California Transportation Commission. The second I-215 Widening Project is the I-215 mixed flow lanes from Scott Road to Nuevo Road. This project will also add a third mixed flow lane in each direction of I-215. Final design will begin in early 2011 with construction starting in 2013. The project is funded with STIP, Measure A, and other sources. The final project is the I-215 Southbound Connector Project which will widen the I-215 to I-15 southbound connector to three lanes. The preliminary engineering and environmental clearance phase began in Fall 2010. It is anticipated the project will begin construction in Summer 2013.

***Commuter Rail.*** Since 1993 the Commission has held title to and managed the 38-mile San Jacinto Branch Line and several adjacent properties in anticipation of offering Metrolink commuter rail service to a wider area of the County, initially including Moreno Valley and Perris and ultimately to Hemet/San Jacinto. The first major expansion for commuter rail along this corridor is known as the Perris Valley Line. The Environmental Impact Report for the project is set to be completed by early 2011.

In September 2007 a Small Starts application was submitted to the FTA requesting authorization to enter into project development for the Perris Valley Line rail extension project. In December 2007 the Commission received approval from the FTA with a project rating of medium-high. The 2006 STIP also allocated $30 million to the project. New commuter rail service on the Perris Valley Line is anticipated to commence by early 2013. The Senate approved $45 million in federal funding for the Perris Valley Line project as part of the FY 2009 Senate Transportation, Housing, and Urban Development appropriations bill, consistent with recommendations from the FTA and the White House. The Perris Valley Line extension project remains eligible for another $28 million of Small Starts funding, which the Commission will pursue in the FY 2011 federal budget.

An ongoing concern for Metrolink passengers is the need for additional parking capacity at the Commission's stations. The situation has always been acute in Downtown Corona where demand required more spaces to be met with a parking structure at the North Main Corona station. Construction began in early 2008, and the structure was placed into service in July 2009. The facility has eliminated the overcrowding and hassle that has plagued the North Main Corona station since it opened in 2002. Additionally, the Rail Department is taking the lead on the expansion of the La Sierra station via the design and eventual construction of a new multimodal facility that will serve both as a park and ride facility and bus facility. With the continued growth of patronage, commuter rail's challenges for the future include securing state or federal allocations for Positive Train Control to ensure safety, more passenger coaches, and additional train storage and maintenance facilities.

*Toll Program Moves Forward*

The State Route 91 Corridor Improvement Project (91 Project) continues to make progress despite a challenging economy and state and federal project funding environment. The 91 Project is planned to include two tolled express lanes in each direction in the median of SR-91. The extension of these lanes will provide more choices for Riverside County drivers; improve congestion on the general purpose lanes; and ensure a speedy, uncongested trip for drivers willing to pay a toll. The 91 Project also includes numerous non-toll lane improvements including an additional general purpose lane in each direction on SR-91 and substantive interchange improvements as detailed in the 2009 Measure A.

Key to the timely completion of the 91 Project is the use of the design-build method of project delivery. Design-build combines the final engineering and construction of the project into a single contract with the chief benefit of saving time. In fact, the Commission estimates design-build will save a minimum of three years to open the project to traffic. The challenge within California is that most agencies do not have the legal authority to use this method of project delivery. To overcome this challenge Assembly Bill (AB) 2098 (Miller) was initiated in early 2010 which sought design-build authority for the Commission for the 91 Project. In September 2010 after a significant effort by project proponents, AB2098 successfully passed the State Legislature and was signed into law by Governor Schwarzenegger marking a truly significant milestone for the 91 Project and the Commission.

In addition to obtaining design-build authority for the 91 Project, all phases of project development have moved forward. Environmental studies and preliminary engineering are proceeding as planned, and this work is expected to be completed in Fall 2011. The Commission made significant progress on several key interagency agreements that will define the project's design and construction and future operation and maintenance. The Commission initiated a procurement of a design-build contractor in September 2010 with the goal to award a design-build contract in Fall 2011. The project's funding strategy was advanced by the selection of Goldman Sachs and Bank of America Merrill Lynch to serve as co-managing underwriters for a future toll revenue bond issue. Additionally, the financial advisor's existing duties were expanded to include managing the overall finance plan. The Commission applied for federal Transportation Investment Generating Economic Recovery (TIGER) II grant funding to pay the estimated subsidy payment for a future federal TIFIA loan. The Commission hired Stantec, Inc. in July 2010 to perform an investment-grade traffic and revenue study. Lastly, purchasing property needed for the project has commenced with efforts focused on open-market/willing seller and hardship transactions.

The Interstate 15 Corridor Improvement Project (I-15 CIP) is planned to include two express lanes in each direction in the median of I-15. The first phase of these lanes is planned to extend from SR-74 in the south to SR-60 to the north, approximately 31 miles. The lanes will have the same benefits mentioned previously for the 91 Project. The I-15 CIP includes these tolled express lanes as well as numerous non-toll lane improvements including an additional lane in each direction on I-15 as detailed in the 2009 Measure A. This project's environmental studies and preliminary engineering work continues to progress and is scheduled for completion in 2012.

The Commission initiated a level 2 toll feasibility study in 2010 in light of negative developments in the general economy, socio-economic factors, capital markets, Measure A sales tax revenues, and other factors. This study is updating previous feasibility results using current factors, exploring project phasing options to implement the project over time, reviewing alternative project scopes of work, and similar efforts to ensure that a plan of improvements to I-15 can be maintained and is financially feasible. This study is anticipated to be completed by early 2011.

*TUMF Plays an Important Role*

In the Coachella Valley, a TUMF program was established shortly after the passage of the 1989 Measure A. The program requires developers to pay a fee on new development to fund arterial improvements. Cities are required to participate in the program or forfeit Measure A local dollars to the CVAG, which oversees the arterial program and has been successful in funding a number of important arterial and freeway interchange projects.

With the passage of the 2009 Measure A, a TUMF program with participation requirements similar to that in the Coachella Valley is now in place in western Riverside County (Western County). As provided for in the 2009 Measure A, the first $400 million in TUMF funding is to be allocated to the Commission to be split evenly between new corridors and regional arterials. In order to prevent a disruption of funding for TUMF projects, the Western Riverside Council of Governments (WRCOG) and the Commission agreed on lifting the $400 million cap, resulting in the Commission receiving an equal share of the TUMF regional arterial revenue indefinitely. The memorandum of understanding and Administrative Plan were amended to reflect this agreement at the August 2008 WRCOG and September 2008 Commission meetings.

In fiscal year 2005, the Commission took its first steps to allocate its share of Western County TUMF revenues with allocations for the development of the Mid County Parkway and the SR-79 realignment and to project development for 24 regional arterial projects throughout Western County. Since the inception of the program, the Commission has programmed more than $75 million in TUMF funding related to the approval of approximately $188 million in funding the regional arterial projects through construction. To date, three projects have been completed, and three projects are under construction. The majority of the remaining projects are currently in the project development stage with construction scheduled in 2011.

*Rail Development, Operations and Support*

The County's participation in commuter rail service began with the 1989 Measure A. Riverside County voters were the first to specify commuter rail service in Southern California as a priority transportation improvement project. The subsequent passage of similar measures in adjoining counties and the passage of statewide rail infrastructure bonds in 1990 provided enough capital funding to build the initial system. As one of five funding partners in the Southern California Regional Rail Authority, which operates the Metrolink commuter rail service, the Commission is engaged in a continual exercise of consensus building with its partners. Now consisting of seven lines, serving origins and destinations in six counties, the system carries an average of 40,000 passengers each weekday. The Commission owns and operates five stations served by the three Metrolink lines operating through the County:

- *Riverside Line (1993):* Originates in the Downtown Riverside station and stops at the Pedley station before proceeding through Ontario, Pomona, Industry, and Montebello to Los Angeles Union Station. Ridership approximates 5,100 daily riders.

- *Inland Empire Orange County (IEOC) Line (1995):* Begins in nearby San Bernardino with stops in the Downtown Riverside, La Sierra, North Main Corona, and West Corona stations before entering Orange County with stops in Anaheim, Orange, Santa Ana, Tustin, Irvine, Laguna Niguel/Mission Viejo, and San Juan Capistrano. When initiated this service was described as the first suburb-to-suburb commuter rail service in the nation. Due to the economic downturn, the IEOC line has experienced a decrease in patronage with an average daily ridership of 3,700.

- *91 Line (2002):* Provides another alternative to commute from Riverside to Los Angeles with stops in Riverside, Orange, and Los Angeles counties. Patronage on the line has dropped slightly with an average daily ridership of 2,100.

In addition to regular weekday service, the Commission partnered with the Orange County Transportation Authority (OCTA) and San Bernardino Associated Governments (SANBAG) to provide weekend service along the IEOC. With two round trip trains on weekends during the summer and one round trip train the rest of the year, the IEOC serves as another link between Orange and Riverside counties and provides an effective transportation alternative for weekend travel.

*Planning for the Future*

In terms of future progress, the Commission has given its unanimous support to the Riverside County Integrated Project (RCIP) and its transportation component, the Community and Environmental Transportation Acceptability Process (CETAP). The RCIP was intended to be a model for streamlining the environmental process while providing for the long-term development and economic growth of the County. The County and the Commission worked together in a first-of-its kind endeavor to provide for new transportation options and land use planning to support the economic growth of the County while providing for preservation of open space and protection for endangered species. CETAP addresses the impact of future population and economic growth on the existing transportation system by identifying and establishing new transportation corridors and arterial system improvements. The entire CETAP program was recognized under President Bush's Executive Order for Environmental Streamlining and Stewardship.

The Commission's CETAP effort focuses on four new transportation corridors: two located within the County and two that would link Riverside County with the neighboring counties of Orange and San Bernardino. Each of the corridors is progressing on differing schedules as noted below:

- *Internal north/south transportation corridor between Winchester and Temecula:* As a result of the Tier 1 environmental work completed, the Commission now can protect right of way for the future widening of I-15 and I-215 in the south County area as well as a future French Valley Parkway connection from Winchester Road to I-15.

- *New East-West Internal Corridor:* The Mid County Parkway project is a proposed transportation corridor designed to relieve local and regional traffic congestion. The draft environmental document was completed and circulated to the public in FY 2008/09. In response to comments received on the document, the Commission took action to focus the project to make the best use of limited transportation dollars while addressing the most immediate traffic needs. The Mid County Parkway project is now a proposed 16-mile corridor to relieve local and regional traffic congestion in the San Jacinto and Perris areas and surrounding Riverside County communities. Technical studies are currently underway on a new draft environmental document, which will likely be released in late 2011 or early 2012 for public circulation.

- *New transportation corridors and alternatives between Riverside and Orange counties:* In 2005 the Commission completed a Major Investment Study in cooperation with OCTA and the Transportation Corridor Agencies to evaluate potential projects. The locally preferred strategy includes a combination of improvements to SR-91 as well as consideration of new facilities to improve mobility between the two counties. The agencies adopted a Joint Powers Agreement, referred to as the Riverside-Orange Corridor Authority (ROCA) to oversee the effort. The Commission and OCTA recently completed geot echnical feasibility tests in the Cleveland National Forest to determine the feasibility of a tunnel structure. While technically feasible, the project, which would have a price tag in the billions of dollars, is unlikely to move forward due to economic reasons. In voting to defer future action on a tunnel project, the ROCA Board of Directors continued to advocate and urge for an alternative corridor to the SR-91. Currently an effort is underway to determine private sector interest in developing the tunnel project.

- *New transportation corridor and arterial improvements between Riverside and San Bernardino counties:* A combination of arterial improvements and a new transportation facility have been studied in a joint effort between the Commission, SANBAG, and local cities to improve mobility between the two counties. The County of Riverside, in cooperation with the affected jurisdictions, is currently conducting the required environmental work for the arterial improvements.

Another large planning effort affecting the Hemet and San Jacinto communities is the realignment of SR-79. This 2009 Measure A project is undergoing early project development funded through the TUMF program and federal earmarks. An environmental document is being prepared in cooperation with local, state, and federal agencies to allow the realignment of SR-79 between Domenigoni Parkway, south of SR-74, and Gilman Springs Road, north of San Jacinto. The project would realign the highway to provide a more direct route within the San Jacinto Valley. A draft document is anticipated to be available for public review in early 2011.

*Commuter Assistance Program*

The Commission's Commuter Assistance Program provides a variety of rideshare services and programs both to employers and commuters. Through voluntary participation, commuters and employers receive a direct benefit from their sales tax dollars, and the entire region benefits from reduced traffic congestion and improved air quality as a result of trip elimination or use of alternative means of transportation. The Commission's continued success in serving commuters and employers within the County resulted in SANBAG's renewal of its contract with the Commission, for the fourteenth year, to provide an identical commuter assistance program for San Bernardino County residents. Additionally, in partnership with SANBAG, the Commission, using available 1989 Measure A funds, has developed and launched the IE511 to provide a web and phone-based traveler information resource. This unique bi-county partnership allows for greater cost efficiency in program delivery and consistency of program application for all Inland Empire participants.

At the core of the Commuter Assistance Program are employer partnerships. To support voluntary efforts by local employers in implementing and maintaining rideshare activities at work sites, there are several rideshare services, employee programs, and resources provided to Western Riverside and San Bernardino County employers. Using Job Access Reverse Commute (JARC) funds, the Commission also continued the provision of rideshare services and programs to employers in the Coachella Valley. Employer partners function as an efficient and effective channel for rideshare marketing and programs designed to reach and benefit their employees. The most prominent commuter product continues to be the Rideshare Incentives, a short-term incentive project, which offers $2 per day for each day new ridesharers use an alternate mode of transportation in a three-month period. Long-term ridesharers are recognized and rewarded for their continuing commitment to use alternate modes of transportation to and from work through RidesharePlus Rewards.

In providing commuter benefits to employers and employees during FY 2009/10, the program attracted 1,131 drive alone commuters to rideshare and participate in the Rideshare Incentives program. RidesharePlus Rewards had 7,080 participants for the same period. In total, the Commuter Assistance program resulted in 1.5 million one-way trips reduced, 36 million miles saved, and approximately 680,000 pounds of emissions reduced in Riverside County.

Another component of the Commuter Assistance program is the provision of leased park and ride lots to supplement Caltrans lots and to expand park and ride capacity. Working in partnership with Caltrans, which provides signage and insurance, the Commission leases excess parking from business and civic institutional partners at a reasonable rate. There are over 2,500 park and ride spaces available to Riverside County commuters.

Finally, the Commission's program also extends beyond the borders of the Inland Empire. To support coordinated and efficient ridematching throughout a five-county region that includes transportation agencies in Los Angeles, Orange, San Bernardino, and Ventura counties, the Commission operates the Regional Rideshare Database. This application serves as a central depository for all commuter transportation surveys and as the region's primary ridematching application.

*Specialized Transit*

The Commission has maintained a long-term commitment to assist in the mobility of those with specialized transit needs. Through its Specialized Transit Program, the Commission has provided millions of dollars to public and nonprofit transit operators to assist in the provision of special transit services to improve the mobility of seniors and persons with disabilities. Along with support of traditional dial-a-ride services, the Commission supports innovative programs providing transit assistance in hard-to-serve rural areas or for riders having very special transit needs.

The Commission's Public Transit-Human Services Coordinated Plan (Coordinated Plan) makes the Commission eligible for federal funding of specialized transit in Riverside County. Concurrent with the adoption of the Coordinated Plan, staff conducted a Universal Call for Projects for Specialized Transit (Universal Call) and evaluated and selected projects eligible to receive the new federal funds under the JARC and New Freedom (NF) programs. Using this competitive process allowed the Commission to seek proposals from a wide range of providers and make decisions with respect to funding specialized transit projects that result in the most efficient delivery of trips. The Universal Call included approximately $1.9 million in new federal funding augmenting the $6 million in Measure A committed locally by the Commission for FY 2009/10 and FY 2010/11. During FY 2009/10 the nonprofit operators provided approximately 363,700 Measure A/JARC/NF one-way trips in both Western County and Coachella Valley, slightly exceeding the countywide goal for the year. The Commission is currently taking steps to conduct another Universal Call for FY 2011/12 and FY 2012/13.

*Motorist Assistance Programs*

In cooperation with the California Highway Patrol (CHP) and Caltrans, the Commission, in its capacity as the SAFE, assists motorists who experience accidents, mechanical breakdowns, or other unforeseen problems by providing access to cellular call boxes along the County's major highways. The Commission's system includes 614 call boxes serving more than 540 centerline miles of highways. The call box program is funded by an annual $1 surcharge added to vehicle registrations. Each call box is a battery-powered, solar-charged roadside terminal containing a microprocessor and cellular telephone. Spacing between call boxes ranges from one-half mile in high traffic areas to two miles in remote areas of the County. Call boxes are installed on the three interstates, U.S. Route 95, and the 14 state routes located within the County. The phones are programmed to call a private call answer center, and the call box operator responds to the call by routing emergency calls to the CHP for appropriate services (i.e., ambulance, tow truck, fire, or police unit) or providing a direct connection to routine service through auto clubs or other private tow and service providers. Call box operators answered approximately 6,000 calls during FY 2009/10.

In an effort to relieve congestion and reduce pollution, the Commission provides an additional motorist assistance program with the FSP. The FSP program is a special team of 22 tow trucks traveling along portions of SR-60, SR-91, I-15, and I-215 within the County during peak, weekday commuter hours to assist drivers when their vehicles break down or experience other mechanical problems. The purpose of the FSP is to clear debris and remove disabled vehicles from the freeway as quickly as possible to help keep freeway traffic moving during rush hour periods. Services provided are free to the motorist and include changing a flat tire, providing one gallon of fuel, taping radiator hoses, or towing the vehicle off the freeway to designated locations where the motorist can make other arrangements for repair. Another effort augments existing FSP service with additional tow trucks in construction areas as another means of construction-related congestion mitigation. The FSP is funded by the Riverside County SAFE and the State. During FY 2009/10, the FSP provided assistance to approximately 48,000 motorists.

*Goods Movement*

The impact of delays caused by freight trains traveling through Riverside County is one of the area's most pressing transportation concerns. In fact, the Commission adopted, as its number one priority for the upcoming federal reauthorization bill a robust federal investment in ACE grade separations. Previously there were 61 at-grade ACE crossings in Riverside County presenting conflicts between rail and highway traffic. Of the 61 crossings, four have been completed (Avenue 48/Dillon Road, Avenue 50, Columbia Avenue, and Jurupa Avenue); an additional crossing (Magnolia Avenue) will be completed by 2011. Twenty-nine of the remaining 56 at-grade crossings remain as a Commission priority requiring additional funds. The cost of constructing grade separations at the 29 locations is currently estimated at $1.7 billion, yet only $414.8 million is currently committed through federal, state, and local funding sources. At the October 2008 Commission meeting, the Commission approved a strategy for funding 20 of the 31 crossings for a total project cost of $980.5 million. The balance of the needed funds—$565.7 million—will be included as part of the Commission's strategy for the upcoming federal transportation reauthorization bill.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its CAFR for the fiscal year ended June 30, 2009. This was the 17th straight year the Commission has received this prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR conforming to program standards. Such CAFR must satisfy both GAAP and applicable legal requirements.

This award for financial reporting excellence is valid for a period of one year only. We believe our current report continues to conform to the GFOA program's requirements, and we are submitting it to the GFOA for consideration for another certificate.

The CAFR each year is a collaborative effort by Commission staff and its independent auditors. The undersigned are grateful to all staff for their willingness to expend the effort necessary to ensure the financial information contained herein is informative and completed within established deadlines. Special thanks must be extended to the Finance staff, Commission's auditors, and the program management and staff for the time, effort, and commitment so vital for the final completion of the CAFR.

In closing, without the leadership and the support of the Board, preparation of this report would not have been possible. Its prudent management must be credited for the strength of the Commission's fiscal condition, and its vision ensures that the Riverside County Transportation Commission will be on the move planning for and building a better future.

Very truly yours,

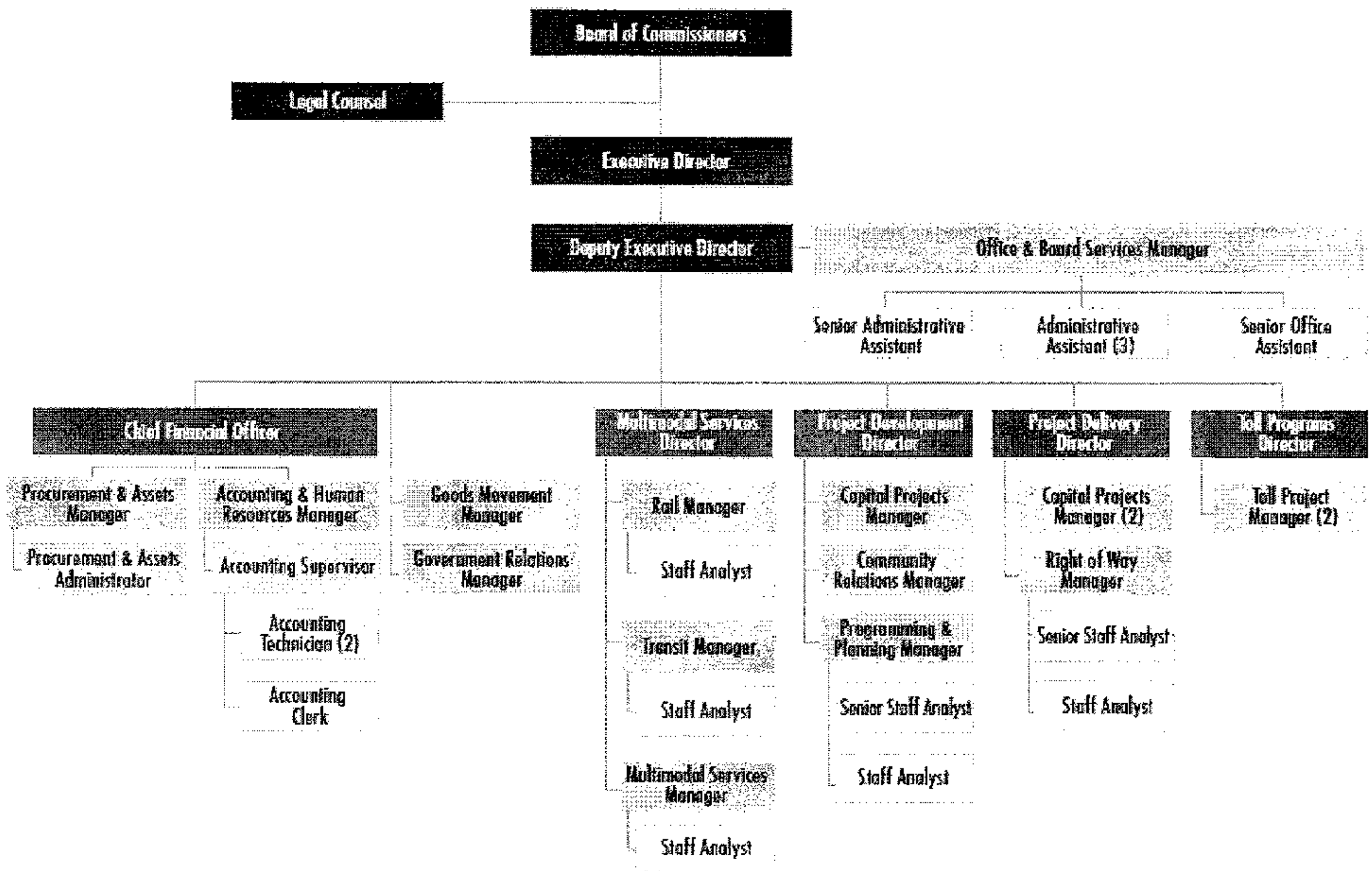
Anne E Mayer

Theresia Treviño

ANNE MAYER
Executive Director

THERESIA TREVIÑO
Chief Financial Officer

FY 2009/10 Organization Chart



## Riverside County Transportation Commission

### List of Principal Officials
### As of June 30, 2010

#### Board of Commissioners

| Name and Position | Title | Agency |
|---|---|---|
| Bob Buster | Chair (Commission) | County of Riverside, District 1 |
| Greg Pettis | 1st Vice Chair (Commission); Chair (Budget & Implementation Committee) | City of Cathedral City |
| John J. Benoit | 2nd Vice Chair (Commission) | County of Riverside, District 4 |
| Bob Botts | Member | City of Banning |
| Roger Berg | Member | City of Beaumont |
| Joseph DeConinck | Member | City of Blythe |
| Ray Quinto | Member | City of Calimesa |
| Mary Craton | Member | City of Canyon Lake |
| Eduardo Garcia | Member | City of Coachella |
| Karen Spiegel | Chair (Western Riverside County Programs and Projects Committee) | City of Corona |
| Scott Matas | Chair (Eastern Riverside County Programs and Projects Committee); Vice Chair (Budget & Implementation Committee) | City of Desert Hot Springs |
| Robin Lowe | Member | City of Hemet |
| Patrick J. Mullany | Member | City of Indian Wells |
| Glenn Miller | Member | City of Indio |
| Terry Henderson | Member | City of La Quinta |
| Bob Magee | Member | City of Lake Elsinore |
| Wallace Edgerton | Member | City of Menifee |
| Bonnie Flickinger | Vice Chair (Western Riverside County Programs and Projects Committee) | City of Moreno Valley |
| Rick Gibbs | Member | City of Murrieta |
| Malcolm Miller | Member | City of Norco |
| Richard Kelly | Member | City of Palm Desert |
| Steve Pougnet | Member | City of Palm Springs |
| Daryl Busch | Member | City of Perris |
| Ron Meepos | Vice Chair (Eastern Riverside County Programs and Projects Committee) | City of Rancho Mirage |
| Steve Adams | Member | City of Riverside |
| Steve Di Memmo | Member | City of San Jacinto |
| Ron Roberts | Member | City of Temecula |
| Scott Farnam | Member | City of Wildomar |
| John F. Tavaglione | Member | County of Riverside, District 2 |
| Jeff Stone | Member | County of Riverside, District 3 |
| Marion Ashley | Member | County of Riverside, District 5 |
| Raymond Wolfe | Governor's Appointee | Caltrans, District 8 |

#### Management Staff

Anne Mayer, Executive Director
John Standiford, Deputy Executive Director
Cathy Bechtel, Project Development Director
Michael Blomquist, Toll Programs Director
Marlin Feenstra, Project Delivery Director
Theresia Treviño, Chief Financial Officer
Robert Yates, Multimodal Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Riverside County Transportation Commission California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# Financial Section

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McGladrey

**Independent Auditor's Report**

Board of Commissioners
Riverside County Transportation Commission
Riverside, CA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverside County Transportation Commission (the Commission) as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison and other post-employment benefits information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Irvine, CA
October 28, 2010

**Riverside County Transportation Commission**

**Management's Discussion and Analysis**
**Year Ended June 30, 2010**

As management of the Riverside County Transportation Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the Commission's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages i-xi and the Commission's financial statements which begin on page 16.

## Financial Highlights

- Total net assets of the Commission were $614,111,269 and consisted of invested capital assets, net of related debt, of $294,218,263; restricted net assets of $549,781,414; and unrestricted net asset (deficit) of ($229,888,408).

- The unrestricted net asset (deficit) results primarily from the recording of the debt issued for Measure A highway, local street and road, and regional arterial projects. As title to substantially most of those assets vests with the State of California (State) Department of Transportation (Caltrans) or local jurisdictions, there is no asset corresponding to the liability. Accordingly, the Commission does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure A sales taxes are pledged to cover Measure A debt service payments when made.

- Net assets increased by $47,648,798 during fiscal 2010. General revenues consisting primarily of sales taxes and investment earnings are the major funding source for the governmental activities. The change in net assets was higher than the prior year due to decreased expenses, primarily related to highways, offset by decreased program revenues.

- Total capital assets, net of accumulated depreciation, were $324,624,439 at June 30, 2010, representing an increase of $34,401,587, or 12%, from June 30, 2009. The increase in capital assets was primarily related to the completion of the North Main Corona parking structure and the Perris Transit Center as well as to construction in progress costs related to the Perris Valley Line extension and tolled express lane projects.

- The Commission's governmental funds reported combined ending fund balances of $551,567,928, an increase of $95,324,457 compared to fiscal 2009. Approximately 77% of the governmental fund balances represent amounts available for the Measure A program, including debt service and funding from the issuance of sales tax revenue bonds and commercial paper notes, and the TUMF program.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements, which are comprised of three components consisting of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

### *Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report the functions of the Commission that are principally supported by sales taxes and intergovernmental revenues, or governmental activities. The governmental activities of the Commission include general government, the Measure A program, CETAP, regional arterials, commuter rail, transit and specialized transportation services, planning and programming, bicycle and pedestrian facilities projects, motorist assistance services, and right of way management. Measure A program services are divided within the three regions of Riverside County (County), namely Western County, Coachella Valley, and Palo Verde Valley.

The government-wide financial statements include only the Commission and its blended component unit. The government-wide financial statements can be found on pages 16-17 of this report.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Commission's funds are governmental funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the Commission's major governmental funds comprised of the General fund; Measure A Western County, Measure A Coachella Valley, Transportation Uniform Mitigation Fee, and Local Transportation Fund (LTF) Special Revenue funds; Commercial Paper and Sales Tax Bonds Capital Projects funds; and Debt Service fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section.

The Commission adopts an annual appropriated budget for the General fund, all Special Revenue funds, all Capital Projects funds, and the Debt Service fund. Budgetary comparison schedules have been provided for the General fund and major Special Revenue funds as required supplementary information and for the nonmajor Special Revenue funds and the Capital Projects and Debt Service funds as other supplementary information to demonstrate compliance with these budgets.

The governmental fund financial statements, including the reconciliation between the fund financial statements and the government-wide financial statements, can be found on pages 18-21 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-41 of this report.

***Other Information***

Other information is in addition to the basic financial statements and accompanying notes to the financial statements. This report also presents certain required supplementary information concerning the Commission's budgetary results for the General fund and major Special Revenue funds as well as the schedule of funding progress for postretirement health care benefits. Required supplementary information can be found on pages 43-46 of this report.

Other supplementary information is presented immediately following the required supplementary information. Other supplementary information includes the combining statements referred to earlier relating to nonmajor governmental funds; budgetary results for the nonmajor Special Revenue funds, all Capital Projects funds, and the Debt Service fund; and schedules of expenditures for local streets and roads and expenditures for transit and specialized transportation. This other supplementary information can be found on pages 50-55 of this report.

**Government-wide Financial Analysis**

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2010, the Commission's assets exceeded liabilities by $614,111,269, a $47,648,798 increase from June 30, 2009. Our analysis below focuses on the net assets and changes in net assets of the Commission's governmental activities.

*Net Assets*

Approximately 48%, compared to 47% in 2009, of the Commission's net assets reflect its investment in capital assets (i.e., construction and development in progress; land and improvements; rail operating easements; rail stations; office improvements; and office furniture, equipment, and vehicles), less any related outstanding debt used to acquire those assets, primarily related to land and tolled express lane projects in progress. The Commission uses these capital assets to provide transportation services to the residents and business community of the County. The increase of $27,570,881 in net assets invested in capital assets, net of related debt, from governmental activities resulted primarily from the completion of the North Main Corona parking structure and the Perris Transit Center and construction in progress for the Perris Valley Line and tolled express lane projects.

The most significant portion of the Commission's net assets represents resources subject to external restrictions on how they may be used. Restricted net assets from governmental activities represented approximately 90% and 89% of the total net assets at June 30, 2010 and 2009, respectively. Restricted net assets from governmental activities increased by $44,307,339, as a result of 2009 Measure A revenues available for Western County economic development, new corridor, and regional arterial projects compared to the 1989 Measure A program; use of commercial paper proceeds for certain 2009 Measure A Western County highway projects rather than the revenues from the 2009 Measure A revenues; and the receipt of $12.8 million in State Transit Assistance funds for transit as a result of the state budget gas tax swap. These increases to restricted assets for highways and transit and specialized transportation were offset by increased regional arterial expenses.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities changed from a $205,658,986 deficit at June 30, 2009 to a $229,888,408 deficit at June 30, 2010. This deficit results primarily from the impact of recording of the Commission's long-term debt, consisting of sales tax revenue bonds and commercial paper notes, issued for Measure A highway, local street and road, and regional arterial projects. While a significant portion of the debt has been incurred to build these projects which are capital assets, upon completion for most projects, these projects are transferred to Caltrans or the local jurisdiction. Accordingly, these projects are not assets of the Commission that offset the long-term debt in the statement of net assets.

The following is condensed financial data related to net assets at June 30, 2010 and June 30, 2009:

| Net Assets | June 30, 2010 | June 30, 2009 |
|---|---|---|
| Current and other assets | $ 615,127,022 | $ 577,431,939 |
| Capital assets not being depreciated | 252,736,828 | 249,292,443 |
| Capital assets being depreciated, net of accumulated depreciation | 71,887,611 | 40,930,409 |
| Total assets | 939,751,461 | 867,654,791 |
| Long-term obligations | 264,605,365 | 238,114,639 |
| Other liabilities | 61,034,827 | 63,077,681 |
| Total liabilities | 325,640,192 | 301,192,320 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 294,218,263 | 266,647,382 |
| Restricted | 549,781,414 | 505,474,075 |
| Unrestricted (deficit) | (229,888,408) | (205,658,986) |
| *Total net assets* | $ 614,111,269 | $ 566,462,471 |

*Changes in Net Assets*

The Commission's total program and general revenues were $227,278,420, while the total cost of all programs was $179,629,622. Total revenues decreased by 32%, and the total cost of all programs decreased by 48%. Approximately 20% of the costs of the Commission's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Sales taxes ultimately financed a significant portion of the programs' net costs.

Governmental activities increased the Commission's net assets by $47,648,798, and condensed financial data related to the change in net assets is presented in the table below. Key elements of this increase are as follows:

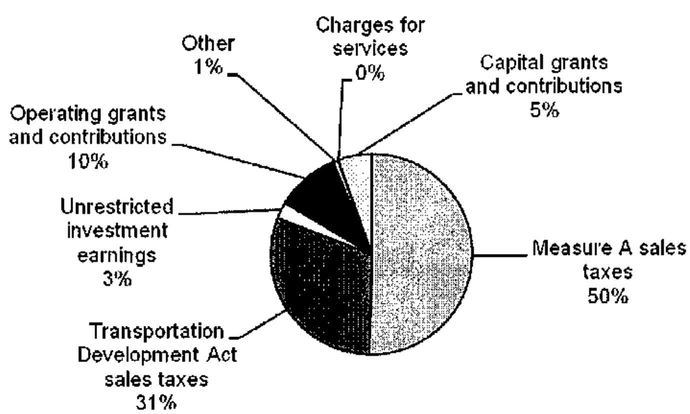
- Charges for services decreased by $2,770,349, or 93%, as a result of miscellaneous reimbursements received for the construction of the North Main Corona station parking structure in the previous year;
- Operating grants and contributions decreased by $67,149,970, or 74%, primarily due to federal and state reimbursements received in the previous year related to 1989 Measure A and 2009 Measure A highway projects including the State Route (SR) 60 high occupancy vehicle (HOV) lanes, SR-91 HOV lanes, 60/91/215 interchange, 60/215 East Junction HOV lane connector, 71/91 connectors, and I-215 corridor improvements;
- Capital grants and contributions decreased by $10,539,473, or 46%, because of federal, state, and local grants received in the previous year which funded rail capital projects related to the Perris Valley Line extension, Perris Transit Center, North Main Corona commuter rail station parking structure, and station rehabilitation and security projects;

| Changes in Net Assets | Year Ended June 30, 2010 | Year Ended June 30, 2009 |
|---|---|---|
| Revenues | | |
| Program revenues: | | |
| Charges for services | $ 196,527 | $ 2,966,876 |
| Operating grants and contributions | 23,130,456 | 90,280,426 |
| Capital grants and contributions | 12,257,099 | 22,796,572 |
| General revenues: | | |
| Measure A sales taxes | 114,526,254 | 119,688,289 |
| Transportation Development Act sales taxes | 69,499,841 | 64,140,070 |
| Unrestricted investment earnings | 5,987,921 | 14,211,197 |
| Other miscellaneous revenue | 1,680,322 | 1,454,611 |
| Total revenues | 227,278,420 | 315,538,041 |
| Expenses | | |
| General government | 7,024,517 | 4,775,963 |
| Bicycle and pedestrian facilities | 317,048 | 2,747,151 |
| CETAP | 2,362,393 | 4,832,008 |
| Commuter assistance | 3,266,834 | 5,199,032 |
| Commuter rail | 20,544,634 | 16,038,028 |
| Highways | 24,828,958 | 143,532,009 |
| Local streets and roads | 34,258,313 | 45,661,155 |
| Motorist assistance | 2,987,136 | 2,623,184 |
| Planning and programming | 5,321,121 | 8,116,142 |
| Right of way management | 1,428,066 | 1,399,316 |
| Regional arterials | 26,371,339 | 20,948,530 |
| Transit and specialized transportation | 43,820,225 | 63,872,012 |
| Interest expense | 7,099,038 | 9,515,282 |
| Total expenses | 179,629,622 | 329,259,812 |
| (Decrease)/Increase in net assets | 47,648,798 | (13,721,771) |
| Net assets at beginning of year | 566,462,471 | 580,184,242 |
| Net assets at end of year | $ 614,111,269 | $ 566,462,471 |

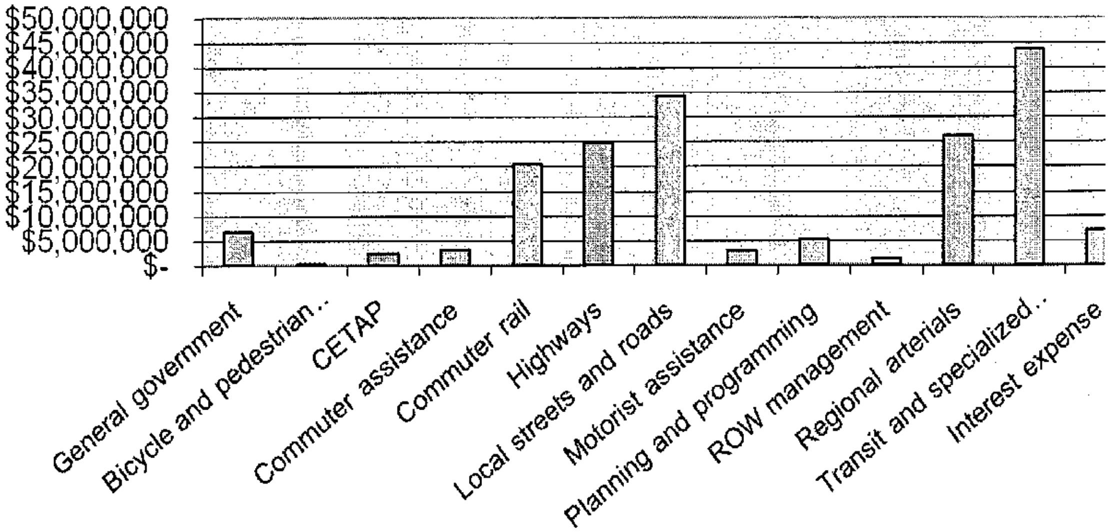
- Measure A sales tax revenues decreased by $5,162,035, or 4%, due to the recession and decreased consumer spending;
- Transportation Development Act (TDA) sales taxes increased by $5,359,771, or 8%, as a result of the unanticipated receipt of State Transit Assistance funds following the revised state budget approval of a gas tax swap which was offset by a decrease in Local Transportation fund revenues due to the recession and decreased spending;
- Unrestricted investment earnings decreased by $8,223,276, or 58% due to lower monthly cash balances compared to the prior year as well as decreased investment yields;
- General government expenses increased by $2,248,554, or 47%, primarily as a result of professional fees related to the extension of the commercial paper letter of credit in February 2010 and the cost of liquidity support for the commercial paper program and the 2009 variable rate sales tax revenue bonds;
- Bicycle and pedestrian facilities expenses decreased by $2,430,103, or 88%, due to a decrease in claims for approved projects;
- CETAP expenses decreased by $2,469,615, or 51%, due to a decrease in consultant efforts required during the draft environmental document review phase and public comment period related to the Mid County Parkway project;

- Commuter assistance expenses decreased by $1,932,198, or 37%, due to the detection station installations on Interstate (I) 15 and I-215 and Inland Empire 511 implementation costs incurred during the prior year;
- Commuter rail expenses increased by $4,506,606, or 28%, as a result of increased commuter rail station operating and rehabilitation costs and program management activities related to the North Main Corona commuter rail station parking structure and Perris Valley Line extension projects;
- Highway expenses decreased by $118,703,051, or 83%, due to significant land mitigation acquisitions in the Western County as well as project engineering, right of way, and construction activities on various 1989 Measure A and 2009 Measure A Western County projects which occurred in the prior year;
- Local streets and roads expenses decreased by $11,402,842, or 25%, because of a decrease from the 1989 Measure A Western County level of program allocation of 40% to the 2009 Measure A level of approximately 30% as well as the overall decline in Measure A sales tax revenues;
- Planning and programming expenses decreased by $2,795,021, or 34%, due to the decrease in costs resulting from the completion of geotechnical field exploration and evaluation for the proposed Irvine-Corona Expressway project and consultant services related to goods movement activities which was offset by an increase in funding for grade separation projects;
- Regional arterial expenses increased by $5,422,809, or 26%, as a result of an increase in reimbursements to local jurisdictions for approved regional arterial projects;
- Transit and specialized transportation expenses decreased by $20,051,787, or 31%, due to a decrease in bus transit operating and capital claims resulting from cost reduction efforts and rail capital claims due to completion of North Main Corona parking structure and Perris Transit Center construction projects; and
- Interest expenses decreased by $2,416,244, or 25%, primarily as a result of decreased interest rates which affected Commission's variable rate commercial paper notes and 2009 bonds.

The graph below presents the program and general revenues by source for the Commission's governmental activities for the fiscal year ended June 30, 2010:




The following graph depicts program expenses for the Commission's governmental activities for the fiscal year ended June 30, 2010:




**Financial Analysis of the Commission's Funds**

As of June 30, 2010, the Commission's governmental funds reported combined ending fund balances of $551,567,928, an increase of $95,324,457 compared to 2009. About 1% or $5,741,035 is unrestricted. Of this amount, $1,606,976 and $4,134,059 constitutes committed fund balance for right of way management activities and assigned fund balance for general government administration activities, respectively. The remainder of the fund balance is restricted to indicate the following externally enforceable legal restrictions:

- $3,931,233 in TDA funds that have been allocated to jurisdictions within the County for bicycle and pedestrian projects;
- $47,061,323 for new CETAP corridors in Western County;
- $14,048,046 for commuter assistance activities such as expansion of park-and-ride facilities and other projects and programs that encourage commuters to use alternative modes of transportation;
- $93,343,130 primarily for commuter rail capital projects including the Perris Valley Line extension which is expected to be completed in December 2012;
- $45,738,294 related to debt service that is to be paid over the next year, a debt service reserve for the 2009 bonds, and excess reserve funds remaining following the retirement of all debt related to the 1989 Measure A program;
- $141,145,195 for highway, economic development, and new corridor projects related to the 1989 Measure A program and the 2009 Measure A program;
- $29,476,612 in advances receivable from cities and the Coachella Valley Association of Governments for funds that were loaned to them to enable the construction and improvement of streets and roads as well as highways and regional arterials and that are to be repaid from their future 2009 Measure A funds;
- $1,747,885 in advances receivable from the Transportation Uniform Mitigation Fee fund for prior years' administrative allocations due to be repaid to the General fund within two years;
- $153,688 for local streets and roads programs that are returned to the cities within the County for maintenance of their roads and local arterials under the 2009 Measure A program;
- $6,679,571 for motorist assistance services;
- $1,107,032 for planning and programming activities;
- $2,807,955 in prepaid amounts for various expenditures;

- $42,514,211 for regional arterial projects in Western County;
- $11,200,416 of Measure A funds for transit and specialized transportation in the Western County and $364,756 for specialized transportation in the Coachella Valley; and
- $104,507,546 in TDA funds available to the commuter rail and bus transit operations and capital in the County.

The following table presents the changes in fund balances for the governmental funds for the fiscal years ended June 30, 2010 and 2009:

| | Fund Balances Year Ended June 30 | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| General fund | $ 13,261,438 | $ 10,105,419 | 31% |
| Special Revenue major funds: | | | |
| Measure A Western County | 260,141,532 | 233,744,173 | 11% |
| Measure A Coachella Valley | 4,029,697 | 5,161,226 | (22)% |
| Transportation Uniform Mitigation Fee | 83,618,281 | 93,964,947 | (11)% |
| Local Transportation Fund | 74,875,969 | 68,307,007 | 10% |
| Capital Projects major funds: | | | |
| Commercial Paper | 29,571,329 | (30,039,375) | 198% |
| Sales Tax Bonds | – | 18,621 | (100)% |
| Debt Service fund | 45,738,294 | 42,372,142 | 8% |
| Nonmajor governmental funds | 40,331,388 | 32,609,311 | 24% |

Key elements for the changes in fund balances are as follows:

- The 31% increase in the General fund resulted from the excess of sales tax and other revenues over commuter rail, planning and programming, right of way management, and general government expenditures;
- The 11% increase in the Measure A Western County Special Revenue fund resulted from the excess of 2009 Measure A sales tax revenues over commuter rail, highway (including economic development and new corridors), regional arterial, and specialized transportation program expenditures as these programs' activities include multi-year funding commitments for specified projects that are in varying stages;
- The 22% decrease in the Measure A Coachella Valley Special Revenue fund was attributed to the use of unexpended 1989 Measure A highway and regional arterial balances which was offset by excess 2009 Measure A revenues over expenditures for highway and regional arterial projects;
- The 11% decrease in the Transportation Uniform Mitigation Fee Special Revenue fund was due to an administrative cost allocation and increased regional arterial expenditure claims for approved regional arterial projects;
- The 10% increase in the Local Transportation Fund resulted from the excess of sales tax revenues over claims of allocations for transit operations and for bicycle and pedestrian facility projects;
- The 198% increase in the Commercial Paper Capital Projects fund was attributed primarily to the recording of $56,284,000 of the commercial paper notes issued during fiscal 2009 as a current liability in the fund financial statements because the bank letter of credit supporting the program was due to expire in March 2010;
- The 8% increase in the Debt Service fund was due primarily to the increase in the debt service reserve related to the bonds issued in October 2009; and

- The 24% increase in the nonmajor governmental funds resulted primarily from the state's allocation of STA funds as part of the revised state budget gas tax swap.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for the General fund resulted in a $9,469,150 decrease in appropriations and were related to the following changes:

- $172,200 increase to general government for transfer of budget authority for salary and benefit expenditures from the Measure A Western County Special Revenue fund;
- $9,924,000 decrease to the commuter rail program for an amendment to the FY 2009/10 SRTP to reflect a deobligation for the Metrolink rail car procurement;
- $105,700 increase for various planning and programming activities including a toll revenue study on the Irvine-Corona Expressway project;
- $121,700 increase to right of way management for transfer of budget authority for salary and benefit expenditures from the Measure A Western County Special Revenue fund;
- $25,250 increase to debt service for capital lease payments; and
- $30,000 increase to capital outlay related to the Commission's commuter rail station improvements.

During the year, General fund revenues were below budgetary estimates by $23,064,775 primarily as a result of the reclassification, for financial reporting purposes only, of intrafund transfers for the TDA's Local Transportation and State Transit Assistance sales tax revenue allocations for general government, planning and programming, and commuter rail operations. Expenditures were less than budgetary estimates resulting in no need to draw upon available fund balance reserves. General fund budgetary variances between the final amended budget and actual amounts are as follows:

| | Year Ended June 30, 2010 | | |
|---|---|---|---|
| General Fund Budgetary Variances | Final Amended Budget | Actual | % Variance |
| Revenues | | | |
| Sales taxes | $ 22,238,700 | $ 2,700,000 | (88)% |
| Intergovernmental | 5,751,100 | 1,571,702 | (73)% |
| Interest | 83,600 | 49,065 | (41)% |
| Other | 686,100 | 1,373,958 | 100% |
| Total revenues | $ 28,759,500 | $ 5,694,725 | (80)% |
| Expenditures | | | |
| Current | | | |
| General government | $ 4,797,400 | $ 4,188,440 | 13% |
| Commuter rail | 14,355,100 | 13,421,832 | 7% |
| Planning and programming | 11,264,600 | 5,196,946 | 54% |
| Right of way | 1,486,300 | 1,428,066 | 4% |
| Transit and specialized transportation | 484,200 | 382,764 | 21% |
| Debt service | 25,250 | 25,241 | 0% |
| Capital outlay | 405,500 | 170,179 | 58% |
| Total expenditures | $ 32,818,350 | $ 24,813,468 | 24% |
| Other financing sources (uses) | | | |
| Transfers in | $ 591,100 | $ 22,274,762 | 3,668% |
| Transfers out | (14,300) | – | 100% |
| Total other financing sources (uses) | $ 576,800 | $ 22,274,762 | 3,762% |

Significant budgetary variances between the final amended budget and actual amounts are as follows:

- $19,538,700 negative variance in sales tax revenues primarily related to the reclassification of LTF revenues as operating transfers in for financial reporting purposes only;
- $4,179,398 negative variance for intergovernmental revenues primarily related to the reclassification of STA revenues as operating transfers in for financial reporting purposes only;
- $687,858 positive variance for other revenues related to property easement access on the Commission's San Jacinto Branch Line;
- $608,960 positive variance for general government expenditures primarily related to professional services and other expenditures such as insurance, training, and travel;
- $933,268 positive variance for commuter rail expenditures related to Metrolink operations;
- $6,067,654 positive variance for planning and programming expenditures related to grade separation project funding; and
- $21,683,662 positive variance for transfers in related to the reclassification of the TDA sales tax revenues as transfers in for financial reporting purposes only.

**Capital Assets and Debt Administration**

*Capital Assets*

As of June 30, 2010, the Commission had $324,624,439, net of accumulated depreciation, invested in a broad range of capital assets including construction and development in progress; land and land improvements; rail operating easements and stations; and office improvements, furniture, equipment, and vehicles. The total increase in the Commission's total capital assets, net for FY 2009/10 was 12%.

Major capital asset additions during 2010 included construction in progress related to preliminary engineering costs for the SR-91 and I-15 corridor improvement and the Perris Valley Line extension projects, design-build activities for the SR-91 corridor improvement project, and completion of the North Main Corona commuter rail station parking structure and Perris Transit Center.

The table below is a comparative summary of the Commission's capital assets, net of accumulated depreciation:

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| Capital Assets not being depreciated: | | |
| Land and land improvements | $ 143,088,211 | $ 143,071,211 |
| Rail operating easements | 39,484,143 | 39,484,143 |
| Construction and development in progress | 70,164,474 | 66,737,089 |
| Total capital assets not being depreciated | 252,736,828 | 249,292,443 |
| Capital Assets being depreciated, net of accumulated depreciation: | | |
| Rail stations | 71,448,965 | 40,398,759 |
| Office improvements, furniture, equipment, and vehicles | 438,646 | 531,650 |
| Total capital assets, net of accumulated depreciation | 71,887,611 | 40,930,409 |
| Total capital assets | $ 324,624,439 | $ 290,222,852 |

More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

*Debt Administration*

As of June 30, 2010, the Commission had $181,000,000 outstanding in 2009 bonds. The total debt decreased from the $126,395,000 outstanding as of June 30, 2009. The Commission's 2009 bonds received ratings of "AA+" from Standard & Poor's (S&P), "Aa1" from Moody's Investors Service (Moody's), and "AA" from Fitch Ratings (Fitch). As a result of recalibrations in April 2010 of municipal debt to global rating scales, Moody's and Fitch revised their ratings to "Aa1" and "AA+," respectively. In October 2010 in connection with the proposed issuance of bonds in FY 2010/11, Fitch downgraded the Commission's long-term rating to "AA."

In March 2005 the Commission established a $185,000,000 commercial paper program to provide advance funding for 2009 Measure A capital projects; the program was reduced to $120,000,000 as a result of the extension of the letter of credit and reimbursement agreement. The commercial paper notes are rated "A1+" by S&P and "P1" by Moody's. As of June 30, 2010, the Commission had $83,284,000 in outstanding commercial paper notes.

The debt limitation for the Commission under the 2009 Measure A program is $500,000,000, which exceeds the total outstanding debt of $264,284,000.

Additional information on the Commission's long-term debt can be found in Note 6 to the financial statements.

**Economic Factors and Other Factors**

During its March 2010 Commission meeting, the Commission adopted guiding principles for use in the preparation of the FY 2010/11 Budget. These principles have been incorporated in goals of the Commission and will continue to be updated annually in response to the ever-changing social, political, and economic environment. The principles are a business planning tool designed to assist the Commission in implementing its strategic goals and objectives and lays the foundation for future financial planning for the annual budget process.

The Commission adopted the FY 2010/11 annual budget on June 9, 2010. Over 62% of the $566,377,400 balanced budget is related to capital project expenditures, including: $12,770,000 for highway and regional arterial projects and land mitigation in the Coachella Valley; $42,781,100 for various Western County TUMF regional arterial projects; $65,543,300 for preliminary engineering, right of way acquisition, and design-build activities related to the SR-91 corridor improvement project consisting of express and mixed flow lanes and interchange improvements; $10,360,300 for preliminary engineering and right of way support services related to the I-15 corridor improvements consisting of express lanes, HOV lanes, and mixed flow lanes; $24,190,300 for preliminary engineering, final design, right of way acquisition, and construction related to the I-215 corridor improvements from I-15 to Nuevo Road; $25,354,800 for final design and right of way acquisition related to the SR-91 HOV lanes from Adams Street to the 60/91/215 interchange; $12,896,300 for final design, construction, and right of way acquisition related to the 74/215 interchange project; and $59,198,800 for the Perris Valley Line Metrolink extension project engineering, construction, and right of way acquisition.

Distributions to the local jurisdictions for local streets and roads are budgeted at $30,986,400. Budgeted expenditures related to funding of public bus and rail transit operations and capital projects in the County aggregate $88,696,000. Debt service costs of $106,205,000, or 19% of the budget, represent another significant expenditure as a result of the issuance of bonds to retire all of the outstanding commercial paper notes.

Leading economic indicators show that the local economy continues to be impacted by the national recession, particularly in decreased spending and a housing slowdown. These factors were considered in preparing the Commission's 2011 fiscal year budget, including the sales tax and TUMF fee revenue projections.

There are obvious variables in terms of project financing available from federal and state funds. There is continuing uncertainty related to the fiscal condition of the state of California and the impact on transportation as well as the status of the federal transportation trust fund and appropriation bill. The Commission continues to study alternative financing alternatives such as tolled express lane facilities and federal financing programs to support the delivery of 2009 Measure A projects.

**Contacting the Commission's Management**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the government's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Finance Department at the Riverside County Transportation Commission, 4080 Lemon Street, 3rd Floor, P.O. Box 12008, Riverside, California 92502-2208.

# Basic Financial Statements

**Riverside County Transportation Commission**

**Statement of Net Assets**

**June 30, 2010**

| | Governmental Activities |
|---|---|
| Assets | |
| Cash and investments | $ 479,690,209 |
| Receivables: | |
| Accounts | 49,792,263 |
| Advances to other governments | 29,476,612 |
| Interest | 1,120,495 |
| Prepaid expenses and other assets | 3,501,763 |
| Deferred outflow of resources | 23,487,974 |
| Restricted investments held by trustee | 28,057,706 |
| Capital assets not being depreciated | 252,736,828 |
| Capital assets, net of accumulated depreciation | 71,887,611 |
| Total assets | 939,751,461 |
| Liabilities | |
| Accounts payable | 34,682,787 |
| Interest payable | 533,128 |
| Other liabilities | 2,330,938 |
| Derivative instrument-Swap | 23,487,974 |
| Long-term liabilities: | |
| Due within one year | 6,578,001 |
| Due in more than one year | 258,027,364 |
| Total liabilities | 325,640,192 |
| Net assets | |
| Invested in capital assets, net of related debt | 294,218,263 |
| Restricted for: | |
| Bicycle and pedestrian facilities | 3,931,233 |
| CETAP | 47,935,266 |
| Commuter assistance | 14,056,134 |
| Commuter rail | 93,344,041 |
| Debt service | 45,738,294 |
| Highways | 169,348,517 |
| Local streets and roads | 8,105,474 |
| Motorist assistance | 6,679,571 |
| Planning and programming | 1,107,043 |
| Regional arterials | 43,463,078 |
| Transit and specialized transportation | 116,072,763 |
| Unrestricted | (229,888,408) |
| Total net assets | $ 614,111,269 |

*See notes to financial statements*

## Riverside County Transportation Commission

## Statement of Activities

## Year Ended June 30, 2010

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| Governmental Activities: | | | | | |
| General government | $ 7,024,517 | $ - | $ - | $ - | $ (7,024,517) |
| Bicycle and pedestrian facilities | 317,048 | - | - | - | (317,048) |
| CETAP | 2,362,393 | - | 3,496,966 | - | 1,134,573 |
| Commuter assistance | 3,266,834 | - | 1,970,027 | - | (1,296,807) |
| Commuter rail | 20,544,634 | - | 456,918 | 12,257,099 | (7,830,617) |
| Highways | 24,828,958 | - | 7,179,435 | - | (17,649,523) |
| Local streets and roads | 34,258,313 | - | - | - | (34,258,313) |
| Motorist assistance | 2,987,136 | - | 3,542,801 | - | 555,665 |
| Planning and programming | 5,321,121 | - | 1,363,044 | - | (3,958,077) |
| Right of way management | 1,428,066 | 196,527 | - | - | (1,231,539) |
| Regional arterials | 26,371,339 | - | 5,121,265 | - | (21,250,074) |
| Transit and specialized transportation | 43,820,225 | - | - | - | (43,820,225) |
| Interest expense | 7,099,038 | - | - | - | (7,099,038) |
| **Total governmental activities** | $ 179,629,622 | $ 196,527 | $ 23,130,456 | $ 12,257,099 | (144,045,540) |

| | |
|---|---|
| **General Revenues:** | |
| Measure A sales taxes | 114,526,254 |
| Transportation Development Act sales taxes | 69,499,841 |
| Unrestricted investment earnings | 5,987,921 |
| Other miscellaneous revenue | 1,680,322 |
| Total general revenues | 191,694,338 |
| Change in net assets | 47,648,798 |
| Net assets at beginning of year | 566,462,471 |
| Net assets at end of year | $ 614,111,269 |

*See notes to financial statements*

Riverside County Transportation Commission

Balance Sheet - Governmental Funds

June 30, 2010

| | Major Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Special Revenue | | | | Capital Projects | | | | |
| | General | Measure A Western County | Measure A Coachella Valley | Transportation Uniform Mitigation Fee | Local Transportation Fund | Commercial Paper | Sales Tax Bonds | Debt Service | Other Nonmajor Governmental Funds | Total |
| **Assets** | | | | | | | | | | |
| Cash and investments | $ 6,277,911 | $ 235,993,175 | $ 5,457,059 | $ 92,402,732 | $ 63,896,436 | $ 159,756 | $ - | $ 30,772,623 | $ 44,730,517 | $ 479,690,209 |
| Receivables: | | | | | | | | | | |
| Accounts | 739,288 | 29,870,998 | 4,781,248 | 2,189,595 | 10,838,923 | - | - | - | 1,372,211 | 49,792,263 |
| Advances | 1,747,885 | - | - | - | - | 29,476,612 | - | - | - | 31,224,497 |
| Interest | 14,523 | 541,647 | 10,547 | 217,746 | 140,610 | 2,003 | - | 103,852 | 89,567 | 1,120,495 |
| Due from other funds | 5,214,842 | 12,292,825 | - | - | - | 575,390 | - | - | 100,000 | 18,183,057 |
| Prepaid expenditures | 253,819 | 2,531,500 | - | - | - | 22,636 | - | - | - | 2,807,955 |
| Restricted investments held by trustee | - | - | - | - | - | 12,635,223 | - | 15,422,483 | - | 28,057,706 |
| Total assets | $ 14,248,268 | $ 281,230,145 | $ 10,248,854 | $ 94,810,073 | $ 74,875,969 | $ 42,871,620 | $ - | $ 46,298,958 | $ 46,292,295 | $ 610,876,182 |
| **Liabilities and Fund Balances (Deficit)** | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable | $ 862,264 | $ 20,525,332 | $ 3,917,612 | $ 8,126,242 | $ - | $ 231,778 | $ - | $ 560,664 | $ 458,895 | $ 34,682,787 |
| Advances payable | - | - | - | 1,747,885 | - | - | - | - | - | 1,747,885 |
| Due to other funds | - | 271,169 | 575,797 | 1,317,665 | - | 10,789,362 | - | - | 5,229,064 | 18,183,057 |
| Other liabilities | 124,566 | 292,112 | 1,725,748 | - | - | 2,279,151 | - | - | 272,948 | 4,694,525 |
| Total liabilities | 986,830 | 21,088,613 | 6,219,157 | 11,191,792 | - | 13,300,291 | - | 560,664 | 5,960,907 | 59,308,254 |
| Fund balances | | | | | | | | | | |
| Nonspendable–prepaid amounts | 253,819 | 2,531,500 | - | - | - | 22,636 | - | - | - | 2,807,955 |
| Restricted for: | | | | | | | | | | |
| Bicycle and pedestrian facilities | - | - | - | - | 3,931,233 | - | - | - | - | 3,931,233 |
| CETAP | - | - | - | 47,061,323 | - | - | - | - | - | 47,061,323 |
| Commuter assistance | - | 14,048,046 | - | - | - | - | - | - | - | 14,048,046 |
| Commuter rail | 4,460,748 | 88,882,382 | - | - | - | - | - | - | - | 93,343,130 |
| Debt service | - | - | - | - | - | - | - | 45,738,294 | - | 45,738,294 |
| Highways | - | 137,521,935 | 3,551,179 | - | - | 72,081 | - | - | - | 141,145,195 |
| Loans and advances receivable | 1,747,885 | - | - | - | - | 29,476,612 | - | - | - | 31,224,497 |
| Local streets and roads | - | - | 113,762 | - | - | - | - | - | 39,926 | 153,688 |
| Motorist assistance | - | - | - | - | - | - | - | - | 6,679,571 | 6,679,571 |
| Planning and programming | 1,057,951 | - | - | - | 49,081 | - | - | - | - | 1,107,032 |
| Regional arterials | - | 5,957,253 | - | 36,556,958 | - | - | - | - | - | 42,514,211 |
| Transit and specialized transportation | - | 11,200,416 | 364,756 | - | 70,895,655 | - | - | - | 33,611,891 | 116,072,718 |
| Committed–right of way management | 1,606,976 | - | - | - | - | - | - | - | - | 1,606,976 |
| Assigned–general government administration | 4,134,059 | - | - | - | - | - | - | - | - | 4,134,059 |
| Total fund balances | 13,261,438 | 260,141,532 | 4,029,697 | 83,618,281 | 74,875,969 | 29,571,329 | - | 45,738,294 | 40,331,388 | 551,567,928 |
| Total liabilities and fund balances | $ 14,248,268 | $ 281,230,145 | $ 10,248,854 | $ 94,810,073 | $ 74,875,969 | $ 42,871,620 | $ - | $ 46,298,958 | $ 46,292,295 | $ 610,876,182 |

*See notes to financial statements*

## Riverside County Transportation Commission

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

## June 30, 2010

| | | |
|---|---|---|
| **Total fund balances - Governmental funds (page 18)** | $ | 551,567,928 |
| Amounts reported for governmental activities in the statement of net assets (page 16) are different because: | | |
| Capital assets, less related accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. | | 324,624,439 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds. | | 2,363,587 |
| Interest payable on bonds outstanding is not due and payable in the current period and therefore is not reported in the funds. | | (533,128) |
| Debt issuance costs are not current financial resources and therefore are not reported in the governmental funds. | | 693,808 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| Compensated absences | | (511,562) |
| Capital lease obligation | | (78,104) |
| Debt issuance payable | | (181,000,000) |
| Discount on debt issuance | | 268,301 |
| Commercial paper notes payable | | (83,284,000) |
| Net adjustment | | (264,605,365) |
| **Net assets of governmental activities (page 16)** | $ | 614,111,269 |

*See notes to financial statements*

Riverside County Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds
Year Ended June 30, 2010

| | Major Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Special Revenue | | | | Capital Projects | | | | |
| | General | Measure A Western County | Measure A Coachella Valley | Transportation Uniform Mitigation Fee | Local Transportation Fund | Commercial Paper | Sales Tax Bonds | Debt Service | Other Nonmajor Governmental Funds | Total |
| **Revenues** | | | | | | | | | | |
| Sales taxes | $ 2,700,000 | $ 83,785,433 | $ 27,229,393 | $ - | $ 56,697,890 | $ - | $ - | $ - | $ 13,613,379 | $ 184,026,095 |
| Transportation Uniform Mitigation Fee | - | - | - | 8,618,231 | - | - | - | - | - | 8,618,231 |
| Intergovernmental | 1,571,702 | 21,654,820 | - | - | - | - | - | - | 3,542,802 | 26,769,324 |
| Interest | 49,065 | 2,229,131 | 46,001 | 885,393 | 540,043 | 1,202,577 | 13,014 | 363,305 | 334,649 | 5,663,178 |
| Other | 1,373,958 | 461,007 | - | - | - | - | - | - | 18,676 | 1,853,641 |
| Total revenues | 5,694,725 | 108,130,391 | 27,275,394 | 9,503,624 | 57,237,933 | 1,202,577 | 13,014 | 363,305 | 17,509,506 | 226,930,469 |
| **Expenditures** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 4,188,440 | 2,310,027 | - | - | 12,000 | 410,012 | - | - | - | 6,920,479 |
| Bicycle and pedestrian facilities | - | - | - | - | 317,048 | - | - | - | - | 317,048 |
| CETAP | - | - | - | 2,362,393 | - | - | - | - | - | 2,362,393 |
| Commuter assistance | - | 3,228,709 | - | - | - | - | - | - | - | 3,228,709 |
| Commuter rail | 13,421,832 | 20,312,056 | - | - | - | - | - | - | - | 33,733,888 |
| Highways | - | 35,801,360 | 3,269,874 | - | - | 6,626,977 | - | - | - | 45,698,211 |
| Local streets and roads | - | 23,915,511 | 9,502,752 | - | - | - | - | - | 840,050 | 34,258,313 |
| Motorist assistance | - | - | - | - | - | - | - | - | 2,987,136 | 2,987,136 |
| Planning and programming | 5,196,946 | - | - | - | 115,300 | - | - | - | - | 5,312,246 |
| Right of way management | 1,428,066 | - | - | - | - | - | - | - | - | 1,428,066 |
| Regional arterials | - | 537 | 11,920,309 | 14,450,493 | - | - | - | - | - | 26,371,339 |
| Transit and specialized transportation | 382,764 | 3,219,083 | 3,713,988 | - | 34,649,154 | - | - | - | 1,855,236 | 43,820,225 |
| Total programs | 24,618,048 | 88,787,283 | 28,406,923 | 16,812,886 | 35,093,502 | 7,036,989 | - | - | 5,682,422 | 206,438,053 |
| Debt service: | | | | | | | | | | |
| Principal | 22,548 | - | - | - | - | 53,716,000 | - | 4,000,000 | - | 57,738,548 |
| Interest | 2,693 | - | - | - | - | 319,431 | - | 4,918,183 | - | 5,240,307 |
| Cost of issuance | - | - | - | - | - | 1,000 | 674,464 | - | - | 675,464 |
| Total debt service | 25,241 | - | - | - | - | 54,036,431 | 674,464 | 8,918,183 | - | 63,654,319 |
| Capital outlay | 170,179 | (46,099) | - | - | - | - | - | - | - | 124,080 |
| Total expenditures | 24,813,468 | 88,741,184 | 28,406,923 | 16,812,886 | 35,093,502 | 61,073,420 | 674,464 | 8,918,183 | 5,682,422 | 270,216,452 |
| Excess (deficiency) of revenues over (under) expenditures | (19,118,743) | 19,389,207 | (1,131,529) | (7,309,262) | 22,144,431 | (59,870,843) | (661,450) | (8,554,878) | 11,827,084 | (43,285,983) |
| Other financing sources (uses): | | | | | | | | | | |
| Debt issuance | - | - | - | - | - | 83,284,000 | 185,000,000 | - | - | 268,284,000 |
| Discount on debt issuance | - | - | - | - | - | - | (278,685) | - | - | (278,685) |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | (129,394,875) | - | - | (129,394,875) |
| Transfers in | 22,274,762 | 16,466,735 | - | - | - | 53,716,000 | - | 11,921,030 | 454,700 | 104,833,227 |
| Transfers out | - | (9,458,583) | - | (3,037,404) | (15,575,469) | (17,518,453) | (54,683,611) | - | (4,559,707) | (104,833,227) |
| Total other financing sources (uses) | 22,274,762 | 7,008,152 | - | (3,037,404) | (15,575,469) | 119,481,547 | 642,829 | 11,921,030 | (4,105,007) | 138,610,440 |
| Net change in fund balances | 3,156,019 | 26,397,359 | (1,131,529) | (10,346,666) | 6,568,962 | 59,610,704 | (18,621) | 3,366,152 | 7,722,077 | 95,324,457 |
| Fund balances (deficit) at beginning of year | 10,105,419 | 233,744,173 | 5,161,226 | 93,964,947 | 68,307,007 | (30,039,375) | 18,621 | 42,372,142 | 32,609,311 | 456,243,471 |
| Fund balances at end of year | $ 13,261,438 | $ 260,141,532 | $ 4,029,697 | $ 83,618,281 | $ 74,875,969 | $ 29,571,329 | $ - | $ 45,738,294 | $ 40,331,388 | $ 551,567,928 |

*See notes to financial statements*

## Riverside County Transportation Commission

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

#### For the Year Ended June 30, 2010

| | | |
|---|---|---|
| **Net change in fund balances - Total governmental funds (page 20)** | $ | 95,324,457 |
| Amounts reported for governmental activities in the statement of activities (page 17) are different because: | | |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The adjustment combines the net changes of the following amounts: | | |
| Capital outlay | | 37,624,773 |
| Depreciation expense | | (3,223,186) |
| Net adjustments | | 34,401,587 |
| Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the funds. | | 324,744 |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The adjustment combines the net changes of the following amounts: | | |
| Principal payments for sales tax revenue bonds and commercial paper notes | | 57,716,000 |
| Payment to escrow agent for refunding of sales tax revenue bonds | | 126,395,000 |
| Issuance of commercial paper notes | | (83,284,000) |
| Issuance of sales tax revenue bonds | | (185,000,000) |
| Discount on debt issuance | | 278,685 |
| Debt issuance costs | | 720,660 |
| Amortization of bond premium | | 1,143,888 |
| Amortization of bond discount | | (10,384) |
| Amortization of debt issuance costs | | (355,564) |
| Capital lease payments | | 22,548 |
| Change in accrued interest | | 7,640 |
| Net adjustments | | (82,365,527) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The adjustment combines the net changes of the following amounts: | | |
| Compensated absences | | (36,463) |
| **Change in net assets of governmental activities (page 17)** | $ | 47,648,798 |

*See notes to financial statements*

## Note 1. Summary of Significant Accounting Policies

**Reporting entity:** The Riverside County Transportation Commission (Commission) was formed in 1976 under Division 12 (commencing with Section 130000) of the California Public Utilities Code. The Commission is a special district governed by a 32-member board of commissioners (Board) consisting of one representative from each city in the county, all five county supervisors, and a nonvoting state representative. In October 2010, the Board increased to 33 members as a result of the addition of representative from a newly incorporated city.

The Commission provides short-range transportation planning and programming for Riverside County (County), which includes the administration of the Local Transportation Fund (LTF) and the State Transit Assistance (STA) programs created under the Transportation Development Act (TDA) by the State of California (State). The LTF is administered by the Commission on behalf of the County. The purpose of this program is to allocate funds for public transportation needs, local streets and roads, bicycle and pedestrian facilities, and multimodal transportation terminals. The STA program allocates funds for public transportation purposes to those geographic areas with special public transportation needs, which cannot be met otherwise.

On November 8, 1988, the Commission was empowered by the voters of the County, under Ordinance No. 88-1 (1989 Measure A), to collect a one-half of one percent sales tax for the purpose of improving the transportation system of the County. Measure A was enacted, in part, pursuant to the provisions of Division 25 (commencing with Section 240000) of the California Public Utilities Code and Section 7252.22 of the Revenue and Taxation Code. On November 12, 2002 Riverside County's voters approved a 30-year renewal of Measure A under Ordinance No. 02-001 (2009 Measure A). The voter action ensures the replacement of the 1989 Measure A program when it expired in 2009 with a new 30 year program that will continue funding improvements until June 2039.

In connection with the 2009 Measure A program, the County and cities in the Western County area implemented a Transportation Uniform Mitigation Fee (TUMF) program to fund a regional arterial system to handle the traffic demands in the Western Riverside County (Western County) area as a result of future development. Under the 2009 Measure A program, the Commission shall receive the first $400 million of TUMF revenues to fund the regional arterial projects and new Community Environmental Transportation Acceptability Process (CETAP) corridors included in the 2009 Measure A Transportation Improvement Plan. Under the Memorandum of Understanding (MOU), the majority of net revenues are allocated in equal amounts to the Commission for regional arterial projects and to Western Riverside Council of Governments (WRCOG) for local arterial projects; a small percentage is allocated for public transit. In September 2008, the Commission approved an amendment to the MOU whereby the $400 million cap was lifted and the Commission will continue to receive its share of TUMF revenues indefinitely.

Accounting principles generally accepted in the United States require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic financial statements include all funds of the Commission including those of the Service Authority for Freeway Emergencies (SAFE), a component unit, for which the Commission is considered financially accountable. SAFE was created under Chapter 14 (commencing with Section 2550) of Division 3 of the California Streets and Highways Code and Sections 2421.5 and 9250.1 of the Vehicle Code. SAFE receives monies from fees levied on registered vehicles to be used to implement and maintain an emergency motorist aid system, as specified, on portions of the California Freeway and Expressway System in the County. The governing body of SAFE is substantially identical to that of the Commission and is responsible for approval of SAFE's budget. SAFE is presented as a special revenue fund. Separate financial statements are not issued for SAFE.

There are many other governmental agencies, including the County of Riverside, providing services within the area served by the Commission. These other governmental agencies have independently elected governing boards and

**Note 1. Summary of Significant Accounting Policies, Continued**

consequently are not under the direction of the Commission. Financial information for these agencies is not included in the accompanying financial statements.

**Basis of presentation:** The Commission's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide statements:* The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Commission. The effect of interfund activity has been removed from these statements. These statements report governmental activities, which normally are supported by taxes and intergovernmental revenues. The Commission does not have any business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other internally dedicated resources, which are properly not included among program revenues, are reported instead as general revenues.

*Fund financial statements:* The fund financial statements provide information about the Commission's governmental funds; the Commission has no proprietary or fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Commission has categorized the Sales Tax Bonds Capital Projects Fund and Debt Service Fund as major funds for public interest reasons. The Commission believes that these judgmentally determined major funds are particularly important to the financial statement users. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Commission reports the following major governmental funds:

**General Fund:** The General Fund is the general operating fund of the Commission and accounts for financial resources not required to be accounted for in another fund.

**Measure A Western County Special Revenue Fund:** This fund accounts for the revenues from sales taxes which are restricted to expenditures for 1989 Measure A and 2009 Measure A Western County programs.

**Measure A Coachella Valley Special Revenue Fund:** This fund accounts for the revenues from sales taxes which are restricted to expenditures for 1989 Measure A and 2009 Measure A Coachella Valley programs.

**Transportation Uniform Mitigation Fee Special Revenue Fund**: This fund accounts for TUMF revenues, which are restricted to expenditures for Western County regional arterial and CETAP projects.

**Local Transportation Fund**: This special revenue fund accounts for the one-quarter percent of the state sales tax collected within the County under TDA for planning and programming, bicycle and pedestrian facilities, and transit operations including the Commission's commuter rail operations.

**Commercial Paper Capital Projects Fund:** This fund records proceeds from the issuance of commercial paper notes and the use of these proceeds for capital projects included in the 2009 Measure A.

## Note 1. Summary of Significant Accounting Policies, Continued

**Sales Tax Bonds Capital Projects Fund:** This fund records proceeds from the issuance of sales tax revenue bonds and the use of these proceeds for capital projects included in the 2009 Measure A.

**Debt Service Fund:** This fund accounts for the resources accumulated and payments made for principal and interest on the sales tax revenue bonds.

**Measurement focus and basis of accounting:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt as well as compensated absences and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual include sales taxes collected and held by the State at year-end on behalf of the Commission, TUMF, intergovernmental revenues, interest revenue, and vehicle registration user fees. Intergovernmental revenues are recognized in the period when all applicable eligibility requirements have been met.

**Cash and investments:** The Commission maintains cash and investments in accordance with an investment policy adopted initially by the Board on September 13, 1995, and most recently amended May 12, 2010. The investment policy complies with, or is more restrictive than, applicable state statutes. Investments of bond and commercial paper proceeds as permitted by the applicable bond documents are maintained by U.S. Bank as custodial bank, and the earnings for each bond and commercial paper issue are accounted for separately. Cash from other Commission revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average monthly dollar account balances.

The Commission's investment policy authorizes investments in U.S. Treasury notes and bonds, federal agency notes, repurchase agreements, corporate bonds, commercial paper, banker's acceptances, money market mutual funds, the Riverside County Pooled Investment Fund (RCPIF), the State of California Local Agency Investment Fund (LAIF), and certificates of deposit. Other investments permitted by the California Government Code (Code) are permitted but only with prior Board authorization, except for securities that could result in zero interest accrual if held to maturity that are ineligible. LAIF is regulated by Code Section 16429 and is under the management of the State Treasurer with oversight provided by the Local Agency Investment Advisory Board. Oversight of the RCPIF is conducted by the County Treasury Oversight Committee. All investments, except for those related to bond reserve funds, are subject to a maximum maturity of five years unless specific direction to exceed the limit is given by the Board. Local Transportation Fund moneys are legally required to be deposited in the RCPIF.

The RCPIF and the LAIF are carried at fair value based on the value of each participating dollar as provided by the RCPIF and LAIF, respectively. The fair value of the Commission's position in the RCPIF and LAIF is the same as the value of the pool shares. Investments in U.S. government and agency securities are carried at fair value based on quoted market prices. Money market mutual funds are carried at fair value based on each fund's share price.

**Note 1. Summary of Significant Accounting Policies, Continued**

Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Commission's deposits with the bank in accordance with the Code.

**Accounts receivable:** Accounts receivable consist primarily of Measure A and LTF sales tax revenues from the State Board of Equalization on all taxable sales within the County of Riverside, California through June 30, 2010.

**Interfund transactions:** During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered. There are also transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due from/to other funds; internal financing balances are reported as advances to/from other funds.

**Prepaid items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements.

**Restricted investments held by trustee:** Restricted investments held by trustee represent unexpended bond proceeds, interest earnings thereon, and capitalized interest and reserve amounts of sales tax revenue bonds. Under the related bond resolutions and indentures, any remaining bond proceeds are restricted for the use of future construction improvements to the respective projects, for debt service, or for reserve requirements in accordance with applicable debt covenants.

**Capital assets:** Capital assets consisting of land and land improvements; construction in progress; rail easements; rail stations; and office furniture, equipment, and vehicles are reported in governmental activities in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Highway construction and certain purchases of right of way property, for which title vests with the California Department of Transportation, are included in highway program expenditures. Infrastructure consisting primarily of highway construction and right of way acquisition is not recorded as a capital asset, because the Commission does not have title to such assets or rights of way. However, costs related to the development of toll lanes are recorded as construction in progress, as the Commission anticipates obtaining lease rights from the state to operate such toll lanes for a certain period of time. Accordingly, the Commission adopted Government Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, during the year ended June 30, 2008. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Rail stations, furniture and equipment, and vehicles of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| Asset Type | Useful Life |
|---|---|
| Rail stations | 10 to 30 years |
| Office furniture and equipment | 3 to 5 years |
| Vehicles | 5 years |

**Compensated absences:** Vacation leave in governmental funds that is due and payable at year-end is reported as an expenditure and a liability of the General fund. Earned vacation leave that is not currently due is reported as a long-term liability in the government-wide financial statements.

## Note 1. Summary of Significant Accounting Policies, Continued

Sick leave is recorded as an expenditure in the General fund when taken by the employee. Employees with continuous five years of service have the option of being paid for sick leave accumulated in excess of 240 hours at a rate of 50% (i.e., one hour's pay for every two hours in excess of 240). Any sick leave in excess of 240 hours is accrued at fiscal year end, and a liability is reported in the government-wide financial statements. Sick leave that is due and payable at year-end is reported as an expenditure and a fund liability of the General fund.

**Risk management:** The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The Commission protects itself against such losses by a balanced program of risk retention, risk transfers, and the purchase of commercial insurance. Loss exposures retained by the Commission are treated as normal expenditures and include any loss contingency not covered by the Commission's purchased insurance policies. Construction projects and rail properties are protected through a combination of commercial insurance, insurance required of Commission consultants, and a self-insurance fund established by the Southern California Regional Rail Authority (SCRRA). Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**Fund equity:** The Commission early implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2010. In the fund financial statements, the governmental funds report nonspendable, restricted, committed, and assigned fund balances to show the level of constraint governing the use of the funds. Restricted fund balances are restricted for specific purposes by third parties or enabling legislation. Committed fund balances include amounts that can be used only for specific purposes determined by formal action of the Board. Assigned fund balances comprise amounts intended to be used by the Commission for specific purposes as determined by the Board. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources, as necessary. When committed and assigned resources are available for use, it is the Commission's policy to use committed resources first and then assigned resources, as they are needed.

**Net assets:** In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into three categories:

**Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets and excludes unspent debt proceeds.

**Restricted net assets** represent the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties and enabling legislation.

**Unrestricted net assets (deficit)** represent those net assets that are available (unavailable) for general use.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources, as they are needed.

**Administration expenditures:** The Commission's staff and resources are used in the performance of its responsibilities relating to the activities of the Commission and its component unit. Accordingly, the Commission allocates salaries and benefits to each applicable fund on the basis of actual hours spent by activity, and other indirect overhead is allocated based on management's budgetary estimates. Administrative salaries and benefits of $853,479 allocated to Measure A in 2010 were less than 1% of revenues and in compliance with the law.

## Note 2. Cash and Investments

Cash and investments at June 30, 2010 consist of the following:

| | Unrestricted | | | Restricted Investments | |
|---|---|---|---|---|---|
| | Cash | Investments | Total | | Total |
| Cash in bank | $ 1,416,547 | $ – | $ 1,416,547 | $ – | $ 1,416,547 |
| Petty cash | 1,018 | – | 1,018 | – | 1,018 |
| RCPIF | – | 474,693,056 | 474,693,056 | 14,271,405 | 488,964,461 |
| LAIF | – | 3,579,588 | 3,579,588 | – | 3,579,588 |
| Investments with fiscal agents | – | – | – | 13,786,301 | 13,786,301 |
| Total cash and investments | $ 1,417,565 | $ 478,272,644 | $ 479,690,209 | $ 28,057,706 | $ 507,747,915 |

As of June 30, 2010, the Commission had the following investments:

| Investment | Maturities | Fair Value |
|---|---|---|
| First American Government Obligations mutual fund | 51 days average | $ 13,786,301 |
| LAIF | 203 days average | 3,579,588 |
| RCPIF | 372 days average | 488,964,461 |
| Total investments | | $ 506,330,350 |

**Custodial credit risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Commission's investment policy requires that a third party bank trust department hold all securities owned by the Commission. All trades are settled on a delivery versus payment basis through the Commission's safekeeping agent.

The Commission has deposits with a bank balance of $7,825,163 with a financial institution; bank balances over $5,000,000 are swept daily into a money market account. Of the bank balance, $5,000,000 is federally insured under the Federal Depository Insurance Corporation's (FDIC) Transaction Account Guarantee Program (Program). Any balance over $5,000,000 is collateralized in accordance with the Code; however, the collateralized securities are not held in the name of the Commission. Beginning July 1, 2010 upon the expiration of the FDIC Program, balances up to $250,000 are federally insured by the FDIC with balances in excess of $250,000 collateralized in accordance with the Code; however, the collateralized securities are not held in the name of the Commission.

**Interest rate risk:** While the Commission does not have a formal policy related to the interest rate risk of investments, the Commission's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**Credit risk:** As of June 30, 2010, the Commission's investment in the RCPIF was rated Aaa/MR1 by Moody's Investors Service (Moody's) and AAA/V1+ by Fitch Ratings (Fitch). The investments in the First American Government Obligations mutual fund were rated AAA by both Moody's and Standard & Poor's Rating Service (S&P). LAIF is not rated. The Commission's investment policy only requires credit quality ratings for repurchase agreements, U.S. corporate debt, commercial paper, bankers acceptances and certificates of deposit.

## Note 2. Cash and Investments, Continued

**Concentration of credit risk:** The Commission's investment policy places a limit of 10% on the amount of investment holdings with any one non-governmental issuer. More than 5 percent of the Commission's investments are in the RCPIF. This investment is 96.6% of the Commission's investments. The investments in the Commercial Paper Capital Projects fund are unexpended commercial paper note proceeds invested in the First American Government Obligations mutual fund. The investments in the Debt Service fund are reserve funds invested in the RCPIF and First American Government Obligations fund for interest and principal as required by the bond agreements.

## Note 3. Advances

The Commission has approved interest-bearing advance loans, which are to be funded by debt proceeds, to the cities of Indio and Blythe and the Coachella Valley Association of Governments (CVAG) in the amounts of $4,000,000, $1,500,000, and $43,300,000, respectively. The cities have pledged their share of 2009 Measure A local streets and roads revenues, and CVAG has pledged its share of 2009 Measure A highway and regional road revenue allocations in accordance with repayment terms specified in each agreement for actual advances. These city of Blythe and Indio loans are due on or before September 1, 2019, and the CVAG loans are due on or before September 1, 2029. The outstanding advances, including capitalized interest of $2,470,848, as of June 30, 2010 were as follows:

| | |
|---|---|
| City of Blythe | $ 1,700,382 |
| City of Indio | 4,847,395 |
| Coachella Valley Associated Governments | 22,928,835 |
| Total loans receivable | $ 29,476,612 |

Additionally, the General Fund has incurred $1,747,885 related to administration on behalf of the Transportation Uniform Mitigation Fee Special Revenue Fund and will be reimbursed over the next two fiscal years.

## Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

| | Balance July 1, 2009 | Additions/ Transfers | Retirements/ Transfers | Balance June 30, 2010 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land improvements | $143,071,211 | $ 17,000 | $ - | $143,088,211 |
| Construction in progress | 66,561,935 | 31,423,726 | (28,096,491) | 69,889,170 |
| Development in progress | 175,154 | 100,150 | - | 275,304 |
| Rail operating easements | 39,484,143 | - | - | 39,484,143 |
| Total capital assets not being depreciated | 249,292,443 | 31,523,876 | (28,096,491) | 252,736,828 |
| Capital assets being depreciated: | | | | |
| Rail stations | 63,672,193 | 34,157,181 | - | 97,829,374 |
| Office improvements | 72,782 | - | - | 72,782 |
| Office furniture, equipment and vehicles | 1,421,721 | - | (218,347) | 1,203,374 |
| Total capital assets being depreciated | 65,166,696 | 34,157,181 | (218,347) | 99,105,530 |

## Note 4. Capital Assets, Continued

| | | | | |
|---|---|---|---|---|
| Less accumulated depreciation for: | | | | |
| Rail stations | (23,273,434) | (3,106,975) | – | (26,380,409) |
| Office improvements | (28,671) | (10,306) | – | (38,977) |
| Office furniture, equipment and vehicles | (934,182) | (105,905) | 241,554 | (798,533) |
| Total accumulated depreciation | (24,236,287) | (3,223,186) | 241,554 | (27,217,919) |
| Total capital assets being depreciated, net | 40,930,409 | 30,933,995 | 23,207 | 71,887,611 |
| Governmental activities capital assets, net | $290,222,852 | $ 62,474,871 | $ (28,073,284) | $324,624,439 |

Depreciation expense was charged to functions/programs of the Commission's governmental activities during the year ended June 30, 2010 as follows:

| | |
|---|---|
| General government | $ 64,941 |
| Commuter rail | 3,111,861 |
| Commuter assistance | 37,509 |
| Planning and programming | 8,875 |
| Total depreciation expense | $ 3,223,186 |

## Note 5. Interfund Transactions

**Due from/to other funds:** The composition of balances related to due from other funds and due to other funds at June 30, 2010 is as follows:

| Receivable Fund | Payable Fund | Amount | Explanation |
|---|---|---|---|
| General fund | Measure A Western County Special Revenue fund | $ 271,169 | Fringe benefits |
| General fund | Measure A Coachella Valley Special Revenue fund | 407 | Fringe benefits |
| General fund | Transportation Uniform Mitigation Fee Special Revenue fund | 28,146 | Fringe benefits |
| General fund | Nonmajor Governmental funds | 9,949 | Fringe benefits |
| General fund | Nonmajor Governmental funds | 3,325,000 | Allocation for Metrolink rail cars |
| General fund | Transportation Uniform Mitigation Fee Special Revenue fund | 1,289,519 | Administrative cost allocation |
| General fund | Nonmajor Governmental funds | 290,652 | Administrative cost allocation |
| Measure A Western County Special Revenue fund | Nonmajor Governmental funds | 1,503,463 | Allocation for commuter rail station parking structure costs |
| Measure A Western County Special Revenue fund | Commercial Paper Capital Projects fund | 10,789,362 | Highway and economic development project costs |

## Note 5. Interfund Transactions, Continued

| | | | |
|---|---|---|---|
| Commercial Paper Capital Projects fund | Measure A Coachella Valley Special Revenue fund | 575,390 | Advance loan payment adjustment |
| Nonmajor Governmental funds | Nonmajor Governmental funds | 100,000 | Short-term interfund loan |
| Total due from/to other funds | | $ 18,183,057 | |

**Interfund transfers:** During 2010, interfund transfers were as follows:

| Transfers Out | Transfers In | Amount | Explanation |
|---|---|---|---|
| Transportation Uniform Mitigation Fee Special Revenue fund | General fund | $ 3,037,404 | Administrative cost allocation |
| Local Transportation Fund | General fund | 15,575,469 | Allocation for commuter rail operating and station maintenance costs |
| Sales Tax Bonds Capital Projects fund | General fund | 46,237 | Funding of debt issuance costs |
| Nonmajor Governmental funds | General fund | 290,652 | Administrative cost allocation |
| Nonmajor Governmental funds | General fund | 3,325,000 | Allocation for Metrolink rail cars |
| Commercial Paper Capital Projects fund | Measure A Western County Special Revenue fund | 16,093,722 | Highway and economic development project costs |
| Nonmajor Governmental funds | Measure A Western County Special Revenue fund | 373,013 | Allocation for commuter rail capital project costs |
| Sales Tax Bonds Capital Projects fund | Commercial Paper Capital Projects fund | 53,716,000 | Transfer of bond proceeds for retirement of commercial paper notes |
| Nonmajor Governmental funds | Debt Service fund | 116,342 | Close-out capital projects fund |
| Measure A Western County Special Revenue fund | Debt Service fund | 9,458,583 | Debt service related to highways for Western County |
| Commercial Paper Capital Projects fund | Debt Service fund | 1,424,731 | Debt service related to loan agreements for Coachella Valley and Palo Verde Valley jurisdictions |
| Nonmajor Governmental funds | Nonmajor Governmental funds | 454,700 | Call box program augmentation of freeway service patrol operations |
| Sales Tax Bonds Capital Projects fund | Debt Service fund | 921,374 | Transfer of bond proceeds for increase in debt service reserve |
| Total transfers | | $104,833,227 | |

## Note 6. Long-term Obligations and Subsequent Events

The following is a summary of the changes in long-term obligations for the year ended June 30, 2010:

| | Balance July 1, 2009 | Additions | Reductions | Balance June 30, 2010 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 126,395,000 | $ 185,000,000 | $ (130,395,000) | $ 181,000,000 | $ 6,300,000 |
| Add: Issuance premiums | 1,143,888 | – | (1,143,888) | – | – |
| Less: Issuance discounts | – | (278,685) | 10,384 | (268,301) | (13,934) |
| Total bonds payable | 127,538,888 | 184,721,315 | (131,528,504) | 180,731,699 | 6,286,066 |
| Commercial paper notes | 110,000,000 | 27,000,000 | (53,716,000) | 83,284,000 | – |
| Capital lease | 100,652 | – | (22,548) | 78,104 | 23,229 |
| Compensated absences | 475,099 | 793,290 | (756,827) | 511,562 | 268,706 |
| Total long-term obligations | $ 238,114,639 | $212,514,605 | $ (186,023,879) | $ 264,605,365 | $ 6,578,001 |

The Commission has pledged a portion of future sales tax revenues to repay $181,000,000 in sales tax revenue bonds payable issued in October 2009 and $83,284,000 in commercial paper notes payable outstanding at June 30, 2010. The bonds and notes are payable solely from the 2009 Measure A sales tax revenues. Annual principal and interest payments on the bonds and notes are expected to require less than 12% of 2009 Measure A revenues. For the current year, interest paid on the bonds and commercial paper notes was $4,918,183 and $319,431, respectively.

**Bonds payable:** Under the provisions of the 2009 Measure A, the Commission has the authority to issue bonds subject to a bond debt limitation of $500,000,000. The following is a summary of bonds issued and secured by 2009 Measure A revenues that are outstanding at June 30, 2010:

**2009 Sales Tax Revenue Bonds (Limited Tax Bonds), Series A, B, and C:** In October 2009, the Commission issued sales tax revenue bonds consisting of the $85,000,000 Series A, $65,000,000 Series B, and $35,000,000 Series C, for a total issuance of $185,000,000 (2009 Bonds). A portion of the 2009 Bonds was used to current refund all, or $126,395,000, of the 2008 Bonds and retire $53,716,000 of the outstanding commercial paper notes with the remaining proceeds used to fund a portion of the debt service reserve and pay costs of issuance for the 2009 Bonds. The 2009 Bonds mature in annual installments ranging from $4,000,000 to $13,700,000 on various dates through June 1, 2029 with variable interest rates set in connection with remarketing efforts on a weekly basis. The 2009 Bonds are integrated with the interest rate swaps that became effective in October 2009, thereby creating synthetic fixed rate debt.

The 2009 Bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Commission's applicable remarketing agent. Barclays Capital Inc., E.J. De La Rosa & Co., Inc., and Backstrom McCarley Berry & Co., LLC are the remarketing agents for the 2009 Bonds Series A, B, and C, respectively. The remarketing agent is required to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. The 2009 Bonds are secured by Standby Bond Purchase Agreements (SBPAs) with JPMorgan Chase Bank (JPMorgan) which expire in September 2011. Under the SBPAs, if the 2009 Bonds are not successfully remarketed or repaid according to their terms or if the existing SBPAs are not renewed and the Commission does not replace the SBPAs or otherwise refinance the 2009 Bonds, JPMorgan is required to purchase the 2009 Bonds. Any of the 2009 Bonds purchased by JPMorgan constitute bank bonds that bear interest at the bank rate, which may not exceed the maximum rate of 18%. If the Commission does not reimburse JPMorgan within 180 days following JPMorgan's purchase of any 2009 Bonds or the expiration of the SBPAs, the Commission would be required to redeem the bank bonds over a period of three years. The Commission is required to pay to JPMorgan an annual commitment fee for the SBPAs of 1.25% of the outstanding principal amount of the 2009 Bonds plus 34 days of interest at an interest rate of 12%. Additionally the Commission is required to pay the remarketing agents an annual fee of .10% of the outstanding principal amount of the bonds. The required reserve amount is $14,213,201. $181,000,000

**Note 6. Long-term Obligations and Subsequent Events, Continued**

In accordance with the bond maturity schedule, annual debt service requirements to maturity for bonds payable, based on the rates of the interest rate swaps and the costs of liquidity and the renewal or replacement of the SBPAs, throughout the term of the bonds are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $ 6,300,000 | $ 8,579,868 | $ 14,879,868 |
| 2012 | 6,500,000 | 7,641,552 | 14,141,552 |
| 2013 | 6,800,000 | 7,125,884 | 13,925,884 |
| 2014 | 7,100,000 | 6,840,008 | 13,940,008 |
| 2015 | 7,400,000 | 6,541,805 | 13,941,805 |
| 2016-2020 | 42,600,000 | 27,759,591 | 70,359,591 |
| 2021-2025 | 52,900,000 | 17,967,973 | 70,867,973 |
| 2026-2029 | 51,400,000 | 5,752,690 | 57,152,690 |
| | $ 181,000,000 | $ 88,209,371 | $ 269,209,371 |

If the SBPAs with JPMorgan are not renewed or replaced upon expiration in September 2011 and the Commission does not otherwise refinance the 2009 Bonds, the annual debt service requirements for the succeeding fiscal years based on an assumed interest of 9.50% are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 29,116,670 | $ 8,275,515 | $ 37,392,185 |
| 2013 | 58,233,340 | 12,458,742 | 70,692,082 |
| 2014 | 58,233,340 | 6,926,575 | 65,159,915 |
| 2015 | 29,116,650 | 1,394,408 | 30,511,058 |
| | $ 174,700,000 | $ 29,055,240 | $ 203,755,240 |

The Commission believes it is highly unlikely that the SBPAs will not be renewed or replaced and that the 2009 Bonds, in that event, would not be refinanced.

**Commercial paper notes payable:** In February 2005, the Commission authorized the issuance of tax-exempt commercial paper notes in an amount not to exceed $200,000,000 for the primary purpose of financing right of way and mitigation land acquisition and project development costs of capital projects under the 2009 Measure A. From inception through 2008, the Commission issued commercial paper notes aggregating $110,005,000, which were refinanced in June 2008 by the 2008 Sales Tax Revenue Bonds. During 2009 the Commission issued $110,000,000 in commercial paper notes, of which $53,716,000 were retired by the 2009 Sales Tax Revenue Bonds. In 2010, the Commission issued commercial paper notes of $27,000,000. At June 30, 2010, the outstanding commercial paper notes were $83,284,000. The source of revenue to repay the commercial paper notes and any subsequent long-term debt refinancing is the 2009 Measure A sales tax. Interest is payable on the respective maturity dates of the commercial paper notes, which is up to 270 days from the date of issuance. The maximum allowable interest rate on the commercial paper notes is 12%. The commercial paper interest rates at June 30, 2010 range from .30% to .38%.

As a requirement for the issuance of the commercial paper notes, the Commission entered into a $190,000,000 irrevocable direct draw letter of credit and reimbursement agreement with Bank of America, N.A. (Bank of America) as credit and liquidity support for the commercial paper notes. In February 2010, the agreement was amended for $121,500,000 and extended through March 2012. Funds are drawn under the letter of credit to pay debt service on the commercial paper notes, and the Commission is required to reimburse Bank of America for such drawings. Amounts drawn on the letter of credit and not reimbursed within 30 days are not due until five years after the date of such draw. Accordingly, the commercial paper notes are classified as long-term liabilities in the Commission's government-wide financial statements. There were no unreimbursed draws by the Commission on this letter of credit

**Note 6. Long-term Obligations and Subsequent Events, Continued**

authorization during the year ended June 30, 2010, nor were there any amounts outstanding under this letter of credit agreement at June 30, 2010.

**Capital lease obligation:** The Commission has entered into a lease agreement for financing the acquisition of office equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments. The office equipment value of $117,127 is recorded as a capital asset in the governmental activities. Total future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 are as follows:

| Year Ending June 30 | Total |
|---|---|
| 2011 | $ 25,241 |
| 2012 | 25,241 |
| 2013 | 25,241 |
| 2014 | 6,310 |
| Total minimum lease payments | 82,033 |
| Less amount representing interest | (3,929) |
| Present value of minimum lease payments | $ 78,104 |

**Interest rate swaps:** As a means to achieve a greater level of interest rate stability, specifically rising interest rates that would negatively impact cash flows, the Commission entered into two forward-starting interest rate swaps in August 2006 for a total notional amount of $185,000,000 whereby it swapped obligations to pay fixed rates for those that pay a floating rate. The counterparty for the first swap ($100,000,000 notional amount) is Bank of America, and the counterparty for the second swap ($85,000,000 notional amount) was Lehman Brothers Derivative Products Inc. (Lehman Brothers DP). In September 2008, Lehman Brothers Holdings filed for bankruptcy, which was a trigger event under the swap agreement with Lehman Brothers DP. As a result of the trigger event, the swap agreement was terminated on September 23, 2008. A termination payment of $3,452,453 was paid to Lehman Brothers DP on October 1, 2008. The Commission entered into a replacement swap with Deutsche Bank AG (Deutsche Bank) for a notional amount of $85,000,000 on September 24, 2008. Under the swap agreements which became effective on October 1, 2009, the Commission will pay Bank of America and Deutsche Bank (Counterparties) a fixed rate of 3.679% and 3.206%, respectively, for twenty years, the term of the 2009 Sales Tax Revenue Bonds; the Counterparties will pay the Commission a floating rate equal to 67% of the one-month London Interbank Offer Rate (LIBOR).

The Commission has implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This standard prescribes the accounting and financial reporting required for derivative instruments that hedge identified financial risks. If the derivative instrument is determined to be effective in reducing the identified exposure, hedge accounting provides that changes in the fair value of the hedging instrument—in this instance, the interest rate swap—be reported as either deferred inflows or deferred outflows in a government's statement of net assets. To evaluate the effectiveness of the swaps, the Synthetic Instrument Method prescribed by the standard was employed. The resulting analysis indicates the swaps are effective as hedging instruments. The fair value or marked-to-market value of the Bank of America and Deutsche Bank swaps as of June 30, 2010 are ($14,907,041) and ($8,580,933), respectively. This is the amount the Commission would owe as of this date should the swap be terminated. The terms and fair values of the outstanding swaps as of June 30, 2010 are as follows:

| Associated Debt Issue | Counterparty | Notional Amount | Effective Date | Fixed Rate to be Paid | Variable Rate to be Received | Fair Value | Swap Termination Date |
|---|---|---|---|---|---|---|---|
| 2009 Bonds | Bank of America | $ 97,800,000 | 10/01/2009 | 3.679% | 67% of LIBOR | $ (14,907,041) | 06/01/2029 |
| 2009 Bonds | Deutsche Bank | 83,200,000 | 10/01/2009 | 3.206% | 67% of LIBOR | (8,580,933) | 06/01/2029 |
| | | $ 181,000,000 | | | | $ (23,487,974) | |

**Note 6. Long-term Obligations and Subsequent Events, Continued**

The interest rate swaps are, among other things, subject to credit, interest rate, basis, and termination risk.

_Credit risk_: The following table compares the counterparty credit ratings at June 30, 2010 against their threshold rating for termination:

| Bank of America | Moody's | S&P |
|---|---|---|
| Senior Debt | Aa3 | A+ |
| Threshold Amount | $20,000,000 | $20,000,000 |

| Deutsche Bank | Moody's | S&P |
|---|---|---|
| Senior Debt | Aa3 | A+ |
| Threshold Amount | $20,000,000 | $20,000,000 |

Under the agreements, a swap termination event may occur if the Counterparties' credit ratings fall to the threshold level and, after 30 days' notice, collateral in the form of U.S. treasury and certain federal agency securities as required by the agreements is not delivered in favor of the Commission.

_Interest rate risk:_ The Commission is exposed to interest rate risk on its pay fixed, receive variable interest rate swaps. As LIBOR decreases, the District's net payments on the swaps increase.

_Basis risk:_ The Commission is exposed to basis risk on the swaps because the variable rate payments received by the Commission are based on an index other than interest rates the Commission pays on hedged variable rate debt. For the year ended June 30, 2010, the Commission's 2009 Sales Tax Revenue Bonds, Series A, which are hedged by the Deutsche Bank swap, and 2009 Sales Tax Revenue Bonds, Series B and C, which are hedged by the Bank of America swap, had weighted average variable rates of 0.230% and 0.235%, respectively. Over the same period, the weighted average of 67% of one-month LIBOR was 0.177%, an approximate 5.3 and 5.9 basis point loss for the Commission related to the Deutsche Bank and Bank of America swaps, respectively.

_Termination risk:_ The swaps may be terminated by the Commission or its Counterparties if the other party fails to perform under the terms of the contract or at the Commission's option to terminate the transaction. If, at the time of termination, the swap is in a liability position, the Commission would be obligated to pay the counterparty the liability position.

**Arbitrage rebate:** The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds and commercial paper notes after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond and commercial paper note proceeds at an interest yield greater than the interest yield paid to bondholders or noteholders. Failure to follow the arbitrage regulations could result in all interest paid to bondholders or noteholders retroactively rendered taxable. In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service at the end of each five-year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, the Commission performed calculations of excess investment earnings on all bond and commercial paper financings. There was no arbitrage liability at June 30, 2010.

**Subsequent events:** In July 2010, the Commission authorized the issuance and sale of not to exceed $900 million of toll revenue bonds related to the SR-91 Corridor Improvement Project. In September 2010, the Commission issued $20,000,000 in additional commercial paper notes. In October 2010, the Commission authorized the issuance and sale of not to exceed $150 million of sales tax revenue bonds and the reduction of the commercial paper program to $120,000,000.

## Note 7. Net Assets and Fund Balances

**Net assets:** Invested in capital assets, net of related debt, as reported on the government-wide statement of net assets represents capital assets of $324,624,439, net of related debt of $30,406,176. The related debt includes the portion of the 2009 sales tax revenues bonds that were used for the development of the toll lane capital assets. Additionally, the government-wide statement of net assets reports $549,781,414 of restricted assets, of which $549,484,341 is restricted by third parties or enabling legislation.

### Fund balances

**Measure A:** Measure A sales tax revenues are allocated to the three defined geographic areas of Riverside County, consisting of Western County, Coachella Valley, and Palo Verde Valley in proportion to the funds generated within those areas. Revenues must then be allocated to the programs of the geographic areas according to percentages as defined by Measure A and are legally restricted for applicable program expenditures. Bond and commercial paper note proceeds are allocated to the geographic areas based on the estimated uses. Accordingly, the related fund balances are classified as follows:

**Loans and advances receivable:** Amounts advanced to certain cities and CVAG under 2009 Measure A funding agreements are reflected as restricted as use of the proceeds from the collection of these receivables is restricted.

**Highways:** Funds are to be used for project costs including engineering, right of way acquisitions, and construction of the Western County highways and Coachella Valley highways and regional arterials. Funds for new corridors are to be used for environmental clearance, right of way acquisition, and construction of four new Western County transportation corridors identified through CETAP. In order to attract commercial and industrial development and jobs in the Western County, funds are expended to create an infrastructure improvement bank to improve and construct interchanges, provide public transit linkages or stations, and make other improvements to the transportation system. Funds are also provided to support bond financing costs. These program funds are intended to supplement existing federal, state, and local resources. Coachella Valley highway and regional arterial funds are matched by TUMF revenues generated in the Coachella Valley. Accordingly, funds for highways, Coachella Valley regional arterials, new corridors, economic development, and bond financing are reflected as restricted for these specific purposes as stipulated by the 1989 Measure A and 2009 Measure A.

**Commuter rail:** Commuter rail projects anticipate the use of existing rail lines, and 1989 Measure A funds are restricted for costs related to planning, capital improvements, right of way purchase, and/or use rights agreements. Funds for rail operations and to match federal funds for capital are restricted as stipulated by the 2009 Measure A Western County public transit program.

**Regional arterials:** Funds for regional arterials are used to implement the planned Western County regional arterial system, as defined by WRCOG.

**Local streets and roads:** Funds to be expended by local jurisdictions for the construction, repair, and maintenance of local streets and roads are reflected as restricted as stipulated by Measure A. The County and local cities are required to supplement those expenditures with other previously dedicated revenue sources to maintain road improvements. Monies are disbursed to the jurisdictions which comply with the requirements to maintain the same level of funding for streets and roads as existed prior to the passage of Measure A and participate in TUMF(as applicable in the Western County and Coachella Valley areas) and the MSHCP in Western County and which annually submit a five-year capital improvement plan.

**Note 7. Net Assets and Fund Balances, Continued**

**Commuter assistance and transit:** Funds for public transit are used to promote and subsidize commuter assistance programs such as ridesharing and telecommuting and specialized transportation to guarantee reduced transit fares, expand existing transit services, and implement new transit services for seniors and persons with disabilities. These funds are restricted as stipulated by the 1989 Measure A and 2009 Measure A. Funds for intercity bus services in Western County and bus replacement and more frequent service in the Coachella Valley are restricted as stipulated by the 2009 Measure A.

**Debt service:** Certain bond proceeds that have been used to make required sinking fund payments in the Debt Service fund as required by the bond agreements are classified as restricted. Amounts held by the trustee equal to the maximum annual debt service are recorded in the Debt Service fund as restricted.

**Transportation Development Act:** Restricted fund balance for the Local Transportation Fund represent the unclaimed apportionments related to claims for transit programs, allocations available for bicycle and pedestrian facilities, prepaid transit allocations, and earned but not received revenues. Restricted fund balance for the State Transit Assistance represents the unclaimed apportionments related to claims for transit. The TDA restrictions at June 30, 2010 are as follows:

| | Local Transportation Fund | State Transit Assistance | Total |
|---|---|---|---|
| Bicycle and pedestrian facilities | $ 3,931,233 | $ – | $ 3,931,233 |
| Planning and programming, allocated and unclaimed | $ 49,081 | $ – | $ 49,081 |
| Transit and specialized transportation | | | |
| Western County: | | | |
| Bus transit: | | | |
| City of Banning | $ – | $ 792,909 | $ 792,909 |
| City of Beaumont | – | 1,200,290 | 1,200,290 |
| City of Corona | – | 315,668 | 315,668 |
| City of Riverside | – | 405,000 | 405,000 |
| Riverside Transit Agency | – | 9,512,886 | 9,512,886 |
| Apportioned and unallocated | 34,153,090 | 12,678,961 | 46,832,051 |
| Commuter rail: | | | |
| Commission | 6,629,837 | 1,677,491 | 8,307,328 |
| Apportioned and unallocated | 17,719,143 | 2,629,545 | 20,348,688 |
| Total Western County | 58,502,070 | 29,212,750 | 87,714,820 |
| Coachella Valley: | | | |
| SunLine Transit Agency | 1,113,905 | 1,095,606 | 2,209,511 |
| Apportioned and unallocated | 1,037,413 | 2,930,752 | 3,968,165 |
| Total Coachella Valley | 2,151,318 | 4,026,358 | 6,177,676 |
| Palo Verde Valley: | | | |
| Palo Verde Valley Transit Agency | 369,061 | 197,555 | 566,616 |
| Apportioned and unallocated for transit and local streets and roads | 263,709 | 175,228 | 438,937 |
| Total Palo Verde Valley | 632,770 | 372,783 | 1,005,553 |
| Unapportioned carryover, net | 9,609,497 | – | 9,609,497 |
| Total transit and specialized transportation | $ 70,895,655 | $ 33,611,891 | $ 104,507,546 |

**Note 7. Net Assets and Fund Balances, Continued**

**Commuter rail:** Restricted fund balance represents TDA monies in the General fund to be used for commuter rail operations.

**Planning and programming:** Restricted fund balance represents TDA monies in the General fund to be used for planning and programming services.

**Transportation Uniform Mitigation Fee:** TUMF revenues to be received by the Commission are to be used for new CETAP corridors and the regional arterial system in Western County and are restricted as follows:

**CETAP:** Funds for the development of new transportation corridors are used to provide congestion relief and mobility within the County and between the County and its neighboring Orange and San Bernardino counties. Funds will be matched by revenues of $370 million generated from the 2009 Measure A.

**Regional arterials:** Funds for regional arterials are used to implement the planned Western County regional arterial system. Funds will be matched by revenues of $300 million generated from the 2009 Measure A.

**Right of way management:** Highway and rail lease monies to be used for the management of Commission properties have been committed by the Commission.

**Motorist assistance:** Funds in the Service Authority for Freeway Emergencies and Freeway Service Patrol Special Revenue funds of $6,382,498 and $297,073, respectively, to assist motorists on County roads are restricted as stipulated by the State.

**Note 8. Commitments and Contingencies**

**Operating lease:** The Commission has entered into an operating lease agreement for office facilities. The term of the lease is for a period of ten years expiring on October 30, 2012 and may be extended for two additional five-year terms. Rental expenditures for the fiscal year ended June 30, 2010 were $360,692.

The total minimum rental commitment at June 30, 2010 is due as follows:

| Year Ending June 30 | Amount |
|---|---|
| 2011 | $ 395,373 |
| 2012 | 411,682 |
| 2013 | 161,906 |
| Total minimum rental commitment | $ 968,961 |

**Real property and project agreements:** The Commission has entered into other agreements in the ordinary course of business with companies and other governmental agencies for the acquisition of real property as well as the engineering and construction of certain highway and commuter rail projects.

**Litigation:** Certain claims involving disputed construction costs have arisen in the ordinary course of business. Additionally, the Commission is a defendant in lawsuits. Although the outcome of these matters is not presently determinable, management does not expect that the resolution of these matters will have a material adverse impact on the financial condition of the Commission.

**Note 8. Commitments and Contingencies, Continued**

**Project funding advances:** In January 2006, the Commission authorized the TUMF Special Revenue fund to advance $3,114,600 to the State to replace state and federal funding for the State Route (SR) 91/Green River interchange project. During the year ended June 30, 2010, there were no additional advances to the State from the TUMF Special Revenue fund for the SR-91/Green River interchange project.

In December 2004, the Commission authorized the TUMF Special Revenue fund to advance $13,046,000 to the State to replace state and federal funding for the SR-60 widening project from Interstate (I) 15 to Valley Way. The final agreement with the State resulted in a reduction of the Commission's commitment to $8,881,000. During the year ended June 30, 2010, there were no additional advances to the State from the TUMF Special Revenue fund for the SR-60 widening project.

Cumulative advances as of June 30, 2010 for the SR-91/Green River interchange and SR-60 widening projects were $3,114,600 and $8,636,096, respectively. The advances are to be repaid in the form of a commitment of future State funding on TUMF projects; in various actions since 2006, the Commission approved programming the County's share of State funding to the SR-91/Van Buren interchange, a TUMF project, and the future State funding commitment to the 60/215 East Junction high occupancy vehicle lane connectors project. The California Transportation Commission (CTC) allocated the funds for the SR-91/Van Buren interchange and the 60/215 East Junction projects in October 2009 and May 2010, respectively.

**Note 9. Joint Agreements**

**Joint venture:** The Commission is one of five members of the SCRRA, an independent joint powers authority created in June 1992. The SCRRA's board consists of one member from the Ventura County Transportation Commission; two each from the Orange County Transportation Authority (OCTA), the San Bernardino Associated Governments, and the Commission; and four members from the Los Angeles County Metropolitan Transportation Authority. The SCRRA is responsible for implementing and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of SCRRA, the Commission makes capital and operating contributions for its pro rata share of rail lines servicing the County. The Commission expended $9,952,939 during 2010 for its share of Metrolink capital and operating costs. As of June 30, 2010, cumulative capital contributions were $29,924,997. Other funds for rail service are contributed to the SCRRA by the State from state rail bonds on behalf of the Commission. Separate financial statements are prepared by and available from the SCRRA, which is located at 700 N. Flower Street, 26th Floor, Los Angeles, California 90017.

On September 12, 2008, one of the Metrolink trains was involved in a collision with a freight train. Management has not determined the impact, if any, of this incident on the financial condition of the Commission.

**Cooperative agreement:** In May 2006 the Commission entered into a cooperative agreement, Riverside Orange Corridor Authority, with OCTA and the Transportation Corridor Agencies to jointly exercise the common powers of the parties to manage geotechnical studies regarding the Riverside Orange Corridor. The Commission is the recipient and administering entity of federal and state funds as may be necessary to accomplish this work, and the three agencies will share in meeting the local agency matching requirements. As of June 30, 2010, the Commission was not required to make any contributions.

## Note 10. Employees' Pension Plans

**Public Employees' Retirement System:** The Commission contracts with the State of California Public Employees' Retirement System (PERS) to provide its employees retirement as well as death and retirement disability benefits, which are paid by the PERS under a cost sharing multiple-employer plan. Copies of the PERS' annual financial report may be obtained from its executive office located at 400 P Street, Sacramento, California 95814, or by visiting the PERS website at www.calpers.ca.gov.

Through the June 30, 2003 valuation, the PERS plan was an agent multiple-employer retirement plan. Effective July 1, 2003, due to the Commission having less than 100 active members, the Commission's PERS plan was converted from an agent multiple-employer plan (former plan) to a cost sharing multiple-employer plan. The former plan is an aggregation of single employer plans, where separate accounts are maintained for each employer and contributions by the employer benefit only the employees of the employer. Under this plan, separate actuarial valuations are performed for each employer, and the results are attributed to and accounted for by the employer. The cost sharing multiple-employer plan is a pooling arrangement whereby risks, rewards, and benefit costs are shared and not attributed individually to any single employer. Periodic employer pension expense can be significantly different between the plan types. The change to the pooling arrangement was initially effective for the Commission's required contribution rate during the fiscal year ended June 30, 2006.

At the time of joining the risk pool under the cost-sharing multiple-employer plan, a side fund (the amount that the Commission would owe PERS if it exited the plan) was created to account for the difference between the funded status of the pool and the funded status of the Commission's plan. As of the June 30, 2008 valuation (most current valuation available), the estimated amount of the side fund liability was $1,573,255.

All permanent Commission employees are eligible to participate in PERS. Employees attaining the age of 55 with five years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2.7% of their final compensation for each year of service. Final compensation is defined as the highest annual salary earned. Retirement may begin at age 50 with a reduced benefit rate. The plan also credits employees for unused sick leave. Upon separation from the plan prior to retirement, members' accumulated contributions are refundable with interest credited through the date of separation.

The Commission pays the employees' required contribution of 8% of regular earnings. New employees hired after November 28, 2002 are responsible for 1% of the 8% required contribution. The Commission is required to contribute the remaining amounts necessary to fund the benefits of its members, using the actuarially determined rate, which was 20.470% for the fiscal year ended June 30, 2010.

**Three-year trend information for PERS:**

| Fiscal Year Ended June 30 | Annual Required Contribution (ARC) | Percentage of ARC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2010 | $ 807,367 | 100% | $ - |
| 2009 | 893,063 | 100% | - |
| 2008 | 767,046 | 100% | - |

**Note 10. Employees' Pension Plans, Continued**

**401(a) plan:** The Commission offers its employees a 401(a) defined contribution plan referred to as the Money Purchase Plan & Trust (Plan), which covers all permanent full-time employees. Employees are fully vested in the Plan after five years. The Plan, which is administered by the International City/County Management Association (ICMA), requires the Commission to make a contribution of 7.5% of the employees' earnings for the Plan year. Fiduciary responsibility and reporting of the Plan assets rests with ICMA. The Commission has the authority to amend the contribution requirements. Total payroll for covered employees for the current year was $3,761,663. The Commission's contributions to the Plan were $279,141 for the year ended June 30, 2010.

**Note 11. Other Postemployment Benefits (OPEB)**

**Plan information:** Per Resolution of the Board, the Commission provides postretirement health benefits for eligible retirees and their dependents at retirement. For employees hired on or after January 1, 2007, retirees must have a minimum of 10 years of PERS service and no less than five years of Commission service in order to receive postretirement health benefits in accordance with PERS as per Government Code Section 22893. For employees hired prior to January 1, 2007, retirees are not required to meet the eligibility criteria and may receive postretirement health benefits at the monthly health benefit rate paid for active employees, which is currently at $600. The Commission's contributions toward premiums for retiree health insurance are coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums.

In June 2007, the Commission adopted a resolution for an election of the Commission to prefund postretirement health benefits through the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit health care plan administered by PERS. The System accepted the Commission's application to participate in the CERBT in September 2007. Copies of the CERBT Prefunding Plan annual financial report may be obtained from its executive office or its website.

**Plan funding policy:** The contribution requirements of plan members are established and may be amended by the Commission. Currently, OPEB contributions are not required from plan members.

The Commission has adopted a policy to fund 100% of the future ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the annual normal cost and the amortization of unfunded actuarial accrued liabilities (or funding excess) over a 20-year period. The Commission is required to contribute the amounts necessary to fund the benefits of its members, using the actuarially determined rate, which was 6.2% for the fiscal year ended June 30, 2010.

**Annual OPEB cost:** For 2010, the Commission's OPEB cost of $241,000 was equal to the ARC. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding two years were as follows:

| Fiscal Year Ended June 30 | OPEB Annual Required Contribution (ARC) | Percentage of OPEB ARC Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2010 | $ 241,000 | 100% | $ - |
| 2009 | 172,000 | 100% | - |
| 2008 | 289,000 | 100% | - |

## Note 11. Other Postemployment Benefits (OPEB), Continued

**Funded status and funding progress:** The funded status of the plan as of January 1, 2009, was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 2,145,000 |
| Actuarial value of plan assets | 1,583,000 |
| Unfunded actuarial accrued liability (UAAL) | $ 562,000 |
| Funded ratio (actuarial value of plan assets/AAL) | 73.8% |
| Covered payroll (active plan members) | $ 3,761,663 |
| UAAL as a percentage of covered payroll | 14.9% |

**Actuarial valuations:** Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the Commission are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Commission and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Commission and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the AAL and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return. The annual healthcare cost trend rate for non-Medicare eligible health maintenance organization (HMO) and preferred provider organization (PPO) premiums were 9.7% and 10.5%, respectively; Medicare eligible HMO and PPO premiums were 10.1% and 10.9%, respectively. The trend rate was reduced by decrements to an ultimate rate of 4.5% after ten years. A 3.25% annual rate of increase in future salaries is also assumed in the valuation. The Commission's UAAL will be amortized as a level percentage of projected covered payroll on a closed basis over a 20-year period.

## Note 12. Measure A Conformance Requirements

Measure A requires that the sales taxes collected may only be used for transportation purposes including administration and the construction, capital acquisition, maintenance, and operation of streets, roads, highways including state highways, and public transit systems and for related purposes. These purposes include expenditures for planning, environmental reviews, engineering and design costs, and related right of way acquisition.

## Note 13. Pronouncements Issued, Not Yet Effective

The GASB issued pronouncements prior to June 30, 2010 that have an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Commission.

- GASB Statement No. 57, *Accounting and Financial Reporting for OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* and
- GASB Statement No. 59, *Financial Instruments Omnibus.*

# Required Supplementary Information

**Riverside County Transportation Commission**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual - General Fund**

**Year Ended June 30, 2010**

| | General | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| Revenues | | | | |
| Sales taxes | $ 31,425,300 | $ 22,238,700 | $ 2,700,000 | $ (19,538,700) |
| Intergovernmental | 6,826,100 | 5,751,100 | 1,571,702 | (4,179,398) |
| Interest | 83,600 | 83,600 | 49,065 | (34,535) |
| Other | 686,100 | 686,100 | 1,373,958 | 687,858 |
| Total revenues | 39,021,100 | 28,759,500 | 5,694,725 | (23,064,775) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,625,200 | 4,797,400 | 4,188,440 | 608,960 |
| Commuter rail | 24,279,100 | 14,355,100 | 13,421,832 | 933,268 |
| Planning and programming | 11,158,900 | 11,264,600 | 5,196,946 | 6,067,654 |
| Right of way management | 1,364,600 | 1,486,300 | 1,428,066 | 58,234 |
| Transit and specialized transportation | 484,200 | 484,200 | 382,764 | 101,436 |
| Total programs | 41,912,000 | 32,387,600 | 24,618,048 | 7,769,552 |
| Debt service: | | | | |
| Principal | - | 22,550 | 22,548 | 2 |
| Interest | - | 2,700 | 2,693 | 7 |
| Total debt service | - | 25,250 | 25,241 | 9 |
| Capital outlay | 375,500 | 405,500 | 170,179 | 235,321 |
| Total expenditures | 42,287,500 | 32,818,350 | 24,813,468 | 8,004,882 |
| Excess (deficiency) of revenues over (under) expenditures | (3,266,400) | (4,058,850) | (19,118,743) | (15,059,893) |
| Other financing sources (uses) | | | | |
| Transfers in | 591,100 | 591,100 | 22,274,762 | 21,683,662 |
| Transfers out | (14,300) | (14,300) | - | 14,300 |
| Total other financing sources (uses) | 576,800 | 576,800 | 22,274,762 | 21,697,962 |
| Net change in fund balances | $ (2,689,600) | $ (3,482,050) | 3,156,019 | $ 6,638,069 |
| Fund balances at beginning of year | | | 10,105,419 | |
| Fund balances at end of year | | | $ 13,261,438 | |

*See notes to required supplementary information*

Riverside County Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Major Special Revenue Funds

Year Ended June 30, 2010

| | Measure A Western County | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **Revenues** | | | | |
| Sales taxes | $ 89,414,600 | $ 79,713,600 | $ 83,785,433 | $ 4,071,833 |
| Transportation Uniform Mitigation Fee | - | - | - | - |
| Intergovernmental | 54,395,200 | 74,292,200 | 21,654,820 | (52,637,380) |
| Interest | 1,530,900 | 1,530,900 | 2,229,131 | 698,231 |
| Other | - | - | 461,007 | 461,007 |
| Total revenues | 145,340,700 | 155,536,700 | 108,130,391 | (47,406,309) |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | - | 2,122,000 | 2,310,027 | (188,027) |
| Bicycle and pedestrian facilities | - | - | - | - |
| CETAP | - | - | - | - |
| Commuter assistance | 6,220,300 | 6,202,300 | 3,228,709 | 2,973,591 |
| Commuter rail | 71,358,800 | 71,173,800 | 20,312,056 | 50,861,744 |
| Highways | 143,032,100 | 134,786,000 | 35,801,360 | 98,984,640 |
| Local streets and roads | 25,751,000 | 24,365,700 | 23,915,511 | 450,189 |
| Planning and programming | - | - | - | - |
| Regional arterials | 27,900 | 28,400 | 537 | 27,863 |
| Transit and specialized transportation | 6,320,200 | 6,069,100 | 3,219,083 | 2,850,017 |
| Total programs | 252,710,300 | 244,747,300 | 88,787,283 | 155,960,017 |
| Debt service: | | | | |
| Interest | 6,500,000 | 1,747,300 | - | 1,747,300 |
| Total debt service | 6,500,000 | 1,747,300 | - | 1,747,300 |
| Capital outlay | 735,000 | 273,000 | (46,099) | 319,099 |
| Total expenditures | 259,945,300 | 246,767,600 | 88,741,184 | 158,026,416 |
| Excess (deficiency) of revenues over (under) expenditures | (114,604,600) | (91,230,900) | 19,389,207 | 110,620,107 |
| Other financing sources (uses) | | | | |
| Transfers in | 52,846,200 | 53,575,200 | 16,466,735 | (37,108,465) |
| Transfers out | (1,153,900) | (1,882,900) | (9,458,583) | (7,575,683) |
| Total other financing sources (uses) | 51,692,300 | 51,692,300 | 7,008,152 | (44,684,148) |
| Net change in fund balances | $ (62,912,300) | $ (39,538,600) | 26,397,359 | $ 65,935,959 |
| Fund balances at beginning of year | | | 233,744,173 | |
| Fund balances (deficit) at end of year | | | $ 260,141,532 | |

| | Measure A Coachella Valley | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **Revenues** | | | | |
| Sales taxes | $ 28,403,000 | $ 25,619,000 | $ 27,229,393 | $ 1,610,393 |
| Transportation Uniform Mitigation Fee | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Interest | 46,300 | 46,300 | 46,001 | (299) |
| Other | - | - | - | - |
| Total revenues | 28,449,300 | 25,665,300 | 27,275,394 | 1,610,094 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Bicycle and pedestrian facilities | - | - | - | - |
| CETAP | - | - | - | - |
| Commuter assistance | - | - | - | - |
| Commuter rail | - | - | - | - |
| Highways | 19,872,100 | 6,747,400 | 3,269,874 | 3,477,526 |
| Local streets and roads | 9,436,000 | 9,615,100 | 9,502,752 | 112,348 |
| Planning and programming | - | - | - | - |
| Regional arterials | 2,458,900 | 13,761,600 | 11,920,309 | 1,841,291 |
| Transit and specialized transportation | 4,260,000 | 3,719,000 | 3,713,988 | 5,012 |
| Total programs | 36,027,000 | 33,843,100 | 28,406,923 | 5,436,177 |
| Debt service: | | | | |
| Interest | - | - | - | - |
| Total debt service | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 36,027,000 | 33,843,100 | 28,406,923 | 5,436,177 |
| Excess (deficiency) of revenues over (under) expenditures | (7,577,700) | (8,177,800) | (1,131,529) | 7,046,271 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (1,556,500) | (1,051,500) | - | 1,051,500 |
| Total other financing sources (uses) | (1,556,500) | (1,051,500) | - | 1,051,500 |
| Net change in fund balances | $ (9,134,200) | $ (9,229,300) | (1,131,529) | $ 8,097,771 |
| Fund balances at beginning of year | | | 5,161,226 | |
| Fund balances (deficit) at end of year | | | $ 4,029,697 | |

| | Transportation Uniform Mitigation Fee | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **Revenues** | | | | |
| Sales taxes | $ - | $ - | $ - | $ - |
| Transportation Uniform Mitigation Fee | 6,173,000 | 6,298,000 | 8,618,231 | 2,320,231 |
| Intergovernmental | - | - | - | - |
| Interest | 606,900 | 606,900 | 885,393 | 278,493 |
| Other | - | - | - | - |
| Total revenues | 6,779,900 | 6,904,900 | 9,503,624 | 2,598,724 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Bicycle and pedestrian facilities | - | - | - | - |
| CETAP | 7,394,200 | 7,404,300 | 2,362,393 | 5,041,907 |
| Commuter assistance | - | - | - | - |
| Commuter rail | - | - | - | - |
| Highways | - | - | - | - |
| Local streets and roads | - | - | - | - |
| Planning and programming | - | - | - | - |
| Regional arterials | 30,307,400 | 42,145,700 | 14,450,493 | 27,695,207 |
| Transit and specialized transportation | - | - | - | - |
| Total programs | 37,701,600 | 49,550,000 | 16,812,886 | 32,737,114 |
| Debt service: | | | | |
| Interest | - | - | - | - |
| Total debt service | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 37,701,600 | 49,550,000 | 16,812,886 | 32,737,114 |
| Excess (deficiency) of revenues over (under) expenditures | (30,921,700) | (42,645,100) | (7,309,262) | 35,335,838 |
| Other financing sources (uses) | | | | |
| Transfers in | 6,790,000 | 6,790,000 | - | (6,790,000) |
| Transfers out | (7,035,100) | (7,035,100) | (3,037,404) | 3,997,696 |
| Total other financing sources (uses) | (245,100) | (245,100) | (3,037,404) | (2,792,304) |
| Net change in fund balances | $ (31,166,800) | $ (42,890,200) | (10,346,666) | $ 32,543,534 |
| Fund balances at beginning of year | | | 93,964,947 | |
| Fund balances (deficit) at end of year | | | $ 83,618,281 | |

| | Local Transportation Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **Revenues** | | | | |
| Sales taxes | $ 59,000,000 | $ 52,500,000 | $ 56,697,890 | $ 4,197,890 |
| Transportation Uniform Mitigation Fee | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Interest | 627,900 | 627,900 | 540,043 | (87,857) |
| Other | - | - | - | - |
| Total revenues | 59,627,900 | 53,127,900 | 57,237,933 | 4,110,033 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 762,000 | 712,000 | 12,000 | 700,000 |
| Bicycle and pedestrian facilities | 1,200,000 | 1,200,000 | 317,048 | 882,952 |
| CETAP | - | - | - | - |
| Commuter assistance | - | - | - | - |
| Commuter rail | - | - | - | - |
| Highways | - | - | - | - |
| Local streets and roads | - | - | - | - |
| Planning and programming | 1,908,500 | 1,871,900 | 115,300 | 1,756,600 |
| Regional arterials | - | - | - | - |
| Transit and specialized transportation | 69,030,000 | 58,988,500 | 34,649,154 | 24,339,346 |
| Total programs | 72,900,500 | 62,772,400 | 35,093,502 | 27,678,898 |
| Debt service: | | | | |
| Interest | - | - | - | - |
| Total debt service | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 72,900,500 | 62,772,400 | 35,093,502 | 27,678,898 |
| Excess (deficiency) of revenues over (under) expenditures | (13,272,600) | (9,644,500) | 22,144,431 | 31,788,931 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (15,575,469) | (15,575,469) |
| Total other financing sources (uses) | - | - | (15,575,469) | (15,575,469) |
| Net change in fund balances | $ (13,272,600) | $ (9,644,500) | 6,568,962 | $ 16,213,462 |
| Fund balances at beginning of year | | | 68,307,007 | |
| Fund balances (deficit) at end of year | | | $ 74,875,969 | |

See notes to required supplementary information

## Riverside County Transportation Commission

## Schedule of Funding Progress for Postretirement Health Care

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL)-- Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| January 1, 2009 | $ 1,583,000 | $ 2,145,000 | $ 562,000 | 73.8% | $ 3,805,596 | 14.8% |
| June 30, 2007 | - | 1,794,000 | 1,794,000 | 0.0% | 2,396,757 | 74.9% |

*See notes to required supplementary information*

## Budgetary Data

In February of each year, department heads begin the process of compiling budget data for the upcoming fiscal year. Budget numbers along with supporting documentation are provided to the Chief Financial Officer by March 15. That budget data is compiled and presented to the Executive Director for review and approval and is submitted to the Budget and Implementation Committee at its April meeting. After review by the Budget and Implementation Committee, the proposed budget is scheduled for preliminary review and comment as well as public hearing at the Commission's May meeting. The final budget for the new fiscal year is then adopted by motion of the Board of Commissioners (Board) no later than June 15 of the current year. This appropriated budget covers substantially all Commission expenditures by financial responsibility unit [e.g., General fund and Measure A (for each of the three county areas), Local Transportation Fund, and Transportation Uniform Mitigation Fee special revenue funds] by fund. All appropriated amounts are as originally adopted or as amended by the Commission. Unexpended appropriations lapse at year-end. All budgets are adopted on a basis consistent with generally accepted accounting principles.

As adopted by the Board, expenditure activities of the funds with adopted budgets are controlled at the budgetary unit, which is the financial responsibility level, for each function (i.e., administration, programs, intergovernmental distributions, and capital outlay). These functions provide the legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount). Management has the discretion to transfer the budgeted amounts within the financial responsibility unit according to function. Supplemental budget appropriations were necessary during the year.

## Funding Progress for Postretirement Health Benefits

The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# Other Supplementary Information

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## Special Revenue Funds

**Measure A Palo Verde Valley:** This fund is used to account for the revenues from sales taxes which are restricted to expenditures for Palo Verde Valley programs and activities.

**Freeway Service Patrol:** This fund is used to record the revenues received for the purpose of implementing a freeway service patrol for motorists.

**Service Authority for Freeway Emergencies:** This fund is used to record the revenues received from Department of Motor Vehicle user registration fees for the purpose of implementing an emergency call box system for motorists.

**State Transit Assistance:** This fund is used to account for revenues from sales taxes on gasoline restricted for transit projects.

## Capital Projects Fund

**Measure A Western County:** This fund is used to account for sales tax revenue bond proceeds used for Western County highway projects.

Riverside County Transportation Commission

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2010

| | Special Revenue | | | | | Capital Projects | |
|---|---|---|---|---|---|---|---|
| | Measure A Palo Verde Valley | Freeway Service Patrol | Service Authority for Freeway Emergencies | State Transit Assistance | Total | Measure A Western County | Total Nonmajor Governmental Funds |
| **Assets** | | | | | | | |
| Cash and investments | $ 556 | $ 12,826 | $ 6,199,264 | $ 38,517,871 | $ 44,730,517 | $ - | $ 44,730,517 |
| Receivables: | | | | | | | |
| Accounts | 312,317 | 767,676 | 292,218 | - | 1,372,211 | - | 1,372,211 |
| Interest | 1 | 151 | 14,218 | 75,197 | 89,567 | - | 89,567 |
| Due from other funds | - | - | 100,000 | - | 100,000 | - | 100,000 |
| Total assets | $ 312,874 | $ 780,653 | $ 6,605,700 | $ 38,593,068 | $ 46,292,295 | $ - | $ 46,292,295 |
| **Liabilities and fund balances** | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | $ - | $ 222,862 | $ 83,319 | $ 152,714 | 458,895 | $ - | $ 458,895 |
| Due to other funds | - | 260,718 | 139,883 | 4,828,463 | 5,229,064 | - | 5,229,064 |
| Other liabilities | 272,948 | - | - | - | 272,948 | - | 272,948 |
| Total liabilities | 272,948 | 483,580 | 223,202 | 4,981,177 | 5,960,907 | - | 5,960,907 |
| Fund balances: | | | | | | | |
| Restricted for: | | | | | | | |
| Local streets and roads | 39,926 | - | - | - | 39,926 | - | 39,926 |
| Motorist assistance | - | 297,073 | 6,382,498 | - | 6,679,571 | - | 6,679,571 |
| Transit and specialized transportation | - | - | - | 33,611,891 | 33,611,891 | - | 33,611,891 |
| Total fund balances | 39,926 | 297,073 | 6,382,498 | 33,611,891 | 40,331,388 | - | 40,331,388 |
| Total liabilities and fund balances | $ 312,874 | $ 780,653 | $ 6,605,700 | $ 38,593,068 | $ 46,292,295 | $ - | $ 46,292,295 |

Riverside County Transportation Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2010

| | Special Revenue | | | | | Capital Projects | |
|---|---|---|---|---|---|---|---|
| | Measure A Palo Verde Valley | Freeway Service Patrol | Service Authority for Freeway Emergencies | State Transit Assistance | Total | Measure A Western County | Total Nonmajor Governmental Funds |
| Revenues | | | | | | | |
| Sales taxes | $ 811,428 | $ - | $ - | $ 12,801,951 | $ 13,613,379 | $ - | $ 13,613,379 |
| Intergovernmental | - | 1,893,839 | 1,648,963 | - | 3,542,802 | - | 3,542,802 |
| Interest | 301 | 46 | 57,331 | 277,337 | 335,015 | (366) | 334,649 |
| Other | - | - | 18,676 | - | 18,676 | - | 18,676 |
| Total revenues | 811,729 | 1,893,885 | 1,724,970 | 13,079,288 | 17,509,872 | (366) | 17,509,506 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Local streets and roads | 840,050 | - | - | - | 840,050 | - | 840,050 |
| Motorist assistance | - | 2,227,740 | 759,396 | - | 2,987,136 | - | 2,987,136 |
| Transit and specialized transportation | - | - | - | 1,855,236 | 1,855,236 | - | 1,855,236 |
| Total expenditures | 840,050 | 2,227,740 | 759,396 | 1,855,236 | 5,682,422 | - | 5,682,422 |
| Excess (deficiency) of revenues over (under) expenditures | (28,321) | (333,855) | 965,574 | 11,224,052 | 11,827,450 | (366) | 11,827,084 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | 454,700 | - | - | 454,700 | - | 454,700 |
| Transfers out | - | (151,686) | (593,666) | (3,698,013) | (4,443,365) | (116,342) | (4,559,707) |
| Total other financing sources (uses) | - | 303,014 | (593,666) | (3,698,013) | (3,988,665) | (116,342) | (4,105,007) |
| Net change in fund balances | (28,321) | (30,841) | 371,908 | 7,526,039 | 7,838,785 | (116,708) | 7,722,077 |
| Fund balances at beginning of year | 68,247 | 327,914 | 6,010,590 | 26,085,852 | 32,492,603 | 116,708 | 32,609,311 |
| Fund balances at end of year | $ 39,926 | $ 297,073 | $ 6,382,498 | $ 33,611,891 | $ 40,331,388 | $ - | $ 40,331,388 |

## Riverside County Transportation Commission

### Schedule of Revenues, Expenditures and Changes in Fund Balances
### Budget and Actual—Nonmajor Special Revenue Funds
### Year Ended June 30, 2010

| | Measure A Palo Verde Valley | | | | Freeway Service Patrol | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **Revenues** | | | | | | | | |
| Sales taxes | $ 899,000 | $ 812,000 | $ 811,428 | $ (572) | $ - | $ - | $ - | $ - |
| Intergovernmental | - | - | - | - | 2,109,300 | 2,109,300 | 1,893,839 | (215,461) |
| Interest | 700 | 700 | 301 | (399) | 5,700 | 5,700 | 46 | (5,654) |
| Other | - | - | - | - | - | - | - | - |
| Total revenues | 899,700 | 812,700 | 811,729 | (971) | 2,115,000 | 2,115,000 | 1,893,885 | (221,115) |
| **Expenditures** | | | | | | | | |
| Current: | | | | | | | | |
| Local streets and roads | 721,900 | 880,000 | 840,050 | 39,950 | - | - | - | - |
| Motorist assistance | - | - | - | - | 2,543,000 | 2,545,000 | 2,227,740 | 317,260 |
| Transit and specialized transportation | - | - | - | - | - | - | - | - |
| Total programs | 721,900 | 880,000 | 840,050 | 39,950 | 2,543,000 | 2,545,000 | 2,227,740 | 317,260 |
| Total expenditures | 721,900 | 880,000 | 840,050 | 39,950 | 2,543,000 | 2,545,000 | 2,227,740 | 317,260 |
| Excess (deficiency) of revenues over (under) expenditures | 177,800 | (67,300) | (28,321) | 38,979 | (428,000) | (430,000) | (333,855) | 96,145 |
| **Other financing sources (uses)** | | | | | | | | |
| Transfers in | - | - | - | - | 433,700 | 433,700 | 454,700 | 21,000 |
| Transfers out | (177,100) | - | - | - | (14,000) | (14,000) | (151,686) | (137,686) |
| Total other financing sources (uses) | (177,100) | - | - | - | 419,700 | 419,700 | 303,014 | (116,686) |
| Net change in fund balances | $ 700 | $ (67,300) | (28,321) | $ 38,979 | $ (8,300) | $ (10,300) | (30,841) | $ (20,541) |
| Fund balances at beginning of year | | | 68,247 | | | | 327,914 | |
| Fund balances at end of year | | | $ 39,926 | | | | $ 297,073 | |

| | Service Authority for Freeway Emergencies | | | | State Transit Assistance | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **Revenues** | | | | | | | | |
| Sales taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ 12,801,951 | $ 12,801,951 |
| Intergovernmental | 1,625,000 | 1,625,000 | 1,648,963 | 23,963 | - | - | - | - |
| Interest | 60,700 | 60,700 | 57,331 | (3,369) | 194,800 | 194,800 | 277,337 | 82,537 |
| Other | 60,000 | 60,000 | 18,676 | (41,324) | - | - | - | - |
| Total revenues | 1,745,700 | 1,745,700 | 1,724,970 | (20,730) | 194,800 | 194,800 | 13,079,288 | 12,884,488 |
| **Expenditures** | | | | | | | | |
| Current: | | | | | | | | |
| Local streets and roads | - | - | - | - | - | - | - | - |
| Motorist assistance | 843,000 | 841,000 | 759,396 | 81,604 | - | - | - | - |
| Transit and specialized transportation | - | - | - | - | 6,962,300 | 5,787,300 | 1,855,236 | 3,932,064 |
| Total programs | 843,000 | 841,000 | 759,396 | 81,604 | 6,962,300 | 5,787,300 | 1,855,236 | 3,932,064 |
| Total expenditures | 843,000 | 841,000 | 759,396 | 81,604 | 6,962,300 | 5,787,300 | 1,855,236 | 3,932,064 |
| Excess (deficiency) of revenues over (under) expenditures | 902,700 | 904,700 | 965,574 | 60,874 | (6,767,500) | (5,592,500) | 11,224,052 | 16,816,552 |
| **Other financing sources (uses)** | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | (440,700) | (440,700) | (593,666) | (152,966) | - | - | (3,698,013) | (3,698,013) |
| Total other financing sources (uses) | (440,700) | (440,700) | (593,666) | (152,966) | - | - | (3,698,013) | (3,698,013) |
| Net change in fund balances | $ 462,000 | $ 464,000 | 371,908 | $ (92,092) | $ (6,767,500) | $ (5,592,500) | 7,526,039 | $ 13,118,539 |
| Fund balances at beginning of year | | | 6,010,590 | | | | 26,085,852 | |
| Fund balances at end of year | | | $ 6,382,498 | | | | $ 33,611,891 | |

**Riverside County Transportation Commission**

**Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)**
**Budget and Actual—Capital Projects and Debt Service Funds**

**Year Ended June 30, 2010**

| | Capital Projects Funds | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Measure A Western County | | | | Commercial Paper | | | | Sales Tax Bonds | | | | Debt Service Fund | | | |
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| Revenues | | | | | | | | | | | | | | | | |
| Interest | $ 1,200 | $ 1,200 | $ (366) | $ (1,566) | $ 9,100 | $ 9,100 | $ 1,202,577 | $ 1,193,477 | $ 200 | $ 200 | $ 13,014 | $ 12,814 | $ 251,100 | $ 933,200 | $ 363,305 | $ (569,895) |
| Total revenues | 1,200 | 1,200 | (366) | (1,566) | 9,100 | 9,100 | 1,202,577 | 1,193,477 | 200 | 200 | 13,014 | 12,814 | 251,100 | 933,200 | 363,305 | (569,895) |
| Expenditures | | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | | |
| General government | - | - | - | - | 868,100 | 796,000 | 410,012 | 385,988 | - | - | - | - | - | - | - | - |
| Highways | - | - | - | - | 16,990,000 | 25,025,100 | 6,626,977 | 18,398,123 | - | - | - | - | - | - | - | - |
| Regional arterials | - | - | - | - | - | 1,800,000 | - | 1,800,000 | - | - | - | - | - | - | - | - |
| Total programs | - | - | - | - | 17,858,100 | 27,621,100 | 7,036,989 | 20,584,111 | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | | | | | | | |
| Principal | - | - | - | - | 50,000,000 | 49,977,450 | 53,716,000 | (3,738,550) | - | - | - | - | 132,395,000 | 7,716,000 | 4,000,000 | 3,716,000 |
| Interest | - | - | - | - | 3,110,000 | 3,110,000 | 319,431 | 2,790,569 | - | - | - | - | 3,000,000 | 3,000,000 | 4,918,183 | (1,918,183) |
| Cost of issuance | - | - | - | - | - | - | 1,000 | (1,000) | 3,250,000 | 1,200,000 | 674,464 | 525,536 | - | - | - | - |
| Total debt service | - | - | - | - | 53,110,000 | 53,087,450 | 54,036,431 | (948,981) | 3,250,000 | 1,200,000 | 674,464 | 525,536 | 135,395,000 | 10,716,000 | 8,918,183 | 1,797,817 |
| Total expenditures | - | - | - | - | 70,968,100 | 80,708,550 | 61,073,420 | 19,635,130 | 3,250,000 | 1,200,000 | 674,464 | 525,536 | 135,395,000 | 10,716,000 | 8,918,183 | 1,797,817 |
| Excess (deficiency) of revenues over (under) expenditures | 1,200 | 1,200 | (366) | (1,566) | (70,959,000) | (80,699,450) | (59,870,843) | 20,828,607 | (3,249,800) | (1,199,800) | (661,450) | 538,350 | (135,143,900) | (9,782,800) | (8,554,878) | 1,227,922 |
| Other financing sources (uses) | | | | | | | | | | | | | | | | |
| Debt issuance | - | - | - | - | 75,000,000 | 75,000,000 | 83,284,000 | 8,284,000 | 185,000,000 | 185,000,000 | 185,000,000 | - | - | - | - | - |
| Discount on debt issuance | - | - | - | - | - | - | - | - | - | - | (278,685) | (278,685) | - | - | - | - |
| Payment to escrow agent | - | - | - | - | - | - | - | - | - | (129,429,000) | (129,394,875) | 34,125 | - | - | - | - |
| Transfers in | - | - | - | - | 50,000,000 | 50,000,000 | 53,716,000 | 3,716,000 | - | - | - | - | 132,821,600 | 132,139,500 | 11,921,030 | (120,218,470) |
| Transfers out | - | - | (116,342) | (116,342) | (51,341,000) | (51,341,000) | (17,518,453) | 33,822,547 | (181,750,000) | (181,750,000) | (54,683,611) | 127,066,389 | - | - | - | - |
| Total other financing sources (uses) | - | - | (116,342) | (116,342) | 73,659,000 | 73,659,000 | 119,481,547 | 45,822,547 | 3,250,000 | (126,179,000) | 642,829 | 126,821,829 | 132,821,600 | 132,139,500 | 11,921,030 | (120,218,470) |
| Net change in fund balances | $ 1,200 | $ 1,200 | (116,708) | $ (117,908) | $ 2,700,000 | $ (7,040,450) | 59,610,704 | $ 66,651,154 | $ 200 | $ (127,378,800) | (18,621) | $ 127,360,179 | $ (2,322,300) | $ 122,356,700 | 3,366,152 | $ (118,990,548) |
| Fund balances (deficit) at beginning of year | | | 116,708 | | | | (30,039,375) | | | | 18,621 | | | | 42,372,142 | |
| Fund balances at end of year | | | $ - | | | | $ 29,571,329 | | | | $ - | | | | $ 45,738,294 | |

**Riverside County Transportation Commission**

**Schedule of Expenditures for Local Streets and Roads**
**by Geographic Area - All Special Revenue Funds**

**Year Ended June 30, 2010**

| | |
|---|---|
| Western County: | |
| City of Banning | $ 383,137 |
| City of Beaumont | 3,159 |
| City of Calimesa | 101,908 |
| City of Canyon Lake | 127,530 |
| City of Corona | 2,691,873 |
| City of Hemet | 1,115,024 |
| City of Lake Elsinore | 781,983 |
| City of Menifee | 814,005 |
| City of Moreno Valley | 2,475,144 |
| City of Murrieta | 1,460,166 |
| City of Norco | 453,235 |
| City of Perris | 794,542 |
| City of Riverside | 4,761,322 |
| City of San Jacinto | 472,739 |
| City of Temecula | 1,927,617 |
| City of Wildomar | 380,106 |
| Riverside County | 5,170,481 |
| Other | 1,540 |
| | 23,915,511 |
| Coachella Valley: | |
| City of Cathedral City | 1,023,305 |
| City of Coachella | 460,612 |
| City of Desert Hot Springs | 307,875 |
| City of Indian Wells | 182,363 |
| City of Indio | 1,087,009 |
| City of Palm Desert | 1,959,635 |
| City of Palm Springs | 1,411,549 |
| City of Rancho Mirage | 693,810 |
| Riverside County | 1,275,290 |
| Coachella Valley Association of Governments | 1,101,241 |
| Other | 63 |
| | 9,502,752 |
| Palo Verde Valley: | |
| City of Blythe | 670,061 |
| Riverside County | 169,989 |
| | 840,050 |
| Total local streets and roads expenditures | $ 34,258,313 |

**Riverside County Transportation Commission**

**Schedule of Expenditures for Transit and Specialized Transportation by Geographic Area and Source - All Special Revenue Funds**

**Year Ended June 30, 2010**

| | | Sales Taxes | | |
|---|---|---|---|---|
| | Measure A | Local Transportation Fund | State Transit Assistance | Total |
| Western County: | | | | |
| Beaumont Unified School District | $ 18,048 | $ - | $ - | $ 18,048 |
| Blindness Support Services, Inc. | 55,387 | - | - | 55,387 |
| Boys and Girls Club of Southwest County | 273,083 | - | - | 273,083 |
| Casa for Riverside County | 37,118 | - | - | 37,118 |
| Care-A-Van | 327,055 | - | - | 327,055 |
| Care Connexxus | 235,896 | - | - | 235,896 |
| City of Banning | - | 1,131,215 | 978,056 | 2,109,271 |
| City of Beaumont | - | 1,078,650 | - | 1,078,650 |
| City of Corona | - | 1,080,890 | 1,106 | 1,081,996 |
| City of Norco | 74,852 | - | - | 74,852 |
| City of Riverside | - | 2,133,304 | - | 2,133,304 |
| Friends of the Moreno Valley Senior Citizens | 58,500 | - | - | 58,500 |
| Independent Living Partnership | 414,940 | - | - | 414,940 |
| Inland Aids Project | 69,926 | - | - | 69,926 |
| Jefferson Transitional Programs | 10,827 | - | - | 10,827 |
| Mountain Shadows Support Group | 14,452 | - | - | 14,452 |
| Operation Safe House | 18,367 | - | - | 18,367 |
| Peppermint Ridge | 5,850 | - | - | 5,850 |
| Riverside County Regional Medical Center | 176,876 | - | - | 176,876 |
| Riverside Transit Agency | 1,111,605 | 18,086,338 | 285,816 | 19,483,759 |
| Volunteer Center of Greater Riverside | 132,163 | - | - | 132,163 |
| Other | 184,138 | - | - | 184,138 |
| | 3,219,083 | 23,510,397 | 1,264,978 | 27,994,458 |
| Coachella Valley: | | | | |
| SunLine Transit Agency | 3,710,358 | 10,421,578 | 422,758 | 14,554,694 |
| Other | 3,630 | - | - | 3,630 |
| | 3,713,988 | 10,421,578 | 422,758 | 14,558,324 |
| Palo Verde Valley: | | | | |
| Palo Verde Valley Transit Agency | - | 717,179 | 167,500 | 884,679 |
| | - | 717,179 | 167,500 | 884,679 |
| Total transit and specialized transportation expenditures | $ 6,933,071 | $ 34,649,154 | $ 1,855,236 | $ 43,437,461 |

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# Statistical Section

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## Statistical Section Overview

This part of the Riverside County Transportation Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission's overall financial health.

**Financial Trends:** These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. The schedules include:

Net Assets By Component
Changes in Net Assets
Fund Balances of Governmental Funds
Changes in Fund Balances of Governmental Funds

**Revenue Capacity:** These schedules contain information to help the reader assess the government's most significant local revenue source, the Measure A sales tax. These schedules include:

Sources of County of Riverside Taxable Sales by Business Type
Direct and Overlapping Sales Tax Rates
Principal Taxable Sales Generation by City
Measure A Sales Tax Revenues by Program and Geographic Area
Measure A Sales Tax by Economic Category

**Debt Capacity:** These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. These schedules include:

Pledged Revenue Coverage
Ratios of Outstanding Debt by Type
Computation of Legal Debt Margin

**Demographic and Economic Information:** These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. These schedules include:

Demographic and Economic Statistics for the County of Riverside
Employment Statistics by Industry for the County of Riverside

**Operating Information:** These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. These schedules include:

Full-time Equivalent Employees by Function/Program
Operating Indicators
Capital Asset Statistics by Program

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## Riverside County Transportation Commission
## Net Assets by Component
## Last Nine Fiscal Years
## (Accrual Basis)

| | Fiscal Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Governmental activities: | | | | | | | | | |
| Invested in capital assets, | | | | | | | | | |
| net of related debt | $ 294,218,263 [6] | $ 266,647,382 [5] | $ 207,478,034 [4] | $ 147,874,291 | $ 137,129,082 | $ 133,225,528 [3] | $ 104,716,712 [2] | $ 128,247,454 [1] | $ 130,051,343 |
| Restricted | 549,781,414 | 505,474,075 | 521,711,172 | 531,154,177 | 442,129,220 | 325,504,623 | 232,719,198 [2] | 154,913,051 [1] | (44,501,093) |
| Unrestricted | (229,888,408) | (205,658,986) | (149,004,964) | (118,675,049) | (102,074,881) | (124,274,292) | (121,829,477) [2] | (174,443,946) [1] | 5,985,213 |
| Total governmental activities net assets | $ 614,111,269 | $ 566,462,471 | $ 580,184,242 | $ 560,353,419 | $ 477,183,421 | $ 334,455,859 | $ 215,606,433 | $ 108,716,559 | $ 91,535,463 |

GASB 34 was implemented July 1, 2001. Prior years' information is not available.

Source: Finance Department

[1] Beginning net assets in 2003 were restated as a result of corrections to capital assets and revenue recognition, resulting in a net decrease of $20,492,947. Additionally, certain components of beginning net assets were reclassified to conform to the presentation in the 2003 financial statements. Prior year amounts in this presentation have not been revised to reflect these changes.

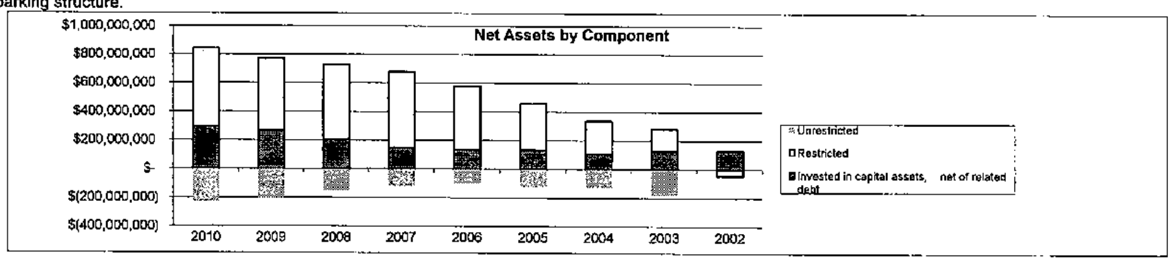
[2] The Local Transportation Fund, previously reported as a fiduciary fund, was reclassified as a special revenue fund in the 2004 financial statements, resulting in an increase to beginning net assets of $34,295,645. Additionally, certain components of beginning net assets were reclassified to conform to the presentation in the 2004 financial statements. Prior year amounts in this presentation have not been revised to reflect these changes.

[3] The beginning balance of invested in capital assets, net of related debt, was restated due to a correction in the accounting for certain rail capital assets in the 2005 financial statements, resulting in an increase of $19,283,259. Prior year amounts in this presentation have not been revised to reflect these changes.

[4] Invested in capital assets, net of related debt, increased in 2008 primarily as a result of right of way purchases related to the Mid County Parkway project.

[5] Invested in capital assets, net of related debt, increased in 2009 primarily as a result of right of way purchases related to the Mid County Parkway project, the planning and development of toll projects, and the construction of a multimodal transit facility and a commuter rail station parking structure.

[6] Invested in capital assets, net of related debt, increased in 2010 primarily as a result of the planning and development of toll projects and the completion of construction of the Perris Transit Center and North Main Corona station parking structure.



Riverside County Transportation Commission

Changes in Net Assets

Last Nine Fiscal Years

(Accrual Basis)

| | Fiscal Year Ended June 30 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| **Expenses** | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | $ 7,024,517 | $ 5,525,963 | $ 5,299,048 | $ 5,592,637 | $ 4,848,292 | $ 4,115,907 | $ 3,909,942 | $ 4,307,544 | $ 5,407,800 |
| Bicycle and pedestrian projects | 317,048 | 2,747,151 | 1,436,710 | 760,840 | 848,959 | 1,021,637 | 927,138 [1] | - | - |
| CETAP | 2,362,393 | 4,832,008 | 8,017,024 | 5,433,499 | 3,549,683 | 4,147,758 | 608,882 [2] | - | - |
| Commuter assistance | 3,266,834 | 5,199,032 | 3,464,834 | 3,122,306 | 2,888,451 | 2,599,448 | 2,959,732 | 2,318,033 | 2,088,746 |
| Commuter rail | 20,544,634 | 16,038,028 | 14,832,473 | 12,458,895 | 11,350,220 | 8,907,828 | 8,702,803 | 5,659,863 | 14,772,034 |
| Highways | 24,828,958 | 143,532,009 | 59,988,334 | 42,436,979 | 36,226,705 | 35,362,793 | 35,456,330 | 29,812,083 | 27,850,447 |
| Local streets and roads | 34,258,313 | 45,661,155 | 54,520,115 | 60,099,526 | 60,389,876 | 53,333,169 | 46,208,968 | 40,256,464 | 36,541,323 |
| Motorist assistance | 2,987,136 | 2,623,184 | 3,983,252 | 2,408,612 | 2,280,646 | 2,191,061 | 1,978,380 | 1,843,017 | 2,559,409 |
| Planning and programming | 5,321,121 | 10,126,142 | 7,931,869 | 6,561,185 | 5,976,647 | 4,328,038 | 4,287,696 | 2,978,044 | 5,890,377 |
| Right of way management | 1,428,066 | 1,399,316 | 551,960 | 631,996 | 622,498 | 580,224 | 338,353 | 154,582 | 145,158 |
| Regional arterials | 26,371,339 | 20,948,530 | 31,131,731 | 30,756,287 | 17,164,803 | 17,621,505 | 13,996,300 [2] | 8,428,021 | 11,720,342 |
| Transit and specialized transportation | 43,820,225 [5] | 77,417,741 | 83,927,945 | 75,567,829 | 62,527,276 | 55,905,814 | 53,411,921 [1] | 9,913,504 | 8,680,284 |
| Interest expense | 7,099,038 | 9,515,282 | 6,281,232 | 6,881,128 | 7,832,733 | 8,348,928 | 11,736,129 | 10,381,790 | - [3] |
| Total governmental activities expenses | 179,629,622 | 345,565,541 | 281,366,527 | 252,711,719 | 216,506,789 | 198,464,110 | 184,522,574 | 116,052,945 | 115,655,920 |
| **Program Revenues** | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| Charges for services | | | | | | | | | |
| Commuter assistance | - | - | - | - | - | - | 573,864 | 948,532 | 1,566,840 |
| Commuter rail | - | 2,525,314 | 352,826 | 463 | 382 | 2,564 | 146,349 | 394,924 | 3,794,146 [4] |
| Right of way management | 196,527 | 421,738 | 507,298 | 497,656 | 445,313 | 547,075 | 395,305 | 213,311 | - |
| Highways | - | - | - | - | 50 | - | - | - | 2,928,573 [4] |
| Motorist assistance | - | 19,778 | - | - | - | - | - | - | - |
| Planning and programming | - | - | - | - | - | - | - | - | 3,507,520 [4] |
| Other | - | 46 | 2,331 | 2,367 | 26,273 | 24,972 | 55,255 | 4,498 | 7,293 |
| Operating grants and contributions | 23,130,456 | 90,280,426 | 28,391,787 | 47,313,916 | 90,389,018 | 72,202,430 | 61,412,882 [2] | 10,489,860 | 4,746,603 |
| Capital grants and contributions | 12,257,099 | 25,321,886 | 9,742,280 | 620,292 | 997,362 | 877,665 | 1,183,922 | 21,190,027 | - [3] |
| Total governmental activities program revenues | 35,584,082 | 118,569,188 | 38,996,522 | 48,434,694 | 91,858,398 | 73,654,706 | 63,767,577 | 33,241,152 | 16,550,975 |
| **Net Revenues (Expenses)** | | | | | | | | | |
| Governmental activities | (144,045,540) | (226,996,353) | (242,370,005) | (204,277,025) | (124,648,391) | (124,809,404) | (120,754,997) | (82,811,793) | (99,104,945) |
| **General Revenues** | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| Measure A sales taxes | 114,526,254 | 119,688,289 | 142,537,548 | 154,539,723 | 157,236,314 | 138,921,247 | 120,564,890 | 105,782,595 | 95,797,287 |
| Transportation Development Act sales taxes | 69,499,841 [5] | 77,920,485 | 93,042,150 | 104,160,163 | 90,927,244 | 77,818,565 | 69,133,102 [1] | 7,488,638 | 6,876,656 |
| Vehicle registration fees | - | - | - | - | - | - | - | - | 1,288,655 |
| Unrestricted investment earnings | 5,987,921 | 14,211,197 | 25,055,456 | 23,897,399 | 11,639,575 | 5,146,325 | 3,115,232 | 4,932,021 | 5,942,480 |
| Other miscellaneous revenue | 1,680,322 | 1,454,611 | 1,565,674 | 1,571,716 | 1,698,024 | 2,366,380 | 536,002 | 2,282,582 | 4,888,250 |
| Gain on sale of capital assets | - | - | - | 3,278,022 | 5,874,796 | 123,054 | - | - | - |
| Total governmental activities general revenues | 191,694,338 | 213,274,582 | 262,200,828 | 287,447,023 | 267,375,953 | 224,375,571 | 193,349,226 | 120,485,836 | 114,793,328 |
| **Changes in Net Assets** | | | | | | | | | |
| Governmental activities | $ 47,648,798 | $ (13,721,771) | $ 19,830,823 | $ 83,169,998 | $ 142,727,562 | $ 99,566,167 | $ 72,594,229 | $ 37,674,043 | $ 15,688,383 |

GASB 34 was implemented July 1, 2001. Prior years' information is not available.

Source: Finance Department

[1] The Local Transportation Fund, previously reported as a fiduciary fund, was reclassified as a special revenue fund in the 2004 financial statements, resulting in an increase in sales tax revenues as well as bicycle and pedestrian facilities and transit and specialized transportation expenditures. Prior year amounts in this presentation have not been revised to reflect these changes.

[2] The Transportation Uniform Mitigation Fee program was implemented in fiscal year 2004, resulting in a new revenue source for expenditures related to the CETAP and regional arterials programs.

[3] Interest expense of $12,242,557 in 2002 was classified within each respective program.

[4] Federal and state reimbursements were classified as charges for services in fiscal year 2002 but were classified as operating or capital grants and contributions in subsequent years.

[5] Transportation Development Act sales taxes received for transit governmental activities and disbursed for general government, planning and programming, and commuter rail governmental activities were eliminated beginning in fiscal 2010. Prior year amounts in this presentation have not been revised to reflect this change.

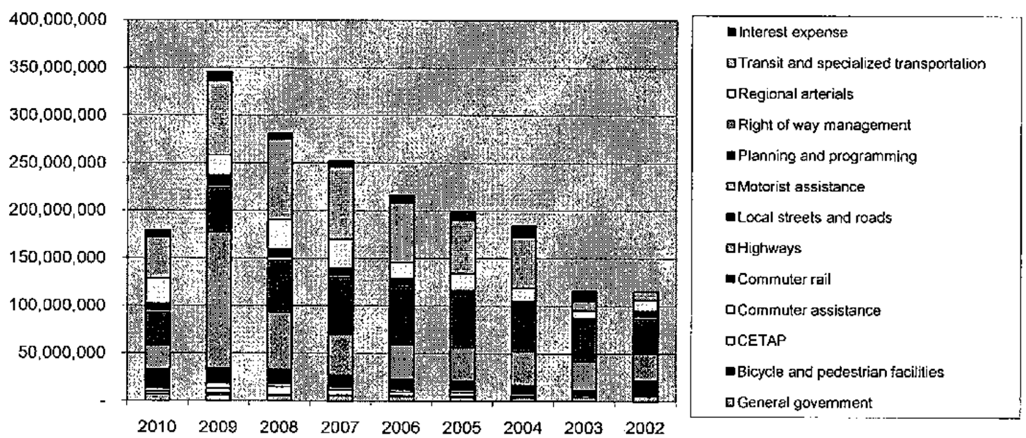
**Riverside County Transportation Commission**

**Changes in Net Assets (Continued)**

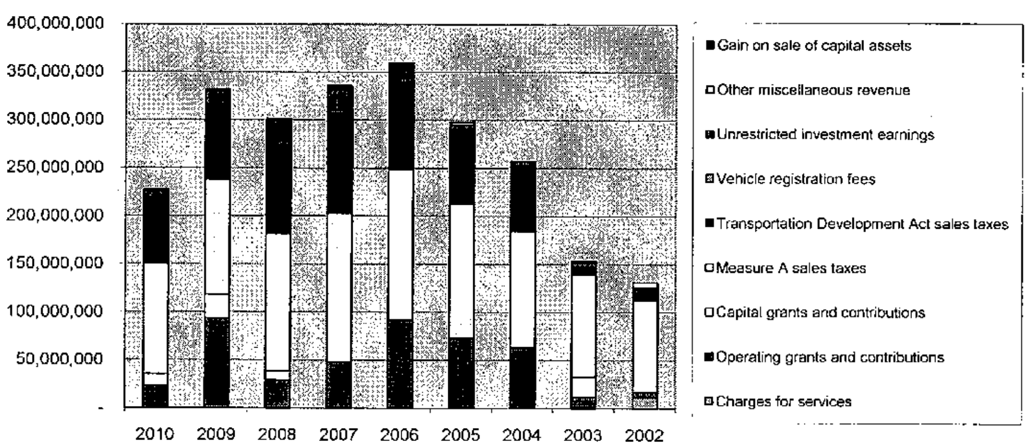
**Last Nine Fiscal Years**

**(Accrual Basis)**

Expenses by Function




Revenues by Source



**Riverside County Transportation Commission**

**Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

**(Modified Accrual Basis)**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| **GENERAL FUND** | | | | | | | | | | |
| General fund: | | | | | | | | | | |
| Restricted | $ 7,266,584 [2] | | | | | | | | | |
| Committed | 1,606,976 [2] | | | | | | | | | |
| Assigned | 4,134,059 [2] | | | | | | | | | |
| Total general fund | $ 13,007,619 | | | | | | | | | |
| General fund: | | | | | | | | | | |
| Reserved | | $ 6,756,708 | $ 6,886,986 | $ 7,070,115 | $ 7,215,579 | $ 6,304,837 | $ 5,821,023 | $ 5,001,493 | $ 5,594,227 | $ 4,814,296 |
| Unreserved | | 3,348,711 | 3,238,251 | 2,877,923 | 2,014,480 | 2,215,643 | 1,531,151 | 756,299 | 885,890 | 777,104 |
| Total general fund | | $ 10,105,419 | $ 10,125,237 | $ 9,948,038 | $ 9,230,059 | $ 8,520,480 | $ 7,352,174 | $ 5,757,792 | $ 6,480,117 | $ 5,591,400 |
| **ALL OTHER GOVERNMENTAL FUNDS** | | | | | | | | | | |
| All other governmental funds: | | | | | | | | | | |
| Restricted | $ 535,752,354 [2] | | | | | | | | | |
| Total all other governmental funds | $ 535,752,354 | | | | | | | | | |
| All other governmental funds: | | | | | | | | | | |
| Reserved | | $ 487,425,652 | $ 520,874,648 | $ 533,276,158 | $ 438,453,362 | $ 323,219,025 | $ 233,973,154 | $ 149,911,558 | $ 152,810,730 | $ 145,180,481 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | | 8,289,036 | 7,297,744 | 6,936,417 | 5,745,792 | 4,895,792 | 4,049,038 | 3,225,168 | 5,375,669 | 7,473,997 |
| Capital projects funds | | (49,576,636) | (7,253,535) | - | - | - | - | - | - | - |
| Total all other governmental funds | | $ 446,138,052 | $ 520,918,857 | $ 540,212,575 | $ 444,199,154 | $ 328,114,817 | $ 238,022,192 [1] | $ 153,136,726 | $ 158,186,399 | $ 152,654,478 |

Source: Finance Department

[1] The Local Transportation Fund, previously reported as a fiduciary fund, was reclassified as a special revenue fund in the 2004 financial statements, resulting in an increase to beginning fund balance of $34,295,645.

[2] In FY 2010 the Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Prior year amounts in this presentation have not been revised to reflect this change.

## Riverside County Transportation Commission
## Changes in Fund Balances of Governmental Funds
### Last Ten Fiscal Years
### (Modified Accrual Basis)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Revenues** | | | | | | | | | | |
| Sales taxes | $ 184,026,095 | $ 197,808,774 | $ 235,579,698 | $ 258,699,886 | $ 248,163,558 | $ 216,739,812 | $ 189,697,992 [1] | $ 117,982,195 | $ 107,420,548 | $ 98,110,780 |
| Transportation Uniform Mitigation Fee | 8,618,231 | 10,957,420 | 14,556,029 | 40,757,248 | 85,228,383 | 48,325,334 | 35,615,226 [2] | - | - | - |
| Intergovernmental | 26,769,324 | 105,512,656 | 22,249,107 | 5,498,660 | 4,385,183 | 25,241,083 | 23,276,534 | 26,765,599 | 11,804,372 | 5,286,109 |
| Interest | 5,663,178 | 13,567,938 | 23,744,305 | 23,897,399 | 11,639,575 | 5,146,326 | 3,115,232 | 4,932,021 | 5,942,480 | 9,842,472 |
| Vehicle registration user fees | | 1,677,374 | 1,684,088 | 1,681,130 | 1,629,087 | 1,541,216 | 1,435,098 | 1,332,707 | 1,288,655 | 1,297,474 |
| Other | 1,853,641 | 1,876,349 | 2,072,972 | 2,175,372 | 2,143,330 | 3,118,002 | 3,976,721 | 2,714,466 | 4,888,250 | 4,086,123 |
| Total revenues | 226,930,469 | 331,200,511 | 299,886,199 | 332,709,695 | 353,169,116 | 296,111,772 | 257,116,803 | 153,726,988 | 131,344,303 | 118,622,958 |
| **Expenditures** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 6,920,479 | 5,366,677 | 5,290,616 | 5,545,466 | 4,674,157 | 3,827,427 | 3,663,957 | 4,120,493 | 3,122,035 | 2,625,800 |
| Programs: | | | | | | | | | | |
| Bicycle and pedestrian facilities | 317,048 | 2,747,151 | 1,436,710 | 760,840 | 848,959 | 1,021,837 | 927,138 [1] | - | - | - |
| CETAP | 2,362,393 | 35,809,396 | 21,098,240 | 5,433,499 | 3,549,683 | 8,600,659 | 608,882 [2] | - | - | - |
| Commuter assistance | 3,228,709 | 5,155,263 | 3,377,881 | 3,097,534 | 2,883,352 | 2,583,679 | 2,943,963 | 2,296,177 | 2,088,746 | 1,698,814 |
| Commuter rail | 33,733,888 | 40,704,106 | 21,470,133 | 14,044,435 | 10,570,931 | 7,580,484 | 13,016,707 | 29,345,902 | 8,382,102 | 7,269,992 |
| Highways | 45,698,211 | 165,100,551 | 65,697,249 | 48,359,404 | 37,073,826 | 36,340,818 | 33,133,748 | 29,459,603 | 11,959,224 | 10,049,767 |
| Local streets and roads | 34,258,313 | 45,661,155 | 54,520,115 | 60,099,526 | 60,389,876 | 53,333,169 | 46,208,968 | 40,260,340 | 36,030,413 | 34,339,969 |
| Motorist assistance | 2,987,136 | 2,623,184 | 3,983,252 | 2,408,612 | 2,280,646 | 2,191,061 | 1,978,380 | 1,843,017 | 2,559,409 | 2,065,098 |
| Planning and programming | 5,312,246 | 9,193,944 | 6,939,409 | 5,586,992 | 4,884,556 | 3,621,810 | 3,537,513 | 2,310,810 | 5,264,892 | 2,144,893 |
| Right of way management | 1,428,066 | 1,399,316 | 551,960 | 631,996 | 622,498 | 580,224 | 338,353 | 154,582 | 145,158 | - |
| Regional arterials | 26,371,339 | 20,948,530 | 59,841,509 | 30,756,287 | 19,462,949 | 22,174,406 | 8,896,300 [2] | 8,445,554 | 9,734,705 | 10,534,891 |
| Transit and specialized transportation | 43,820,225 | 77,417,741 | 83,927,945 | 75,567,829 | 62,527,276 | 55,905,814 | 53,411,921 [1] | 9,913,503 | 8,680,284 | 6,883,655 |
| Debt service | 63,654,319 | 45,673,417 | 149,789,237 | 36,790,562 | 36,584,495 | 38,208,607 | 35,508,587 | 35,580,849 | 35,545,895 | 35,442,358 |
| Intergovernmental distributions | - | 975,833 | 992,460 | 974,193 | 1,092,091 | 706,228 | 750,183 | 667,234 | 605,485 | 832,361 |
| Capital outlay | 124,080 | 1,055,997 | 335,023 | 161,268 | 290,461 | 179,818 | 8,000 | 315,240 | 569,041 | 63,502 |
| Total expenditures | 270,216,452 | 459,834,261 | 479,251,739 | 290,218,443 | 247,735,756 | 236,855,841 | 204,932,600 | 164,713,304 | 124,707,389 | 113,750,898 |
| **Excess (deficiency) of revenues over (under) expenditures** | (43,285,983) | (128,633,750) | (179,365,540) | 42,491,252 | 105,433,360 | 61,255,931 | 52,184,203 | (10,986,316) | 6,636,914 | 4,872,060 |
| **Other financing sources (uses):** | | | | | | | | | | |
| Sales of capital assets | - | - | - | 4,240,148 | 11,360,556 | - | - | - | - | - |
| Capital lease | - | 117,127 | - | - | - | | - | - | - | - |
| Debt issuance | 268,284,000 | 53,716,000 | 160,249,021 | 50,000,000 | - | 30,005,000 | - | - | - | 35,934,149 |
| Discount on debt issuance | (278,685) | - | - | - | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | (129,394,875) | - | - | - | - | - | - | - | - | - |
| Transfers in | 104,833,227 | 33,466,298 | 164,063,070 | 34,745,015 | 34,517,083 | 37,050,167 | 41,523,149 | 77,308,990 | 68,714,250 | 44,014,685 |
| Transfers out | (104,833,227) | (33,466,298) | (164,063,070) | (34,745,015) | (34,517,083) | (37,050,167) | (41,523,149) | (77,308,990) | (68,714,250) | (44,014,685) |
| Total other financing sources (uses) | 138,610,440 | 53,833,127 | 160,249,021 | 54,240,148 | 11,360,556 | 30,005,000 | - | - | - | 35,934,149 |
| **Net change in fund balances** | $ 95,324,457 | $ (74,800,623) | $ (19,116,519) | $ 96,731,400 | $ 116,793,916 | $ 91,260,931 | $ 52,184,203 | $ (10,986,316) | $ 6,636,914 | $ 40,806,209 |
| Debt service as a percentage of noncapital expenditures | 23.6% [5] | 12.1% | 35.4% [4] | 13.1% | 15.0% | 16.8% | 17.9% | 25.5% | 30.0% | N/A [3] |

Source: Finance Department

[1] The Local Transportation Fund, previously reported as a fiduciary fund, was reclassified as a special revenue fund in the 2004 financial statements, resulting in an increase in sales tax revenues as well as bicycle and pedestrian facilities and transit and specialized transportation.
[2] The Transportation Uniform Mitigation Fee program was implemented in fiscal 2004, resulting in a new revenue source for expenditures related to the CETAP and regional arterials programs.
[3] GASB 34 was implemented July 1, 2001. Prior years' information related to capital assets additions is not available.
[4] Debt service as a percentage of noncapital expenditures in 2008 increased significantly as a result of the refinancing of $110,005,000 of commercial paper, which is included in principal payments.
[5] Debt service as a percentage of noncapital expenditures in 2010 increased significantly as a result of the retirement of $53,716,000 of commercial paper.

## Riverside County Transportation Commission

### Sources of County of Riverside Taxable Sales by Business Type

### Last Ten Calendar Years (In Thousands)

| | 2008 [1] | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| Apparel stores | $ 1,121,543 | $ 1,171,013 | $ 1,080,385 | $ 990,129 | $ 867,276 | $ 746,015 | $ 610,388 | $ 565,295 | $ 538,578 | $ 495,945 |
| General merchandise stores | 3,389,936 | 3,593,134 | 3,553,554 | 3,304,474 | 3,026,335 | 2,671,971 | 2,459,046 | 2,275,736 | 2,062,738 | 1,845,651 |
| Specialty stores | 961,215 | 1,210,642 | 2,262,442 | 2,104,040 | 1,885,435 | 1,649,224 | 1,501,106 | 1,379,979 | 1,277,359 | 1,186,231 |
| Food stores | 1,254,366 | 1,352,609 | 1,309,782 | 1,197,438 | 1,079,972 | 1,028,392 | 967,171 | 930,232 | 889,894 | 828,641 |
| Package liquor stores | 98,338 | 84,397 | 78,895 | 74,828 | 66,728 | 61,514 | 58,459 | 56,250 | 57,345 | 52,951 |
| Eating/drinking | 2,340,554 | 2,388,039 | 2,316,422 | 2,157,801 | 1,940,610 | 1,713,632 | 1,559,215 | 1,465,467 | 1,364,808 | 1,233,274 |
| Home furnishing and appliances | 816,379 | 843,945 | 948,217 | 964,629 | 862,551 | 691,051 | 594,049 | 526,083 | 517,578 | 447,594 |
| Building materials and farm implements | 1,580,020 | 2,111,147 | 2,390,236 | 2,424,898 | 2,596,661 | 1,678,347 | 1,427,831 | 1,339,020 | 1,210,838 | 1,017,564 |
| Service stations | 3,011,476 | 2,835,690 | 2,630,716 | 2,277,082 | 1,855,263 | 1,536,240 | 1,249,646 | 1,223,753 | 1,196,693 | 983,739 |
| Automobile, boat, motorcycle and plane | 3,115,036 | 4,301,385 | 4,741,931 | 4,713,948 | 4,385,449 | 3,662,151 | 3,553,525 | 3,134,935 | 2,814,375 | 2,161,678 |
| Miscellaneous | 2,046,100 | 2,462,922 | 1,681,626 | 1,748,515 | 1,191,029 | 592,415 | 1,151,821 | 1,109,093 | 1,112,012 | 1,227,303 |
| Total all other outlets | 6,268,632 | 6,668,686 | 6,822,031 | 6,298,709 | 5,479,839 | 5,678,183 | 4,366,737 | 4,225,712 | 3,937,231 | 3,596,374 |
| | $ 26,003,595 | $ 29,023,609 | $ 29,816,237 | $ 28,256,491 | $ 25,237,148 | $ 21,709,135 | $ 19,498,994 | $ 18,231,555 | $ 16,979,449 | $ 15,076,945 |
| Measure A Ordinance 88-1 direct sales tax rate | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% |

Source: State Board of Equalization

[1] Year represents most recent data available.

**Riverside County Transportation Commission**

**Direct and Overlapping Sales Tax Rates**

**Last Ten Fiscal Years**

| Fiscal Year | Measure A Direct Rate [1] | County of Riverside |
|---|---|---|
| 2010[3] | 0.50% | 8.75% |
| 2009[4] | 0.50% | 8.75%[2] |
| 2008 | 0.50% | 7.75% |
| 2007 | 0.50% | 7.75% |
| 2006 | 0.50% | 7.75% |
| 2005 | 0.50% | 7.75% |
| 2004 | 0.50% | 7.75% |
| 2003 | 0.50% | 7.75% |
| 2002 | 0.50% | 7.75% |
| 2001 | 0.50% | 7.75% |

Source: Commission Finance Department and California State Board of Equalization.

[1] The Measure A sales tax rate may be changed only with the approval of 2/3 of the voters.

[2] The State of California increased the state sales tax rate 1% in April 2009.

[3] Measure A Ordinance 02-001 commenced on July 1, 2009.

[4] Measure A Ordinance 88-1 terminated on June 30, 2009.

## Riverside County Transportation Commission

## Principal Taxable Sales Generation by City

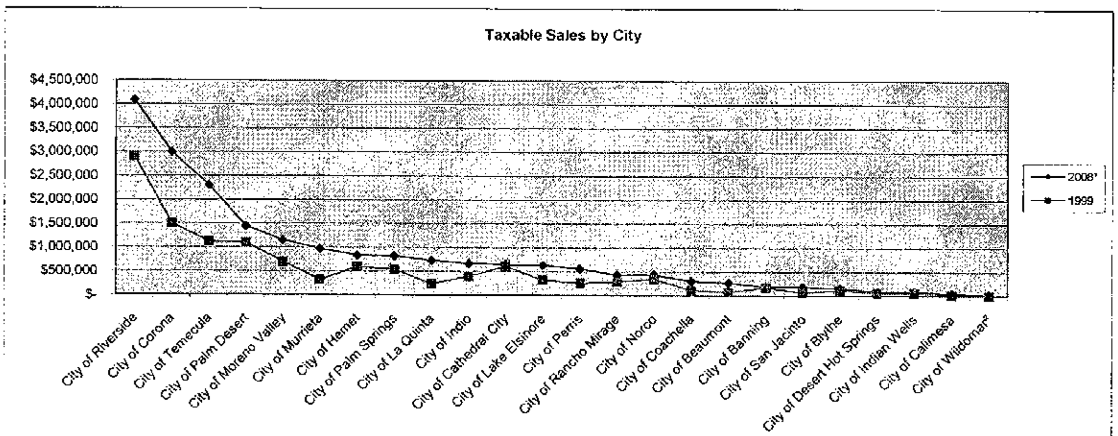
## Current Year and Nine Years Ago

| | 2008[1] | | | 1999 | | |
|---|---|---|---|---|---|---|
| | Taxable Sales (in thousands) | Rank | Percentage of Total | Taxable Sales (in thousands) | Rank | Percentage of Total |
| City of Riverside | $ 4,093,218 | 2 | 15.7% | $ 2,909,532 | 2 | 19.3% |
| City of Corona | 2,994,438 | 3 | 11.5% | 1,503,069 | 3 | 10.0% |
| City of Temecula | 2,307,072 | 4 | 8.9% | 1,123,041 | 4 | 7.4% |
| City of Palm Desert | 1,447,663 | 5 | 5.6% | 1,098,211 | 5 | 7.3% |
| City of Moreno Valley | 1,154,650 | 6 | 4.4% | 704,546 | 6 | 4.7% |
| City of Murrieta | 972,575 | 7 | 3.7% | 325,156 | 12 | 2.2% |
| City of Hemet | 840,655 | 8 | 3.2% | 599,281 | 8 | 4.0% |
| City of Palm Springs | 826,056 | 9 | 3.2% | 542,041 | 9 | 3.6% |
| City of La Quinta | 731,831 | 10 | 2.9% | 240,453 | 16 | 1.6% |
| City of Indio | 673,527 | 11 | 2.6% | 401,104 | 10 | 2.7% |
| City of Cathedral City | 649,612 | 12 | 2.5% | 609,829 | 7 | 4.0% |
| City of Lake Elsinore | 639,732 | 13 | 2.5% | 324,924 | 13 | 2.1% |
| City of Perris | 562,025 | 14 | 2.2% | 264,810 | 15 | 1.8% |
| City of Rancho Mirage | 438,400 | 15 | 1.7% | 288,577 | 14 | 1.9% |
| City of Norco | 436,753 | 16 | 1.7% | 347,775 | 11 | 2.3% |
| City of Coachella | 307,494 | 17 | 1.2% | 113,485 | 19 | 0.7% |
| City of Beaumont | 270,480 | 18 | 1.0% | 80,763 | 20 | 0.5% |
| City of Banning | 193,333 | 19 | 0.7% | 176,486 | 17 | 1.2% |
| City of San Jacinto | 192,541 | 20 | 0.7% | 70,095 | 21 | 0.5% |
| City of Blythe | 160,476 | 21 | 0.6% | 117,920 | 18 | 0.8% |
| City of Desert Hot Springs | 91,671 | 22 | 0.4% | 58,491 | 23 | 0.4% |
| City of Indian Wells | 91,534 | 23 | 0.4% | 63,611 | 22 | 0.4% |
| City of Calimesa | 54,285 | 24 | 0.2% | 23,907 | 24 | 0.2% |
| City of Wildomar[2] | 23,983 | 25 | 0.1% | N/A | N/A | N/A |
| City of Canyon Lake | 12,300 | 26 | 0.0% | 8,322 | 25 | 0.0% |
| Incorporated | 20,166,304 | | 77.6% | 11,995,429 | | 79.6% |
| Unincorporated | 5,837,291 | 1 | 22.4% | 3,081,516 | 1 | 20.4% |
| Countywide | $ 26,003,595 | | 100.0% | $ 15,076,945 | | 100.0% |
| California | $ 531,653,540 | | | $ 394,736,245 | | |

Source: California State Board of Equalization for the calendar year indicated.

[1] Year represents most recent data available.

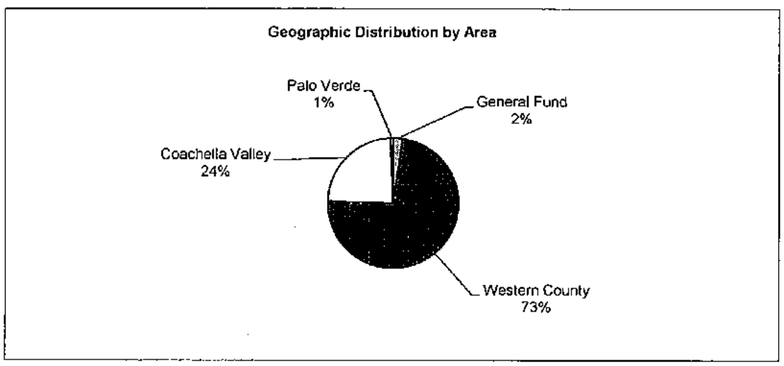
[2] City of Wildomar was incorporated on July 1, 2008.

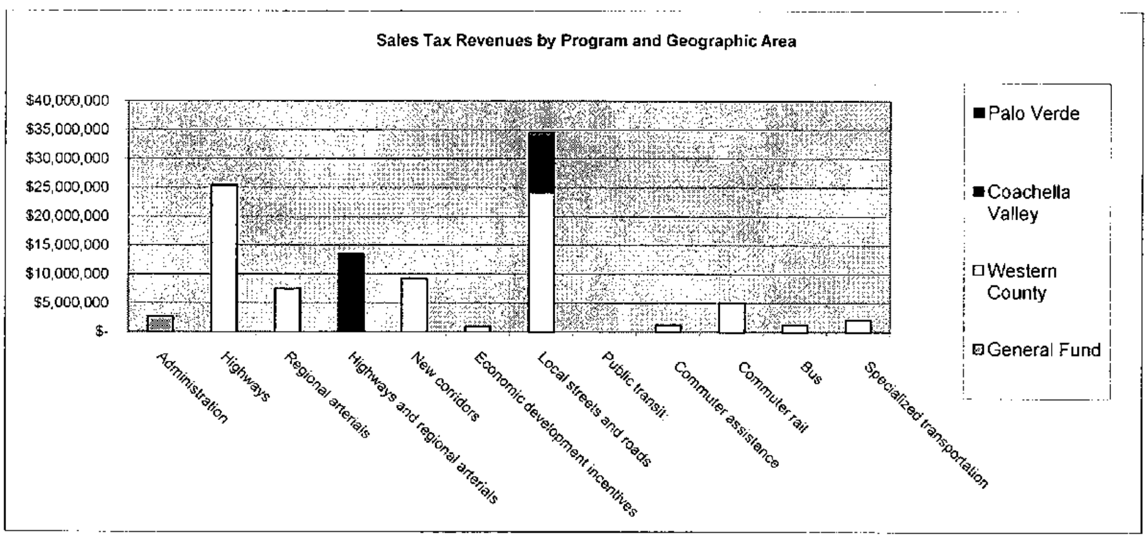


## Riverside County Transportation Commission
## Measure A Sales Tax Revenues by Program and Geographic Area
## Year Ended June 30, 2010

| | General Fund | Special Revenue Funds: Western County | Special Revenue Funds: Coachella Valley | Special Revenue Funds: Palo Verde | Total |
|---|---|---|---|---|---|
| Administration | $ 2,700,000 | $ - | $ - | $ - | $ 2,700,000 |
| Highways | - | 25,434,863 | - | - | 25,434,863 |
| Regional arterials | - | 7,480,842 | - | - | 7,480,842 |
| Highways and regional arterials | - | - | 13,625,545 | - | 13,625,545 |
| New corridors | - | 9,226,372 | - | - | 9,226,372 |
| Economic development incentives | - | 997,446 | - | - | 997,446 |
| Local streets and roads | - | 24,188,057 | 9,524,863 | 811,428 | 34,524,348 |
| Public transit: | | | | | |
| Commuter assistance | - | 1,246,807 | - | - | 1,246,807 |
| Commuter rail | - | 5,086,973 | - | - | 5,086,973 |
| Bus | - | 1,271,743 | - | - | 1,271,743 |
| Specialized transportation | - | 2,119,572 | - | - | 2,119,572 |
| Bus and specialized transportation | - | - | 4,078,985 | - | 4,078,985 |
| Bond financing | - | 6,732,758 | - | - | 6,732,758 |
| | $ 2,700,000 | $ 83,785,433 | $ 27,229,393 | $ 811,428 | $ 114,526,254 |

Source: Finance Department



## Riverside County Transportation Commission

## Measure A Sales Tax by Economic Category

### Last Four Calendar Years

| Economic Category | % of Total | | | |
|---|---|---|---|---|
| | 2009[1] | 2008 | 2007 | 2006 |
| General retail | 30.9 | 28.2 | 26.8 | 25.5 |
| Transportation | 22.8 | 24.9 | 26.1 | 26.5 |
| Food products | 17.8 | 16.0 | 14.4 | 13.3 |
| Business to business | 15.2 | 16.4 | 15.9 | 15.3 |
| Construction | 11.1 | 12.3 | 14.4 | 16.9 |
| Miscellaneous | 2.2 | 2.2 | 2.4 | 2.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: MuniServices LLC

[1] Year represents most recent data available.

## Riverside County Transportation Commission

## Measure A Revenues and Pledged Revenue Coverage [1]

### Last Ten Fiscal Years

| | | | Sales Tax Revenue Bonds | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Net Measure A Sales Tax Revenues[2] | Measure A Sales Tax Revenue Growth (Decline) Rate | Senior Lien Debt Service | Senior Lien Coverage Ratio | Subordinate Lien Debt Service | Total Debt Service | Total Debt Service Coverage Ratio |
| 2010[3] | $ 114,526,253 | -4.31% | $ 8,918,183 | 12.84 | $ - | $ 8,918,183 | 12.84 |
| 2009[4] | 119,688,289 | -16.03% | 34,020,724 | 3.52 | 1,452,634 | 35,473,358 | 3.37 |
| 2008 | 142,537,548 | -7.77% | 34,002,732 | 4.19 | 1,470,388 | 35,473,120 | 4.02 |
| 2007 | 154,539,723 | -1.71% | 34,005,357 | 4.54 | 1,469,588 | 35,474,945 | 4.36 |
| 2006 | 157,236,314 | 13.18% | 34,012,634 | 4.62 | 1,470,587 | 35,483,221 | 4.43 |
| 2005 | 138,921,247 | 15.23% | 34,013,294 | 4.08 | 1,472,237 | 35,485,531 | 3.91 |
| 2004 | 120,564,890 | 17.69% | 34,004,981 | 3.55 | 1,472,237 | 35,477,218 | 3.40 |
| 2003 | 102,442,647 | 6.95% | 34,076,553 | 3.01 | 1,472,925 | 35,549,478 | 2.88 |
| 2002 | 95,782,282 | 6.77% | 34,075,484 | 2.81 | 1,470,412 | 35,545,896 | 2.69 |
| 2001 | 89,710,797 | N/A | 33,539,199 | 2.67 | 1,470,012 | 35,009,211 | 2.56 |

Source: Finance Department

1 This schedule meets the requirements for Continuing Disclosure of historical Measure A sales tax revenues.

2 Sales tax revenue bonds are backed by the sales tax revenues, net of Board of Equalization fees, during the fiscal year.

3 In FY 2010 the 2008 bonds related to the 2009 Measure A program were current refunded. The payment to escrow agent is excluded from debt service.

4 In FY 2009 all bonds related to the 1989 Measure A program matured as the 1989 Measure A program expired on June 30, 2009.

## Riverside County Transportation Commission

### Ratios of Outstanding Debt by Type

### Last Ten Fiscal Years

| | Governmental Activities | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year | Sales Tax Revenue Bonds | Commercial Paper | Contract Payable | Note Payable | Capital Leases | Total Governmental Activities | County of Riverside Population | Debt per Capita |
| 2010 | $ 181,000,000 | $ 83,284,000 | $ - | $ - | $ 78,104 | $ 264,362,104 | 2,139,535 | $ 123.56 |
| 2009 | 126,395,000 | 110,000,000 | - | - | 100,652 | 236,495,652 | 2,107,653 | 112.21 |
| 2008 | 160,025,000 | - | 1,100,000 | - | - | 161,125,000 | 2,088,322 | 77.16 |
| 2007 | 65,495,000 | 80,005,000 | 2,100,000 | - | - | 147,600,000 | 2,031,625 | 72.65 |
| 2006 | 95,695,000 | 30,005,000 | 3,100,000 | - | 25,591 | 128,825,591 | 1,953,330 | 65.95 |
| 2005 | 124,335,000 | 30,005,000 | 4,100,000 | - | 55,009 | 158,495,009 | 1,877,000 | 84.44 |
| 2004 | 151,535,000 | - | 5,100,000 | - | 83,082 | 156,718,082 | 1,776,780 | 88.20 |
| 2003 | 177,352,519 | - | - | - | 109,870 | 177,462,389 | 1,705,625 | 104.05 |
| 2002 | 201,983,730 | - | - | 58,490 | - | 202,042,220 | 1,644,275 | 122.88 |
| 2001 | 225,541,447 | - | - | 117,431 | - | 225,658,878 | 1,609,370 | 140.22 |

Sources: Finance Department for outstanding debt for the fiscal year ended June 30 and California State Department of Finance for population as of January 1.

**Riverside County Transportation Commission**

**Computation of Legal Debt Margin[1]**

**Last Ten Fiscal Years**

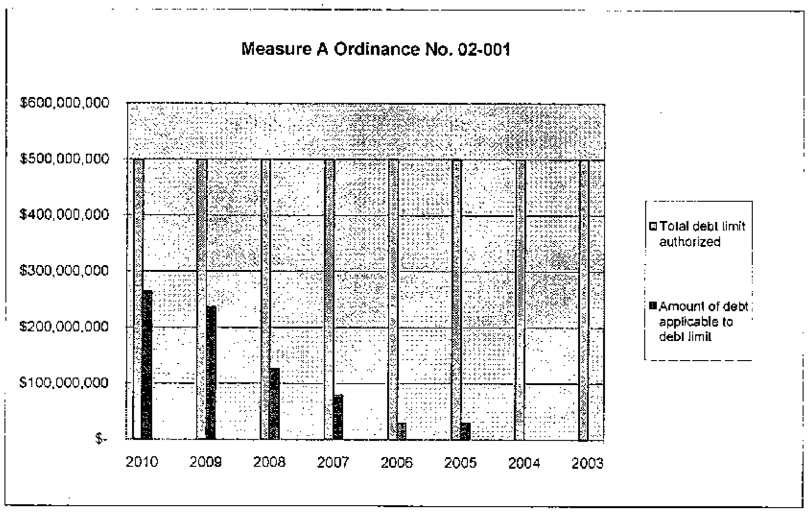
| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Measure A Ordinance No. 02-001[2]** | | | | | | | | | | |
| Total debt limit authorized | $ 500,000,000 | $ 500,000,000 | $ 500,000,000 | $ 500,000,000 | $ 500,000,000 | $ 500,000,000 | $ 500,000,000 | $ 500,000,000 | | |
| Amount of debt applicable to debt limit | 264,284,000 | 236,395,000 | 126,395,000 | 80,005,000 | 30,005,000 | 30,005,000 | - | - | | |
| Legal debt margin | $ 235,716,000 | $ 263,605,000 | $ 373,605,000 | $ 419,995,000 | $ 469,995,000 | $ 469,995,000 | $ 500,000,000 | $ 500,000,000 | | |
| % of debt to legal debt limit | 52.9% | 47.3% | 25.3% | 16.0% | 6.0% | 6.0% | 0.0% | 0.0% | | |
| **Measure A Ordinance No. 88-1, as amended by Ordinance 92-1[3]** | | | | | | | | | | |
| Total debt limit authorized | | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 | $ 525,000,000 |
| Amount of debt applicable to debt limit | | - | 33,630,000 | 65,495,000 | 95,695,000 | 124,335,000 | 151,535,000 | 177,352,519 | 201,983,730 | 225,541,447 |
| Legal debt margin | | $ 525,000,000 | $ 491,370,000 | $ 459,505,000 | $ 429,305,000 | $ 400,665,000 | $ 373,465,000 | $ 347,647,481 | $ 323,016,270 | $ 299,458,553 |
| % of debt to legal debt limit | | 0.0% | 6.4% | 12.5% | 18.2% | 23.7% | 28.9% | 33.8% | 38.5% | 43.0% |

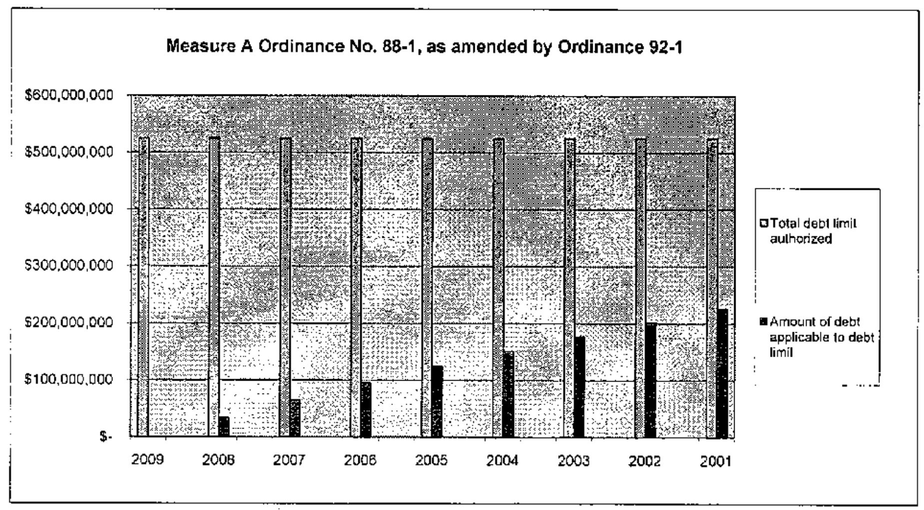
Source: Finance Department

[1] The Commission's debt limits were approved by the voters of Riverside County as part of the sales tax ordinances and are specific to the Commission; accordingly, there are no overlapping debt considerations.

[2] Ordinance No. 02-001 was approved by a 2/3 majority of the voters in November 2002.

[3] Ordinance No. 88-1 expired on June 30, 2009. All outstanding debt related to Ordinance 88-1 matured prior to the expiration date.



**Riverside County Transportation Commission**

**Demographic and Economic Statistics for the County of Riverside**

**Last Ten Calendar Years**

| Calendar Year | Population[1] | Personal Income (thousands)[2] | Per Capita Personal Income | Unemployment Rate[3] |
|---|---|---|---|---|
| 2008[4] | 2,077,183 | $ 64,503,728 | $ 31,053 | 8.5% |
| 2007 | 2,031,625 | 61,023,518 | 30,037 | 6.0% |
| 2006 | 1,953,330 | 57,666,983 | 29,522 | 5.1% |
| 2005 | 1,877,000 | 52,850,398 | 28,157 | 5.4% |
| 2004 | 1,776,780 | 49,443,185 | 27,827 | 5.8% |
| 2003 | 1,705,625 | 45,016,790 | 26,393 | 6.3% |
| 2002 | 1,644,275 | 42,010,066 | 25,549 | 6.3% |
| 2001 | 1,609,370 | 39,974,556 | 24,839 | 5.5% |
| 2000 | 1,522,910 | 37,014,951 | 24,305 | 5.4% |
| 1999 | 1,473,307 | 34,088,221 | 23,137 | 5.5% |

Sources:
[1] California State Department of Finance as of January 1.
[2] U.S. Department of Commerce Bureau of Economic Analysis
[3] Riverside County Economic Development Agency

[4] Year represents most recent data available.

**Riverside County Transportation Commission**

**Employment Statistics by Industry for the County of Riverside**

**Calendar Year 2008 and Nine Years Prior**

| Industry Type | 2008 [1] | % of Total Employment | 1999 | % of Total Employment |
|---|---|---|---|---|
| Farm | 8,121 | 0.9% | 15,021 | 2.4% |
| Agricultural services, forestry, fishing and other | 7,573 | 0.9% | 19,298 | 3.1% |
| Mining | 1,527 | 0.2% | 925 | 0.1% |
| Construction | 79,752 | 9.2% | 57,251 | 9.2% |
| Manufacturing | 53,842 | 6.2% | 54,936 | 8.8% |
| Transportation, warehousing, and public utilities | 30,549 | 3.5% | 19,979 | 3.2% |
| Wholesale trade | 26,500 | 3.1% | 20,178 | 3.2% |
| Retail trade | 106,769 | 12.4% | 112,112 | 18.0% |
| Finance, insurance, and real estate | 77,488 | 9.0% | 46,716 | 7.5% |
| Services | 340,411 | 39.4% | 186,187 | 29.9% |
| Federal government, civilian | 6,729 | 0.8% | 6,299 | 1.0% |
| Military | 3,514 | 0.4% | 3,006 | 0.5% |
| State government | 13,296 | 1.5% | 11,544 | 1.8% |
| Local government | 108,037 | 12.5% | 70,284 | 11.3% |
| Total employment | 864,108 | 100.0% | 623,736 | 100.0% |

Source: U.S. Department of Commerce Bureau of Economic Analysis

[1] Year represents most recent data available.

## Riverside County Transportation Commission

## Full-time Equivalent Employees by Function/Program

## Last Ten Fiscal Years

| Function/Program | As of June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Management services and administration | 8.9 | 12.7 | 17.6 | 15.0 | 12.2 | 12.7 | 12.5 | 13.0 | 13.3 | 13.2 |
| Planning and programming | 5.5 | 5.1 | 5.4 | 6.4 | 5.0 | 3.4 | 3.7 | 3.6 | 3.6 | 3.9 |
| Rail operations | 3.3 | 2.9 | 3.1 | 2.8 | 3.1 | 1.6 | 2.0 | 2.4 | 2.5 | 2.5 |
| Right of way management | 1.7 | 1.4 | 1.1 | 2.0 | 1.7 | 1.0 | 1.1 | 0.7 | 0.7 | 0.6 |
| Specialized transit/transportation | 2.6 | 2.2 | 2.0 | 2.4 | 2.3 | 1.4 | 1.3 | 1.2 | 1.4 | 1.2 |
| Commuter assistance | 1.8 | 1.2 | 1.3 | 1.3 | 2.1 | 2.1 | 2.5 | 2.2 | 1.6 | 1.8 |
| Motorist assistance | 0.7 | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 1.0 | 1.0 | 1.0 |
| Capital project development and delivery | 12.5 | 9.7 | 6.8 | 4.4 | 3.0 | 2.0 | 1.1 | 0.9 | 0.9 | 0.8 |
| Total full-time equivalents | 37.0 | 36.0 | 38.0 | 35.0 | 30.2 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |

Source: Finance Department

## Riverside County Transportation Commission

### Operating Indicators

### Last Ten Fiscal Years

| | As of June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Commuter rail operations: | | | | | | | | | | |
| Weekday trips | 11,340 | 12,224 | 12,304 | 11,696 | 11,391 | 9,721 | 9,532 | 8,818 | 7,589 | 7,283 |
| Growth of average daily ridership on commuter lines: | | | | | | | | | | |
| Riverside line | 5,124 | 5,269 | 5,184 | 4,769 | 4,370 | 4,566 | 4,462 | 4,241 | 4,200 | 4,521 |
| IEOC line | 4,011 | 4,611 | 4,859 | 4,651 | 4,149 | 3,634 | 3,641 | 3,169 | 2,923 | 2,757 |
| 91 line | 2,205 | 2,344 | 2,261 | 2,276 | 2,107 | 1,876 | 1,700 | 1,557 | 240 | N/A |
| Farebox recovery ratio: | | | | | | | | | | |
| Riverside line | 52.5% | 51.0% | 53.01% | 67.07% | 48.5% | 46.9% | 51.1% | 49.8% | 55.3% | 50.9% |
| IEOC line | 28.3% | 37.3% | 42.60% | 42.19% | 45.5% | 48.7% | 56.6% | 49.3% | 46.3% | 50.4% |
| 91 line | 49.3% | 53.0% | 45.53% | 49.02% | 57.2% | 107.0% | 101.4% | 71.3% | 16.6% | N/A |
| Specialized transit/transportation: | | | | | | | | | | |
| Specialized transit grants awarded | 22 | 22 | 14 | 15 | 9 | 10 | 8 | 10 | 9 | 8 |
| Commuter assistance: | | | | | | | | | | |
| Club Ride members | N/A | 7,378 | 5,860 | 4,436 | 3,901 | 2,837 | 1,994 | 1,960 | 1,792 | 2,005 |
| Rideshare Incentive members | 1,131 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Rideshare Plus Rewards members | 7,080 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Incoming 1-866-RIDESHARE telephone calls | 2,145 | 2,423 | 3,709 | 2,613 | 2,433 | 801 | 829 | 1,243 | N/A | N/A |
| RideSmart Tips produced | N/A | N/A | N/A [1] | 45,304 | 27,790 | 32,379 | 9,335 | N/A | N/A | N/A |
| Rideguides produced | 43,319 | 34,940 | 23,121 | 24,676 | N/A | N/A | N/A | N/A | N/A | N/A |
| Commuter Exchange events | 50 | 73 | 71 | 60 | 23 | 5 | 9 | 8 | 10 | 9 |
| Motorist assistance: | | | | | | | | | | |
| Call boxes | 614 | 614 | 630 | 682 | 979 | 1,058 | 1,083 | 1,090 | 1,085 | 947 |
| Calls made from call boxes | 5,934 | 6,574 | 7,543 | 9,595 | 15,390 | 19,945 | 23,713 | 28,404 | 37,730 | 44,158 |
| Contracted Freeway Service Patrol vehicles | 22 | 20 | 20 | 17 | 15 | 15 | 15 | 13 | 13 | 12 |
| Vehicles assisted by Freeway Service Patrol | 48,312 | 43,119 | 45,500 | 40,025 | 31,838 | 32,542 | 32,564 | 27,485 | 25,952 | 25,679 |
| Transportation Uniform Mitigation Fee program: | | | | | | | | | | |
| Approved regional arterial projects | 24 | 24 | 24 | 24 | 24 | 24 | - | - | - | - |
| Measure A program: | | | | | | | | | | |
| Highways | $ 45,698,211 | $ 165,100,551 | $ 65,697,249 | $ 48,359,404 | $ 37,073,826 | $ 36,340,818 | $ 33,133,748 | $ 29,459,603 | $ 11,959,224 | $ 9,872,346 |
| Commuter rail | 20,312,056 | 32,089,238 | 12,419,675 | 14,044,435 | 2,784,423 | 2,250,187 | 8,116,270 | 24,973,615 | 4,254,712 | 2,025,664 |
| Regional arterials | 11,920,846 | 12,645,090 | 18,220,540 | 30,756,287 | 10,350,500 | 10,056,326 | 8,246,797 | 8,445,554 | 9,734,705 | 10,534,691 |
| Local streets and roads | 34,258,313 | 45,661,155 | 54,520,115 | 59,202,631 | 60,389,876 | 53,333,169 | 46,208,968 | 40,260,340 | 36,030,413 | 34,339,969 |
| Specialized transit and commuter assistance | 10,161,780 | 9,838,990 | 9,071,302 | 6,358,224 | 7,887,298 | 7,458,994 | 7,238,299 | 6,295,180 | 6,403,786 | 8,426,277 |
| Total program expenditures | $ 122,351,206 | $ 265,335,024 | $ 159,928,881 | $ 158,720,981 | $ 118,485,923 | $ 109,439,494 | $ 102,944,082 | $ 109,434,292 | $ 68,382,840 | $ 65,198,947 |

Source: Commission Departments

[1] This brochure was discontinued beginning FY 2007/08.

**Riverside County Transportation Commission**

**Capital Asset Statistics by Program**

**Last Ten Fiscal Years**

| | As of June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Commuter rail: | | | | | | | | | | |
| Commuter rail stations owned and managed | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 |
| Miles of commuter rail easements | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 |
| Commuter Assistance: | | | | | | | | | | |
| Commuter Exchange Vehicle | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source: Commission Departments

## APPENDIX B

## COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION

Set forth below is certain demographic and economic information with respect to the County of Riverside (the "County"). Such information is provided as general information and has been obtained from sources that the Commission believes to be reliable, but the Commission makes no representation as to the accuracy or completeness of the information included. The weakness of the economy at the County, State and national levels may not be reflected in the data presented below, as more recent information has not been made available to the Commission.

**Population**

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,139,535 as of January 1, 2010, representing a 38.4% increase since the 2000 Census or a simple annual average of 3.8%.

The County's population grew by over half a million since 2000, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The city of Murrieta added the most residents (over 57,000) to its population. Murrieta is followed by Riverside (48,885), Temecula (47,313), Moreno Valley (46,156), Indio (34,559), Corona (25,450), Beaumont (22,833), Lake Elsinore (22,055) and La Quinta (20,727) by number of residents being added to their populations. The city of Beaumont's population on a percentage basis increased the most since 2000 (185%). Several areas in the unincorporated County area also grew rapidly. These include Eastvale, Temescal Canyon, the El Sobrante/Lake Mathews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the city of Menifee occurred during this period while it was an unincorporated area. The cities of Menifee and Wildomar incorporated October 1, 2008 and July 1, 2008, respectively. On June 8, 2010, voters approved "Measure A," which was a measure for incorporation of the new city of Eastvale. Eastvale incorporated effective October 1, 2010. Between January 1, 2009 and January 1, 2010, the County population increased by 1.4%. Although this rate is below the average for this decade, it is above the State-wide average.

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

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

| CITY | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|
| Banning | 23,562 | 27,996 | 28,185 | 28,174 | 28,148 | 28,457 | 28,751 |
| Beaumont | 11,384 | 19,051 | 23,238 | 28,209 | 31,317 | 32,403 | 34,217 |
| Blythe | 20,465 | 22,052 | 22,234 | 22,608 | 21,627 | 21,329 | 21,812 |
| Calimesa | 7,139 | 7,491 | 7,475 | 7,435 | 7,423 | 7,498 | 7,555 |
| Canyon Lake | 9,952 | 10,950 | 10,983 | 10,955 | 10,994 | 11,128 | 11,225 |
| Cathedral City | 42,647 | 50,819 | 51,294 | 52,045 | 51,972 | 52,447 | 52,841 |
| Coachella | 22,724 | 30,879 | 35,354 | 38,437 | 40,317 | 41,000 | 42,591 |
| Corona | 124,966 | 144,600 | 145,265 | 145,847 | 146,698 | 148,597 | 150,416 |
| Desert Hot Springs | 16,582 | 20,820 | 23,459 | 24,856 | 25,939 | 26,552 | 26,811 |
| Hemet | 58,812 | 67,565 | 70,728 | 72,537 | 73,205 | 74,361 | 75,820 |
| Indian Wells | 3,816 | 4,796 | 4,885 | 4,934 | 5,000 | 5,093 | 5,144 |
| Indio | 49,116 | 66,358 | 71,949 | 77,046 | 80,962 | 82,230 | 83,675 |
| Lake Elsinore | 28,930 | 38,185 | 41,156 | 47,568 | 49,556 | 50,267 | 50,983 |
| La Quinta | 23,694 | 36,278 | 38,500 | 41,039 | 42,743 | 43,778 | 44,421 |
| Menifee | 0 | 0 | 0 | 0 | 0 | 67,705 | 68,905 |
| Moreno Valley | 142,379 | 165,935 | 175,294 | 180,228 | 182,945 | 186,301 | 188,537 |
| Murrieta | 44,282 | 85,328 | 93,221 | 97,031 | 99,576 | 100,714 | 101,487 |
| Norco | 24,157 | 26,783 | 27,355 | 27,329 | 27,143 | 27,160 | 27,370 |
| Palm Desert | 41,155 | 49,490 | 49,774 | 49,717 | 50,686 | 51,509 | 52,067 |
| Palm Springs | 42,805 | 45,877 | 46,629 | 46,796 | 47,019 | 47,601 | 48,040 |
| Perris | 36,189 | 44,758 | 47,335 | 50,597 | 53,340 | 54,323 | 55,133 |
| Rancho Mirage | 13,249 | 16,476 | 16,740 | 16,923 | 16,975 | 17,180 | 17,008 |
| Riverside | 255,166 | 286,563 | 288,984 | 291,812 | 296,191 | 300,430 | 304,051 |
| San Jacinto | 23,779 | 28,540 | 31,194 | 34,297 | 35,491 | 36,477 | 36,933 |
| Temecula | 57,716 | 81,681 | 93,673 | 97,141 | 99,873 | 102,604 | 105,029 |
| Wildomar | 0 | 0 | 0 | 0 | 0 | 31,321 | 31,907 |
| TOTALS | | | | | | | |
| Incorporated | 1,124,666 | 1,379,271 | 1,444,904 | 1,493,561 | 1,525,140 | 1,648,465 | 1,672,729 |
| Unincorporated | 420,721 | 504,464 | 517,110 | 536,754 | 553,461 | 459,188 | 466,806[1] |
| County-Wide | 1,545,387 | 1,883,735 | 1,962,014 | 2,030,315 | 2,078,601 | 2,107,653 | 2,139,535 |
| California | 33,873,086 | 36,676,931 | 37,086,191 | 37,472,074 | 37,883,992 | 38,292,687 | 38,648,090 |

Source: U.S. Census Bureau for 2000, State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark) for 2007¬2010.
[1] Includes the city of Eastvale, which was incorporated in October 2010.

**Industry and Employment**

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. The following table sets forth the annual average employment by industry for the PMSA. The table on the following page sets forth an employment data comparison by industry for June 2009 and June 2010.

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

| INDUSTRY | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Agriculture | 18.3 | 17.2 | 16.8 | 15.9 | 15.2 |
| Construction | 123.3 | 129.5 | 112.8 | 90.7 | 67.4 |
| Finance, Insurance and Real Estate | 49.0 | 51.8 | 50.1 | 46.7 | 43.6 |
| Government | 220.4 | 224.2 | 225.7 | 229.9 | 227.3 |
| Manufacturing: | 121.0 | 124.0 | 118.9 | 106.9 | 88.5 |
| Nondurables | 35.0 | 36.4 | 36.4 | 34.3 | 30.4 |
| Durables | 86.1 | 87.6 | 82.5 | 72.5 | 58.1 |
| Natural Resources and Mining | 1.4 | 1.4 | 1.4 | 1.2 | 1.2 |
| Retail Trade | 165.7 | 171.5 | 175.4 | 168.6 | 154.9 |
| Prof., Educ. and other Services | 416.5 | 436.2 | 446.3 | 440.7 | 419.6 |
| Trans., Whse. and Utilities | 60.2 | 63.8 | 66.7 | 70.2 | 66.5 |
| Wholesale Trade | 49.9 | 53.8 | 56.4 | 54.1 | 48.3 |
| Information, Pub. and Telecom. | 14.5 | 15.7 | 15.2 | 14.9 | 14.8 |
| Total, All Industries | 1,240.3 | 1,288.4 | 1,285.5 | 1,239.7 | 1,147.1 |

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

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

The following table sets forth an employment data comparison by industry for the period June 2009 and June 2010.

**RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA**
**EMPLOYMENT BY INDUSTRY FOR JUNE 2009 AND JUNE 2010(1)**
**(In Thousands)**

| INDUSTRY | June 2009 | June 2010 | Change |
|---|---|---|---|
| Total Farm | 20,900 | 20,700 | (200) |
| Total Nonfarm | 1,138,600 | 1,108,600 | (30,000) |
| Natural Resources | 1,200 | 1,200 | 0 |
| Construction | 69,600 | 58,700 | (10,900) |
| Manufacturing | 88,700 | 85,300 | (3,400) |
| Trade, Transportation & Utilities | 268,800 | 263,200 | (5,600) |
| Information | 14,900 | 14,400 | (500) |
| Financial Advisor | 43,300 | 42,100 | (1,200) |
| Professional & Business Services | 126,700 | 124,900 | (1,800) |
| Educational & Health Services | 132,300 | 132,400 | (100) |
| Leisure & Hospitality | 124,100 | 120,900 | (3,200) |
| Other Services | 37,500 | 36,300 | (1,200) |
| Government | 231,500 | 229,200 | (2,300) |
| Total All Industries | 1,159,500 | 1,129,300 | (30,200) |

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

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

The following table sets forth certain of the ten major employers located in the County as of 2010:

**COUNTY OF RIVERSIDE**
**CERTAIN MAJOR EMPLOYERS[1]**
**(2010)**

| Company Name | Product/Service | No. of Local Employees[2] |
|---|---|---|
| County of Riverside | County Government | 18,456 |
| March Air Reserve Base | Government/Military | 8,600 |
| University of California, Riverside | Education Institution | 7,321 |
| Stater Brothers Markets | Supermarket Retailer | 6,900 |
| Wal-Mart | Retail Store | 6,550 |
| Riverside Unified School District | School District | 5,099 |
| Abbott Vascular | Medical & Biotech Manufacturer | 4,500 |
| Pechanga Resort & Casino | Casino/Resort | 4,000 |
| Kaiser Permanente Riverside Medical Center | Healthcare | 3,600 |
| Temecula Valley Unified School District | School District | 2,752 |

Source: The Business Press 2010 Book of Lists.
(1) Certain major employers in the County may have been excluded because of the data collection methodology used by The Business Press.
(2) Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Unemployment statistics for the County, the State and the United States are set forth in the following table.

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | August 2010 |
|---|---|---|---|---|---|---|
| County[1] | 5.4% | 5.0% | 6.0% | 8.5% | 13.6% | 15.3%[2] |
| California[1] | 5.4 | 4.9 | 5.3 | 7.2 | 11.4 | 12.4[2] |
| United States | 5.1 | 4.6 | 4.6 | 5.8 | 9.3 | 9.6[3] |

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.
(1) Data is not seasonally adjusted. The unemployment data for the County and the Sate is calculated using unrounded data.
(2) Preliminary.
(2) Data is seasonally adjusted.

## Commercial Activity

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

## Taxable Sales Transactions

The following table sets forth taxable transactions in the County for the years 2004 through 2008. Annual figures for 2009 are unavailable.

**COUNTY OF RIVERSIDE**
**TAXABLE SALES TRANSACTIONS**
**(In Thousands)**

| Types of Business | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Apparel Stores Group | $ 867,276 | $ 990,129 | $ 1,080,385 | $ 1,171,013 | $ 1,121,543 |
| General Merchandise Group | 3,026,335 | 3,304,474 | 3,553,554 | 3,593,134 | 3,389,936 |
| Specialty Stores Group | 1,885,435 | 2,104,040 | 2,262,442 | --(1) | --(1) |
| Food Stores Group | 1,079,972 | 1,197,438 | 1,309,782 | 1,352,609 | 1,254,366 |
| Eating and Drinking Group | 1,940,610 | 2,157,801 | 2,316,422 | 2,388,039 | 2,340,554 |
| Household Group | 862,551 | 964,629 | 948,217 | 843,945 | 816,379 |
| Building Materials Group | 2,226,117 | 2,424,898 | 2,390,236 | 1,961,911 | 1,435,337 |
| Automotive Group | 6,035,203 | 6,751,648 | 6,956,756 | 7,137,075 | 6,126,512 |
| All Other Retail Stores Group(1) | 792,450 | 944,155 | 1,024,551 | 2,794,790 | 2,204,621 |
| Retail Stores Total | $18,715,949 | $20,839,212 | $21,842,345 | $21,242,516 | $18,689,249 |
| Business and Personal Services | 1,041,360 | 1,118,570 | 1,151,861 | 1,112,407 | 1,045,714 |
| All Other Outlets | 5,479,839 | 6,298,709 | 6,822,031 | 6,668,686 | 6,268,632 |
| Total All Outlets | $25,237,148 | $28,256,491 | $29,816,237 | $29,023,609 | $26,003,595 |

(1) All Other Retail Stores Group includes Specialty Stores Group for 2007 and 2008.
Source: California State Board of Equalization, Research and Statistics Division.

The following table sets forth taxable transactions in the County for first three quarters of 2009. Fourth quarter 2009 and annual 2010 figures are unavailable.

**COUNTY OF RIVERSIDE**
**2009 TAXABLE SALES TRANSACTIONS[1]**
**(In Thousands)**

| Type of Business | First Quarter | Second Quarter | Third Quarter |
|---|---|---|---|
| Motor Vehicle and Parts | $ 612,423 | $ 578,498 | $ 665,021 |
| Furniture and home Furnishings | 95,591 | 89,081 | 87,692 |
| Electronics and Appliances | 123,541 | 107,051 | 101,291 |
| Bldg. and Garden Materials and Supplies | 312,372 | 328,421 | 304,490 |
| Food and Beverage Stores | 298,034 | 329,766 | 305,843 |
| Health and Personal Care | 97,084 | 97,305 | 86,954 |
| Gasoline Stations | 478,046 | 596,811 | 633,269 |
| Clothing and Accessories | 299,946 | 313,286 | 285,969 |
| Sporting Goods, Books and Music | 107,324 | 93,058 | 85,138 |
| General Merchandise | 652,330 | 686,307 | 621,778 |
| Miscellaneous | 165,573 | 161,569 | 144,984 |
| Nonstore Retailers | 25,605 | 25,299 | 21,315 |
| Food Services and Drinking Places | 611,236 | 586,051 | 518,090 |
| Total Retail and Food Services | 3,879,106 | 3,965,502 | 3,861,833 |
| All Other Outlets | 1,567,104 | 1,547,852 | 1,525,453 |
| Total All Outlets | $5,446,210 | $5,513,354 | $5,387,286 |

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

(1) The taxable transaction figures by industry which are shown above may not be directly comparable to the "Total, All Outlets" figures due to rounded data. The categories for "Types of Business" are different from those in the prior table which sets forth taxable transactions in the County for the years 2004 through 2008.

**Building and Real Estate Activity**

The following tables set forth five-year summaries of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) for the years 2005 through 2009.

**COUNTY OF RIVERSIDE**
**BUILDING PERMIT VALUATIONS**
**(In Thousands)**

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| RESIDENTIAL | | | | | |
| New Single-Family | $6,243,790 | $4,412,257 | $2,207,520 | $1,214,752 | $ 891,825 |
| New Multi-Family | 407,429 | 431,579 | 238,316 | 243,741 | 76,717 |
| Alterations and Adjustments | 164,312 | 158,098 | 141,996 | 118,490 | 85,148 |
| Total Residential | $6,815,531 | $5,001,934 | $2,587,832 | $1,576,983 | $1,053,690 |
| NON-RESIDENTIAL | | | | | |
| New Commercial | $ 552,665 | $ 648,068 | $ 682,331 | $ 539,944 | $ 94,653 |
| New Industry | 120,366 | 288,353 | 184,506 | 70,411 | 12,278 |
| New Other[1] | 344,702 | 290,010 | 240,765 | 138,766 | 107,334 |
| Alterations & Adjustments | 274,339 | 303,407 | 350,539 | 292,694 | 162,557 |
| Total Nonresidential | $1,292,072 | $1,529,838 | $1,458,141 | $1,041,815 | $ 376,822 |
| TOTAL ALL BUILDING | $8,107,603 | $6,531,772 | $4,045,973 | $2,618,798 | $1,430,512 |

Source: Construction Industry Research Board.
(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

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

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Single Family | 29,994 | 20,692 | 9,763 | 3,815 | 3,424 |
| Multi-Family | 4,140 | 4,519 | 2,690 | 2,104 | 784 |
| TOTAL | 34,134 | 25,211 | 12,453 | 5,919 | 4,208 |

Source: Construction Industry Research Board.

The following table sets forth a comparison of median housing prices for Los Angeles County, Riverside County and Southern California as of August 2009 and August 2010.

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

| | August 2009 | August 2010 | Percent Change |
|---|---|---|---|
| County of Riverside | $190,000 | $200,000 | 5.3% |
| Los Angeles County | 329,500 | 330,000 | 0.2 |
| Southern California[1] | 275,000 | 288,000 | 4.7 |

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

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

**COUNTY OF RIVERSIDE**
**COMPARISON OF HOME FORECLOSURES**

| Year | Los Angeles | Riverside | San Bernardino | Southern California[1] |
|---|---|---|---|---|
| 2005 | 585 | 304 | 402 | 1,702 |
| 2006 | 1,997 | 1,778 | 1,011 | 7,355 |
| 2007 | 12,466 | 12,497 | 7,746 | 46,086 |
| 2008 | 35,366 | 32,423 | 23,557 | 125,056 |
| 2009 | 30,007 | 25,362 | 21,353 | 101,769 |
| 2010[2] | 14,147 | 11,255 | 9,129 | 56,383 |

Source: MDA DataQuick Information Systems.
(1) Southern California comprises Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
(2) First two quarters of 2010.

## Agriculture

Agriculture remains an important source of income in the County. Principal agricultural products are: nursery, milk, table grapes, eggs, avocados, grapefruit, alfalfa, bell peppers, dates, and lemons. Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border. The value of agricultural production in the County for the years 2005 through 2009 is set forth in the following table.

## COUNTY OF RIVERSIDE
## VALUE OF AGRICULTURAL PRODUCTION

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Citrus Fruits | $ 138,244,700 | $ 107,897,000 | $ 121,387,100 | $ 135,759,000 | $ 101,652,000 |
| Trees and Vines | 188,553,200 | 191,321,200 | 189,286,500 | 173,678,000 | 191,682,600 |
| Vegetables, Melons, Misc. | 261,019,500 | 213,643,300 | 234,854,700 | 266,414,900 | 221,286,700 |
| Field and Seed Crops | 77,687,300 | 68,611,700 | 94,492,000 | 123,545,400 | 69,699,800 |
| Nursery | 229,210,200 | 270,992,800 | 272,326,200 | 230,416,200 | 206,499,900 |
| Apiculture | 2,736,800 | 3,554,300 | 3,948,900 | 5,637,000 | 5,017,600 |
| Aquaculture Products | 13,367,300 | 13,367,300 | 9,829,200 | 12,077,700 | 5,243,900 |
| Total Crop Valuation | $ 910,819,000 | $ 869,387,600 | $ 926,124,600 | $ 947,529,000 | $ 801,082,500 |
| Livestock and Poultry Valuation | 257,852,100 | 234,903,400 | 338,938,600 | 321,060,000 | 214,672,800 |
| Grand Total | $1,168,671,100 | $1,104,291,000 | $1,265,063,200 | $1,268,589,900 | $1,015,755,300 |

Source: Riverside County Agricultural Commissioner.

### Transportation

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

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

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

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

**Education**

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

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

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## APPENDIX C

## SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of June 1, 2008, between the Riverside County Transportation Commission (the "Commission") and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended, including as supplemented and amended by the Third Supplemental Indenture, dated as of November 1, 2010 (hereinafter collectively referred to as the "Indenture"), between the Commission and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

**Definitions**

**Accreted Value** means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

**Accreted Value Table** means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

**Act** means the Riverside County Transportation Sales Tax Act, Division 25 (Section 240000 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

**Alternate Liquidity Facility** means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

**Annual Debt Service** means, for any Fiscal Year, the aggregate amount (without duplication) of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

**Assumed Debt Service** means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization schedule provided by the Commission for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Commission not exceeding thirty (30) years from the date of calculation, or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated on a level debt service basis or other amortization schedule provided by the Commission, based on a fixed interest rate equal to the rate at which the Commission could borrow for such period, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

**Authorized Denominations** means, with respect to 2010 Bonds, $5,000 and any integral multiple thereof.

**Authorized Representative** means the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Accounting and Human Resources Manager, or any other person designated to act on behalf of the Commission by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Commission by an Authorized Representative.

**Beneficial Owner** means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

**Board** means the Board of Commissioners of the Commission.

**Bond Obligation** means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

**Bond Reserve Fund** means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Bond Reserve Requirement** with respect to a Series of Bonds for which the Commission shall have established a Bond Reserve Fund shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Bondholder** or **Holder**, whenever used in the Indenture or in this Official Statement with respect to a Bond, means the person in whose name such Bond is registered.

**Bonds** means the Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, the Indenture.

**Build America Bonds** means each Series of Taxable Bonds accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

**Business Day** means, except as is otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds are issued, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State, the State of New York or the jurisdiction in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed, or (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, or (3) a day on which the New York Stock Exchange is closed.

**Capital Appreciation Bonds** means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

**Certificate**, **Statement**, **Request**, **Requisition** and **Order** of the Commission mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Commission by an Authorized Representative.

**Code** means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

**Commission** means the Riverside County Transportation Commission, a public entity of the State, duly organized and existing under the Act.

**Comparable Treasury Issue** means, with respect to any 2010 Series B Bond to be redeemed, the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the 2010 Series B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2010 Series B Bond being redeemed.

**Comparable Treasury Price** means, with respect to any date on which a 2010 Series B Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on the third Business Day preceding the date fixed for redemption.

**Comparable Treasury Yield** means, with respect to any 2010 Series B Bond to be redeemed, the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2010 Series B Bond being redeemed. The Comparable Treasury Yield will be determined as of the third Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the 2010 Series B Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2010 Series B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2010 Series B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) at the Comparable

Treasury Price (each as defined herein) as of the date fixed for redemption (which Comparable Treasury Price shall be determined based upon the bid and asked prices for the Comparable Treasury Issue on the third Business Day preceding the date fixed for redemption in accordance with the procedures prescribed in the definition herein of the term "Comparable Treasury Price").

**Continuing Disclosure Agreement** means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series of Bonds, executed by the Commission and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

**Corporate Trust Office** or **corporate trust office** means the corporate trust office of the Trustee at U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, CA 90071, Attention: Corporate Trust Services, or such other or additional offices as may be designated by the Trustee from time to time.

**Costs of Issuance** means all items of expense directly or indirectly payable by or reimbursable to the Commission and related to the authorization, execution, sale and delivery of a Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series of Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement in connection with the delivery of such Series of Bonds, and any other cost, charge or fee in connection with the initial delivery of a Series of Bonds or any Parity Obligations delivered in connection with a Series of Bonds.

**Costs of Issuance Fund** means a fund by that name established pursuant to the provisions of a Supplemental Indenture to pay Costs of Issuance with respect to a Series of Bonds being issued pursuant to such Supplemental Indenture.

**Costs of the Project** means all items of expense related to the Project and directly or indirectly payable by or reimbursable to the Commission in accordance with the Act and the Ordinance.

**Counterparty** means an entity which has entered into an Interest Rate Swap Agreement with the Commission.

**County** means the County of Riverside, California.

**Credit Enhancement** means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

**Credit Provider** means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

**Current Interest Bonds** means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

**Debt Service**, when used with respect to any Bonds or Parity Obligations (for purposes of this definition of "Debt Service," herein collectively referred to as "Obligations"), means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on such Obligations during such Fiscal Year and (2) the principal or Mandatory Sinking Account Payments required with respect to such Obligations during such Fiscal Year; computed on the assumption that no portion of such Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(A) Excluded Principal Payments (and the interest related thereto, provided such interest is being paid from the same source as the Excluded Principal Payments), shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(B) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Obligations, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(C) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the five (5) years preceding such date of calculation;

(D) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five (5) years preceding such date of calculation;

(E) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Commission filed with the Trustee, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Commission under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Commission under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an "off-market" Interest Rate Swap Agreement), then, in such instance, such excess amounts expected to be payable by the Commission under such Interest Rate Swap Agreement shall be included in the calculation of Debt Service;

(F) with respect to any Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in place providing for a net variable interest rate with respect to such Obligations for a specific term, the interest rate on such Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Obligations, minus (ii) the fixed interest rate receivable by the Commission under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the Commission, or, if not based on an identifiable index, then the SIFMA Swap Index, in each case, over the five (5) years preceding the date of calculation;

(G) if any Obligations feature an option, on the part of the owners or an obligation under the terms of such Obligations, to tender all or a portion of such Obligations to the Commission, the Trustee or other fiduciary or agent, and requires that such Obligations or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Obligations, the options or obligations of the owners of such Obligations to tender the same for purchase or payment prior to the stated maturity or maturities shall be ignored and not treated as a principal maturity; and

(H) principal and interest payments on Obligations shall be excluded to the extent such payments are to be paid from Revenues then held on deposit by the Trustee or from other amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or from Subsidy Payments.

**Defeasance Securities** means: (i) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series securities; (ii) direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself; (iii) Resolution Funding Corp. securities ("REFCORP"), provided, however, only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable; (iv) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's, provided, however, that if such municipal bonds are rated only by Standard & Poor's, then such pre-refunded municipal bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or "AAA" rated pre-refunded municipal bonds; (v) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (a) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (b) General Services Administration - participation certificates; (c) U.S. Maritime Administration - Guaranteed Title XI financing; (d) Small Business Administration guaranteed participation certificates and guaranteed pool certificates; (e) GNMA guaranteed MSB and participation certificates; and (f) U.S. Department of Housing and Urban Development (HUD) Local Authority Bonds, or (vi) certain obligations of government-sponsored agencies that are not backed by the full faith and credit of the United States limited to: (a) Federal Home Loan Mortgage Corp. (FHLMC) debt obligations; (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes; (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; (d) Federal National Mortgage Association (FNMA) debt obligations; (e) Student Loan Marketing Association (SLMA) debt obligations; and (f) Financing Corp. (FICO) debt obligations; and (g) other obligations approved by the Rating Agencies for defeasance escrows rated in the highest Rating Category.

**Dissemination Agent** means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the Commission and which has entered into a Continuing Disclosure Agreement with the Commission.

**DTC** means The Depository Trust Company, New York, New York, or any successor thereto.

**Electronic Means** means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

**Event of Default** means any of the events of default described below under the caption "EVENTS OF DEFAULT AND REMEDIES—Events of Default."

**Excluded Principal Payment** means each payment of principal of Bonds or Parity Obligations which the Commission determines (in the Certificate of the Commission) that the Commission intends to pay with moneys that are not Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Commission, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Commission, upon which determination of the Commission the Trustee may conclusively rely. No such determination shall affect the security for such Bonds or the obligation of the Commission to pay such payments from Sales Tax Revenues or amounts on deposit in the Bond Reserve Fund, if any. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

**Expiration** (and other forms of "expire") means, when used with respect to a Credit Enhancement or Liquidity Facility, the expiration of such Credit Enhancement or Liquidity Facility in accordance with its terms.

**Fees and Expenses Fund** means the fund by that name established pursuant to 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 12-month period hereafter selected and designated as the official fiscal year period of the Commission, which designation shall be provided to the Trustee in a Certificate delivered by the Commission.

**Fitch** means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

**Holder** or **Bondholder**, whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

**Indenture** means the Indenture, dated as of June 1, 2008, between the Trustee and the Commission, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

**Independent Banking Institution** means, with respect to any 2010 Series B Bond to be redeemed, an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the Commission (which may be one of the underwriters of the 2010 Series B Bonds). If the Commission fails to appoint an Independent Banking Institution at least 45 days prior to the date fixed for redemption, or if the Independent Banking

Institution appointed by the Commission is unwilling or unable to determine the Comparable Treasury Yield, the Comparable Treasury Yield will be determined by an Independent Banking Institution designated by the Trustee.

**Initial Swaps** means the following Interest Rate Swap Agreements, in a combined notional amount of $185,000,000, which Initial Swaps have an effective date of October 1, 2009:

a. ISDA Master Agreement, dated as of August 22, 2006, between Bank of America, N.A. ("BofA") and the Commission, as supplemented by the Schedule, dated as of August 22, 2006 and the confirmation of a transaction entered into on August 22, 2006 between BofA and the Commission; and

b. ISDA Master Agreement, dated as of August 22, 2006, between Lehman Brothers Derivative Products Inc. ("Lehman") and the Commission, as supplemented by the Schedule, dated as of August 22, 2006 and the confirmation of a transaction entered into on August 22, 2006 between Lehman and the Commission.

**Insurance** means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

**Insurer** means any provider of Insurance with respect to a Series of Bonds.

**Interest Fund** means the fund by that name established pursuant to the Indenture.

**Interest Payment Date**, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Interest Rate Swap Agreement** means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Commission and a Counterparty, in connection with, or incidental to, the issuance or carrying of Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds.

**Investment Securities** means the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America;

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody's and Standard & Poor's;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which have been rated in one of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated by both Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be

entitled to rely on each such undertaking, or (c) be issued by an institution the senior debt obligations of which are rated "AA" or higher by Standard & Poor's;

(9) taxable commercial paper, other than that issued by bank holding companies, or tax-exempt commercial paper rated in the highest Rating Category by both Moody's and Standard & Poor's;

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 103% of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 103% of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by a financial institution or insurance company which: (a) has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's; or (b) is fully secured by obligations described in items (1), (2), (3) or (4) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the

Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

(14) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (13) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(15) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(16) bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by both Moody's and Standard & Poor's, which purchases may not exceed two hundred seventy (270) days maturity;

(17) the pooled investment fund of the County of Riverside, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;

(18) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(19) obligations of the Resolution Trust Corporation and interest obligations of the Resolution Funding Corporation;

(20) financial futures or financial option contracts with an entity the debt securities of which are rated in the highest short-term or one of the two highest long-term rating categories by Fitch, Moody's and Standard & Poor's; and

(21) any other forms of investments, including repurchase agreements, approved by the Board and consented to by each Credit Provider and Liquidity Provider then providing Credit Enhancement or a Liquidity Facility for a Series of Bonds.

**Issue Date** means, with respect to the 2010 Bonds, the date on which the 2010 Bonds are first delivered to the purchasers thereof.

**Letter of Credit Account** means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Liquidity Facility** means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

**Liquidity Facility Bonds** means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

**Liquidity Facility Rate** means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

**Liquidity Provider** means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

**Make-Whole Premium** means, with respect to any 2010 Series B Bond to be redeemed, an amount calculated by an Independent Banking Institution (as defined herein) equal to the positive difference, if any, between:

(1) The sum of the present values, calculated as of the date fixed for redemption of:

(a) Each interest payment that, but for the redemption, would have been payable on the 2010 Series B Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such 2010 Series B Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such 2010 Series B Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2010 Series B Bond to the date fixed for redemption; plus

(b) The principal amount that, but for such redemption, would have been payable on the maturity date of the 2010 Series B Bond or portion thereof being redeemed; minus

(2) The principal amount of the 2010 Series B Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield (as defined herein) , plus the applicable spread specified in the Indenture. See “THE 2010 BONDS—Redemption of 2010 Series B Bonds—Optional Redemption with Make-Whole Premium” and “—Extraordinary Optional Redemption of 2010 Series B Bonds” in the main body of this Official Statement..

**Mandatory Sinking Account Payment** means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Indenture establishing the terms and provisions of such Series of Bonds to be deposited by the Commission in a Sinking Account for the payment of Term Bonds of such Series and maturity.

**Maturity Date** means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Maximum Annual Debt Service** means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding and all Parity Obligations outstanding during the period from the date of such calculation through the final maturity date of the Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

**Maximum Interest Rate** means, with respect to all Bonds other than Liquidity Facility Bonds, the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time, and means, with respect to Liquidity Facility Bonds, the lesser of (x) the Liquidity Facility Rate and (ii) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

**Moody's** means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation 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 Commission.

**1988 Ordinance** means the Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance, adopted by the Commission on July 6, 1988 and approved by a majority of the electors voting on such proposition on November 8, 1988, as supplemented and amended.

**1988 Sales Tax** means the sales and use tax imposed by the Commission pursuant to the 1988 Ordinance from July 1, 1989 to June 30, 2009.

**1988 Sales Tax Revenues** means 100% of the amounts collected by the State Board of Equalization on behalf of the Commission pursuant to the Act from the 1988 Sales Tax.

**Notes** means the Riverside County Transportation Commission Commercial Paper Notes (Limited Tax Bonds), Series A and Series B, authorized by, and at any time Outstanding pursuant to, the Notes Indenture in an aggregate amount not to exceed two hundred million dollars ($200,000,000).

**Notes Indenture** means the Indenture, dated as of March 1, 2005, between the Commission and U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, as trustee, as supplemented and amended from time to time pursuant to its terms.

**Notes Trustee** means U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, as trustee under the Notes Indenture, and its successors and assigns.

**Notice Parties** means, as and to the extent applicable, the Commission, the Trustee, the Credit Provider, if any, for the Series of Bonds to which the notice being given relates, the auction agent, if any, for the Series of Bonds to which the notice being given relates, the broker-dealer, if any, for the Series of Bonds to which the notice being given relates, the Liquidity Provider, if any, for the Series of Bonds to which the notice being given relates, and the remarketing agent, if any, for the Series of Bonds to which the notice being given relates.

**Obligations** has the meaning given to such term in the definition of "Debt Service."

**One Month USD LIBOR Rate** means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

**Opinion of Bond Counsel** means a written opinion of a law firm of national standing in the field of public finance selected by the Commission.

**Ordinance** means the 2002 Ordinance, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Act from time to time and that is designated as an "Ordinance" under the Indenture pursuant to a Supplemental Indenture, as such future ordinance may be amended or extended pursuant to the Act from time to time.

**Outstanding**, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Commission shall have been discharged in accordance with the provisions of the Indenture described below under the caption "Discharge of Liability on Bonds," and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Commission and the pledge of Revenues and all covenants, agreements and other obligations of the Commission to the Holders shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Holders.

**Parity Obligations** means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Commission for borrowed money, (ii) any obligation to pay the Rebate Requirement, or (iii) the Initial Swaps, or any other Interest Rate Swap Agreement (excluding fees and expenses and termination payments on the Initial Swaps or any other Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case (other than in the case of the Initial Swaps) incurred in accordance with the Indenture and in each case having an equal lien and charge upon the Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

**Participating Underwriter** means any of the original underwriters of a Series of Bonds required to comply with 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.

**Person** means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**Principal Fund** means the fund by that name established pursuant to the Indenture.

**Principal Office** means, with respect to the Trustee, the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, CA 90071, Attention: Corporate Trust Services, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

**Project** means capital outlay expenditures for transportation purposes, including the construction, capital, acquisition and maintenance of streets, roads, highways and public transit systems and related purposes permitted by the Ordinance, including planning, environmental reviews, engineering and design costs and right-of-way acquisition and also including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during the construction period and for a period of not to exceed three years thereafter, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

**Project Fund** means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

**Proportionate Basis**, when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

**Purchase Fund** means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Rating Agency** means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the Commission.

**Rating Category** means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**Rebate Fund** means that fund by that name established pursuant to the Indenture.

**Rebate Instructions** means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Commission pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

**Rebate Requirement** means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

**Record Date** means, with respect to the 2010 Bonds, the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

**Recovery Zone Bonds** means Build America Bonds which have additionally been designated "recovery zone economic development bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, including as codified in Section 1400U-2 of the Code, or any successor thereto or replacement thereof.

**Redemption Date** means the date fixed for redemption of Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

**Redemption Fund** means the fund by that name established pursuant to the Indenture.

**Redemption Price** means, with respect to any 2010 Bond or a portion thereof, 100% of the principal amount thereof to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Third Supplemental Indenture.

**Reference Treasury Dealer** means, with respect to any 2010 Series B Bond to be redeemed, a primary United States Government securities dealer in the United States appointed by the Commission and reasonably acceptable to the Independent Banking Institution (which may be one of the underwriters of the 2010 Series B Bonds). If the Commission fails to select the Reference Treasury Dealers within a reasonable period of time, the Trustee will select the Reference Treasury Dealers in consultation with the Commission.

**Refunding Bonds** means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions of the Indenture described below under the caption "Issuance of Refunding Bonds."

**Repositories** means the public or private entities designated as Repositories in a Continuing Disclosure Agreement entered into in connection with a Series of Bonds.

**Reserve Facility** means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

**Reserve Facility Provider** means any issuer of a Reserve Facility.

**Revenue Fund** means the Revenue Fund established pursuant to the Indenture.

**Revenues** means: (i) all Sales Tax Revenues; and (ii) all Swap Revenues. In accordance with the provisions of the Indenture described below under the caption "Issuance of Additional Bonds," the Commission by Supplemental Indenture may provide for additional revenues or assets of the Commission to be included in the definition of Revenues under the Indenture.

**Rule 15c2-12** means Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

**Sales Tax Revenues** means the amounts available for distribution to the Commission on and after July 1, 2009 on account of the retail transactions and use tax imposed in the County of Riverside pursuant to the Act and the Ordinance after deducting amounts payable by the Commission to the State Board of Equalization for costs and expenses for its services in connection with the retail transactions and use taxes collected pursuant to the Act.

**Securities Depository** means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Commission may designate in a Request of the Commission delivered to the Trustee.

**Serial Bonds** means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

**Series**, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as in the Indenture provided.

**SIFMA Swap Index** means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA"), or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

**Sinking Account** means an account by that name established in the Principal Fund for the payment of Term Bonds.

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

**State** means the State of California.

**State Board of Equalization** means the California State Board of Equalization.

**Subordinate Obligations** means the Notes, any other obligations of the Commission that constitute "Parity Debt" under and as defined in the Notes Indenture, and any other obligations of the

Commission issued or incurred in accordance with the provisions of the Indenture described in paragraph (D) under the caption "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations" set forth below.

**Subordinate Obligations Fund** means the fund by that name established pursuant to the Indenture.

**Subsidy Payments** means payments with respect to the interest due on a Series of Build America Bonds to be made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code.

**Supplemental Indenture** means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is authorized specifically under the Indenture.

**Swap Revenues** means all regularly-scheduled amounts (but not termination payments) owed or paid to the Commission by any Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Commission to such Counterparty under such Interest Rate Swap Agreement.

**Tax Certificate** means each Tax Certificate delivered by the Commission at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

**Tax-Exempt** means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

**Tax-Exempt Securities** means bonds, notes or other securities the interest on which is Tax-Exempt.

**Tax Expiration Date** means June 30, 2039, or such later date to which the levy of the retail transactions and use tax is extended in accordance with the Act and the Ordinance.

**Tax Law Change** means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Commission, would be to suspend, reduce or terminate the Subsidy Payments from the United States Treasury to the Commission or the Trustee as its agent with respect to the 2010 Series B Bonds, or payments to state or local government issuers generally with respect to obligations of the general character of, and issued in the same calendar year as, the 2010 Series B Bonds, pursuant to Sections 54AA or 6431 of the Code of an amount equal to 35% (45% for Recovery Zone Bonds) of the interest due thereon on each Interest Payment Date; provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the Commission to comply with the requirements under the Code to receive such Subsidy Payments.

**Taxable Bonds** means each Series of Bonds the interest on which is included in gross income for federal tax purposes. The provisions of the Indenture described under the captions "Rebate Fund" and "Tax Covenants" below are not applicable to Taxable Bonds.

**Term Bonds** means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

**Termination** (and other forms of "terminate") means, when used with respect to any Credit Enhancement or Liquidity Facility, the replacement, removal, surrender or other termination of such Credit Enhancement or Liquidity Facility, other than an Expiration or an extension or renewal thereof; provided, however, that Termination does not include immediate suspension or automatic termination events.

**Third Supplemental Indenture** means the Third Supplemental Indenture, between the Commission and the Trustee, as amended and supplemented from time to time.

**Trustee** means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

**2002 Ordinance** means the Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance, adopted by the Commission on May 8, 2002, and approved by at least two-thirds of electors voting on such proposition in the November 5, 2002 election, as supplemented and amended.

**2010 Bonds** means, collectively, the 2010 Series A Bonds and the 2010 Series B Bonds authorized by Article XXVIII of this Indenture.

**2010 Bonds Project Fund** means the fund by that name established pursuant to the Indenture.

**2010 Bonds Tax Certificate** means, collectively, the Tax Certificates executed on behalf of the Commission in connection with the issuance of the 2010 Bonds.

**2010 Costs of Issuance Fund** means the fund by that name established pursuant to the Indenture.

**2010 Series A Bonds** shall mean the Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Tax-Exempt), authorized by Article XXVIII of the Indenture.

**2010 Series B Bonds** shall mean the Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (Taxable Build America Bonds), authorized by Article XXVIII of the Indenture.

**Variable Rate Indebtedness** means any indebtedness, including Bonds, Parity Obligations, and Subordinate Obligations, the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

**Tax Covenants for 2010 Series B Bonds**

The Commission will irrevocably elect to apply the provisions of Section 54AA(d) of the Code to the 2010 Series B Bonds and intends that the 2010 Series B Bonds be treated as Build America Bonds. In addition, the Commission will irrevocably elect to treat the 2010 Series B Bonds as "Qualified Bonds" within the meaning of Section 54AA(g)(2) of the Code such that the 2010 Series B Bonds will be eligible for direct payment by the federal government of the Subsidy Payments with respect to the 2010 Series B Bonds.

The Commission will not use or permit the use of any proceeds of the 2010 Series B Bonds or any funds of the Commission, directly or indirectly, to acquire any securities or obligations that would adversely affect the receipt of the Subsidy Payments, and will not take or permit to be taken any other action or actions, which would cause any such 2010 Series B Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Commission will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Commission will comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the 2010 Series B Bonds.

The Commission will comply with the provisions and procedures of the 2010 Bonds Tax Certificate.

The Commission will not use or permit the use of any proceeds of the 2010 Series B Bonds or any funds of the Commission (so long as such proceeds or other funds are under its control) or any funds held by the Trustee under the Indenture, directly or indirectly, in any manner, and will not take or omit to take any action, that would adversely affect the receipt of the Subsidy Payments.

The Trustee shall, within the 45-day period beginning on the date that is 90 days before the next Interest Payment Date with respect to the 2010 Series B Bonds, file Form 8038-CP or any successor form designated by the federal government, requesting payment of the Subsidy Payments with respect to the next interest payment on the 2010 Series B Bonds. The Commission shall provide all information and assistance to the Trustee as may be required to facilitate the timely filing of all documentation required to enable the Trustee to collect and receive the Subsidy Payments with respect to the 2010 Series B Bonds on the Commission's behalf. Immediately upon receipt of any Subsidy Payments with respect to the 2010 Series B Bonds, the Trustee shall deposit such amounts into the Interest Fund.

Notwithstanding any provisions of the Indenture described under this caption "TAX COVENANTS FOR 2010 SERIES B BONDS" or the 2010 Bonds Tax Certificate, if the Commission shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required as described under this caption "TAX COVENANTS FOR 2010 SERIES B BONDS" is no longer required or that some further or different action is required to maintain the receipt of the Subsidy Payments with respect to the 2010 Series B Bonds, the Trustee and the Commission may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding any other provision of this Indenture or the 2010 Bonds Tax Certificate, the covenants hereunder shall be deemed to be modified to that extent.

**Covenants for Subsidy Payments With Respect to 2010 Series B Bonds**

The Commission covenants in the Indenture for the benefit of Holders of the 2010 Series B Bonds to comply with any and all conditions to receive payments with respect to the interest due on the 2010 Series B Bonds to be made by the United States Treasury pursuant to Section 54AA of the Code or

Section 6431 of the Code or any successor to either of such provisions of the Code, and to maintain the Commission's right to retain or receive future Subsidy Payments with respect to the 2010 Series B Bonds.

**2010 Bonds Project Fund**

The monies set aside and placed in the 2010 Bonds Project Fund shall be expended for the purpose of paying a portion of the Costs of the Project and shall not be used for any other purpose whatsoever. Pursuant to the Indenture, all interest, profits and other income received from the investment of moneys in the 2010 Bonds Project Fund shall be deposited in the 2010 Bonds Project Fund.

Before any payment from the 2010 Bonds Project Fund shall be made by the Trustee, the Commission shall file or cause to be filed with the Trustee a requisition of the Commission to be signed by an Authorized Representative.

When the Commission determines that the portion of the Project funded with the 2010 Series B Bonds has been completed, a Certificate of the Commission shall be delivered to the Trustee by the Commission stating the fact and date of such completion and that the Trustee is to transfer the remaining balance in the 2010 Bonds Project Fund relating to such 2010 Series B Bonds, less the amount of any retention necessary pursuant to the terms of the Indenture, to the Revenue Fund.

**2010 Costs of Issuance Fund**

The monies set aside and placed in the 2010 Costs of Issuance Fund shall be expended for the purpose of paying the Costs of Issuance of the 2010 Bonds. Before any payment from the 2010 Costs of Issuance Fund shall be made by the Trustee, the Commission shall file or cause to be filed with the Trustee a requisition of the Commission in the form attached to the Indenture to be signed by an Authorized Representative. On May 1, 2011 any remaining amounts in the 2010 Costs of Issuance Fund shall be transferred to the Revenue Fund and the 2010 Costs of Issuance Fund shall be closed.

**Pledge of Revenues; Revenue Fund**

As security for the payment of all amounts owing on the Bonds and Parity Obligations, there are irrevocably pledged to the Trustee: (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The collateral identified above shall immediately be subject to the pledge described above, and such pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Commission and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Revenues and all amounts held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund) shall be irrevocable until all of the Bonds, all Parity Obligations and amounts owed in connection with the Bonds and Parity Obligations are no longer Outstanding.

All Bonds and Parity Obligations shall be of equal rank without preference, priority or distinction of any Bonds and Parity Obligations over any other Bonds and Parity Obligations.

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Commission assigns and shall cause Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall forthwith deposit in a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, all Sales Tax Revenues, when and as received by the Trustee. The Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and the Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. Investment income on amounts held by the Trustee under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, a Letter of Credit Account or a Purchase Fund, are provided in a Supplemental Indenture, shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Holders of the Bonds and the holders of Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

The Bonds are limited obligations of the Commission and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged under the Indenture.

**Allocation of Sales Tax Revenues**

So long as any Bonds are Outstanding and Parity Obligations, Subordinate Obligations, and all other amounts payable under the Indenture remain unpaid, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations); provided further that payments on Interest Rate Swap Agreements that are payable on a parity with the Bonds shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the provisions of the Indenture described below under the caption "Payment Provisions Applicable to Interest Rate Swap Agreements":

**Interest Fund**. Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that, from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds, the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of

Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Commission, or if the Commission shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus 100 basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued under the Indenture and then Outstanding, and on June 1 and December 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than June 1 and December 1) shall be transferred to the Commission (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Swap Revenues received with respect to Interest Rate Swap Agreements that are Parity Obligations shall be deposited in the Interest Fund and credited to the above-required deposits.

**Principal Fund; Sinking Accounts**. Following receipt of the Sales Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six (6) months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve (12) months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Indenture and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than June 1 of each year, the Trustee shall request from the Commission a Certificate of the Commission setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than June 1) shall be transferred to the Commission.

**Bond Reserve Fund**. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described in paragraph (D) under the caption "Funding and Application of Bond Reserve Funds," each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS – No Reserve Fund for 2010 Bonds" in the main body of this Official Statement.

**Subordinate Obligations Fund**. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." As long as any Subordinate Obligations remain unpaid, any Revenues remaining in the Revenue Fund, after the transfers to the Interest Fund, the Principal Fund and the Bond Reserve Fund described above have been made, shall be transferred on the same Business Day to the Notes Trustee. After the Notes Trustee has made the required deposit of Revenues under the Notes Indenture, the Notes Trustee shall transfer any remaining Revenues back to the Trustee.

**Fees and Expenses Fund**. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." At the direction of the Commission, after the transfers to the Interest Fund, the Principal Fund, the Bond Reserve Fund and the Subordinate Obligations Fund described above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds or any Parity Obligations) owing in such month or the following month by the Commission in connection with the Bonds or any Parity Obligations and (ii) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Commission in connection with Subordinate Obligations. The Commission shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers to the funds and accounts described above, except as the Commission shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Commission on the same Business Day or as soon as practicable thereafter. The Commission may use and apply the Revenues when received by it for any lawful purpose of the Commission, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

If, five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date, the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent not required to satisfy the Bond Reserve Requirement, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

**Establishment and Application of Funds and Accounts**

Each of the funds and accounts described below is established pursuant to the Indenture.

**Interest Fund**. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purposes of: (a) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit, and (b) making periodic payments on Interest Rate Swap Agreements, as provided pursuant to the provisions of the Indenture described below under the caption "Payment Provisions Applicable to Interest Rate Swap Agreements".

**Principal Fund**. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture, or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "_____ Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Commission, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Commission, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi- annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Commission has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the provisions of the Indenture described herein shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Commission by the Trustee. Any amounts remaining in a Sinking Account on June 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Commission to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Commission with the Trustee in a twelve month period ending May 31 (or in a six-month period ending May 31 or November 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Commission. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Commission.

**Funding and Application of Bond Reserve Funds.** The Commission may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Commission shall be available to secure one or more Series of Bonds as the Commission shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Commission shall be held by the Trustee and shall comply with the requirements of the Indenture described under this caption.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Commission), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds, the Commission may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of both Moody's and Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the paragraph below, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this caption. At least one (1) year prior to the stated expiration of such letter of credit, the Commission shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture described in the paragraph below. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Commission. If the Commission shall fail to deposit a replacement Reserve Facility with the Trustee, the Commission shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Commission) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Commission may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of both Moody's and Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Commission shall immediately implement (i) or (iii) of the preceding paragraph or make twelve equal monthly deposits to such Bond Reserve Fund so that the Bond Reserve Fund is replenished to the required level after a year.

Subject to the provisions of the Indenture described in the final paragraph under this caption, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee; (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment or redemption of all Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Bond Reserve Fund relates when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, securing the Bonds of such Series, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

The Trustee shall notify the Commission of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the Interest Fund or the Principal Fund relating to the Bonds of the Series to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the provisions of the Indenture described below under the caption "Investment in Funds and Accounts" and shall request that the Commission replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Commission shall instruct the Trustee to commence setting aside in each month following receipt of Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation of Investment Securities and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates, an amount equal to one-twelfth (1/12th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Sales Tax Revenues each month, commencing with the month following the Commission's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates.

Unless the Commission shall otherwise direct in writing, any amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates shall be transferred by the Trustee to the Commission on the Business Day following June 1 of each year; provided that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Commission upon the defeasance, retirement or refunding of all Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with the provisions of the Indenture described above. The Bond Reserve Requirement shall only be calculated upon the issuance or retirement of a Series of Bonds and upon the defeasance of all or a portion of a Series of Bonds.

**Subordinate Obligations Fund**. All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with the Indenture.

**Fees and Expenses Fund**. All amounts in the Fees and Expenses Fund shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Commission in connection with the Bonds or any Parity Obligations or Subordinate Obligations as such amounts shall become due and payable.

**Redemption Fund.** The Trustee shall establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Commission with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Commission, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Commission in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Commission, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Fund) as is directed by the Commission, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Commission.

**Rebate Fund.** Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Commission. Subject to the transfer provisions provided in the Indenture, 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 federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the applicable Tax Certificates. The Commission covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Commission delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto).

**Payment Provisions Applicable to Interest Rate Swap Agreements**

The Initial Swaps have been entered into by the Commission and the obligation of the Commission to make payments required under the Initial Swaps (excluding fees and expenses and termination payments under the Initial Swaps) constitutes a Parity Obligation under the Indenture and shall be payable from the Interest Fund, and the amounts received by the Commission, if any, pursuant to such Initial Swaps shall be applied to the deposits required under the Indenture. In the event the Commission shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds other than the Initial Swaps, the amounts received by the Commission, if any, pursuant to such Interest Rate Swap Agreement shall also be applied to the deposits required under the Indenture. If the Commission so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Commission so designates in a Certificate of the Commission delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) shall constitute Parity Obligations under the Indenture, and, in such event, the Commission shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided in the Indenture, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such

Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, from amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

**Investment in Funds and Accounts**

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Commission, solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the Commission with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (12) of the definition thereof and the Trustee shall thereupon request investment instructions from the Commission for such moneys.

Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Commission shall direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of June 1 and December 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary in the Indenture, in making any valuations of investments under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Commission may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

**Issuance of Additional Bonds and Other Obligations**

**Issuance of Additional Bonds**. The Commission may by Supplemental Indenture establish one or more additional Series of Bonds, payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the Commission may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Commission, but only upon compliance by the Commission with the provisions of the Indenture described under this caption and described below under the caption "Proceedings for Issuance of Additional Bonds" and with any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is a condition precedent to the issuance of any such additional Series of Bonds.

(A) No Event of Default shall have occurred and then be continuing.

(B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Commission or from both such sources or may be made in the form of a Reserve Facility.

(C) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by the Act or any other law or by any Supplemental Indenture.

(D) The Commission shall place on file with the Trustee a Certificate of the Commission certifying that the amount of Sales Tax Revenues and 1988 Sales Tax Revenues collected during the Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.5 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(E) Principal payments of each additional Series of Bonds shall be due on June 1 or December 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Commission with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent deemed practical in the reasonable judgment of the Commission with regard to the type of Bond to be issued.

Nothing in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the provisions of the Indenture described in paragraph (D) above as if such additional assets or revenues had always been included in "Revenues."

**Proceedings for Issuance of Additional Bonds.** Before any additional Series of Bonds shall be issued and delivered, the Commission shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Commission.

(B) A Certificate of the Commission certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) under the caption "Issuance of Additional Bonds" have been satisfied by the Commission.

(C) A Certificate of the Commission certifying (on the basis of computations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" is satisfied.

(D) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Bonds, when duly executed by the Commission and authenticated and delivered by the Trustee, will be valid and binding obligations of the Commission.

**Issuance of Refunding Bonds**. Refunding Bonds may be authorized and issued by the Commission without compliance with the provisions of the Indenture described in paragraph (D) above under the caption "Issuance of Additional Bonds" and in paragraph (C) above under the caption "Proceedings for Issuance of Additional Bonds;" provided that the Trustee shall have been provided with a Certificate of the Commission to the effect that the Commission has determined one of the following: (i) that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds, or (ii) that the Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

(1) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(3) any termination payment owed by the Commission to a Counterparty after offset for any payments made to the Commission from such Counterparty under any Interest Rate Swap Agreement that was entered into in connection with the Bonds or Parity Obligations to be refunded;

(4) interest on all Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(5) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded; and

(6) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the provisions of the Indenture described under this caption, the Commission shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied).

(1) A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Commission.

(2) A Certificate of the Commission certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds or that the Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the Commission; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Commission may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds.

(4) An Opinion of Bond Counsel to the effect that the Supplemental Indenture is being entered into in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Commission and authenticated and delivered by the Trustee, will be valid and binding obligations of the Commission.

**Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations**. The Commission will not, so long as any Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Sales Tax Revenues except the following:

(B) Bonds authorized pursuant to provisions in the Indenture described above under the caption "Issuance of Additional Bonds;"

(C) Refunding Bonds authorized pursuant to the provisions of the Indenture described above under the caption "Issuance of Refunding Bonds; "

(D) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(5) Such Parity Obligations have been duly and legally authorized by the Commission for any lawful purpose;

(6) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Commission to that effect, which Certificate of the Commission shall be filed with the Trustee;

(7) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture and described above under the caption "Issuance of Refunding Bonds" or (ii) the Commission shall have placed on file with the Trustee a Certificate of the Commission, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based; and

(8) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Commission shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

(D) Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable and at the times and in the amounts as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(9) Such Subordinate Obligations have been duly and legally authorized by the Commission for any lawful purpose;

(10) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the Commission to that effect; and

(11) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the Commission shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the

Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

Notwithstanding the foregoing, the Notes and the credit agreements supporting the Notes may continue to be issued and outstanding from time to time under the Notes Indenture without complying with the foregoing provisions of (D).

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that may be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

(F) The obligation of the Commission to make payments required under the Initial Swaps (excluding fees and expenses and termination payments under the Initial Swaps) constitutes a Parity Obligation under the Indenture. The obligation of the Commission to pay fees, expenses and termination payments under the Initial Swaps is secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

**Calculation of Maximum Annual Debt Service with Respect to Bonds and Parity Obligations**. For purposes of the Indenture, Maximum Annual Debt Service with respect to Bonds shall be determined no later than the date of delivery of such Bonds, and no earlier than the sixtieth ($60^{th}$) day preceding the date of pricing or sale of such Bonds, utilizing the assumptions set forth in the definition of Debt Service. For purposes of the Indenture, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service; provided, however, that if a Parity Obligation is contingent upon funds being provided pursuant to such Parity Obligation to pay principal, or purchase price of, or interest on a Bond, such Parity Obligations shall not be considered outstanding until such payment is made thereunder.

**Certain Covenants of the Commission**

**Punctual Payments**. The Commission will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Revenues as provided in the Indenture.

**Against Encumbrances**. The Commission will not create any pledge, lien or charge upon any of the Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted pursuant to the provisions of the Indenture described above under the caption "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations".

**Accounting Records and Financial Statements**. The Commission will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

The Commission will furnish the Trustee, with copies to each Credit Provider and each Liquidity Provider, within two hundred ten (210) days after the end of each Fiscal Year or as soon thereafter as they can practically be furnished, the financial statements of the Commission for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of an Authorized Representative stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Commission to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Commission, which copy of the financial statements may, at the sole discretion of the Commission, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

**Collection of Sales Tax Revenues**. The Commission covenants and agrees that it has duly levied a retail transactions and use tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Commission. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the Commission will continue to levy and collect such retail transactions and use tax to the full amount permitted by law. The Commission further covenants that it has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of said retail transactions and use tax and will transmit Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Commission will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the Commission by the State Board of Equalization.

Sales Tax Revenues received by the Trustee shall be transmitted to the Commission in accordance with the provisions of the Indenture described above under the caption "Allocation of Sales Tax Revenues"; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee shall be applied as described below under the caption "Application of the Revenues and Other Funds After Default; No Acceleration".

The Commission covenants and agrees to separately account for all Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Commission covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act which would materially and adversely affect the rights of Bondholders.

**Tax Covenants**. The Commission covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Commission may exclude the application of the covenants contained in this caption "Tax Covenant" and the caption "Rebate Fund" above to such Series of Bonds. The Commission has excluded the 2010 Series B Bonds from the application of these covenants. See "TAX COVENANTS FOR 2010 SERIES B BONDS" above. The Commission will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Commission, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Commission will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Commission is of the opinion that for purposes of this caption "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Commission shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Commission agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Commission specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this caption "Tax Covenant" and the caption "Rebate Fund" above and any Tax Certificate, if the Commission shall receive an Opinion of Bond Counsel to the effect that any action required under this caption "Tax Covenant" and the caption "Rebate Fund" above or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenants under the Indenture shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Indenture, including particularly Article X, the covenants and obligations set forth in this caption shall survive the defeasance of the Bonds or any Series thereof.

**Continuing Disclosure**. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Commission covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Commission to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission to comply with its obligations under the Indenture.

**Events of Default and Remedies**

**Events of Default**. The following are Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

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

(C) if the Commission shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as described in subsection (A) or (B) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Commission by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the Commission has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Commission shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) if any payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the Commission files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(F) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Commission insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Commission, or approving a petition filed against the Commission seeking reorganization of the Commission under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Commission or of the Revenues, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 240300 to 240323, inclusive, of the Public Utilities Code of the State, unless the Commission has reasonably determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

**Application of the Revenues and Other Funds After Default; No Acceleration.** If an Event of Default shall occur and be continuing, the Commission shall immediately transfer to the Trustee all Revenues held by it and the Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Indenture) as follows and in the following order:

(12) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(13) to the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations 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, with interest on such Bond Obligation, at the rate or

rates of interest borne by the respective Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference;

(14) to the extent Revenues are available therefor, to be transferred to the trustee for the Subordinate Obligations in the amount necessary for payment of Subordinate Obligations; and

(15) to the payment of all other obligations payable under the Indenture.

Notwithstanding anything in the Indenture to the contrary, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing.

**Trustee to Represent Bondholders.** The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. 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 all the Holders of such Bonds, subject to the provisions of the Indenture.

**Bondholders' Direction of Proceedings.** Anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Provider to direct proceedings as described below under the caption "Credit Provider Directs Remedies Upon Event of Default") notwithstanding, the Holders of a majority in aggregate amount of Bond Obligation 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 furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and 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 Bondholders or holders of Parity Obligations not parties to such direction.

**Limitation on Bondholders' Right to Sue.** No Holder 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 Act or any other applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted to the Trustee pursuant to the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

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

**Credit Provider Directs Remedies Upon Event of Default**. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Provider's consent shall not be required as otherwise provided in the Indenture if such Credit Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Provider.

**Modification or Amendment of the Indenture**

**Amendments Permitted**. The Indenture and the rights and obligations of the Commission, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission and the Trustee may enter into when the written consent of the Holders of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture.

No such modification or amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Indenture and the rights and obligations of the Commission, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Commission 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 Commission;

(2) 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, or in regard to matters or questions arising under the Indenture, as the Commission may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional Series of Bonds pursuant to the applicable provisions of the Indenture;

(5) to make modifications or adjustments necessary appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Commission may deem desirable; subject to the provisions of the Indenture;

(6) to make modifications or adjustments necessary, appropriate or desirable to

provide for change from one interest rate mode to another in connection with any Series of Bonds;

(7) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(8) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(9) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds;

(10) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(11) if the Commission agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(12) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(13) to modify, alter, amend or supplement the Indenture in any other respect, including amendments that would otherwise be described in the first two paragraphs under this caption, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture; or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(14) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture described under this caption shall be deemed not to materially adversely affect the interest of the Holders so long as (i) all Bonds are secured by a Credit Enhancement and (ii) each Credit Provider shall have given its written consent to such Supplemental Indenture in accordance with the provisions of the Indenture.

**Effect of Supplemental Indenture**. From and after the time any Supplemental Indenture becomes effective, 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 Commission, the Trustee and all Holders of Bonds Outstanding 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.

**Defeasance**

**Discharge of Indenture**. Bonds of any Series or a portion thereof may be paid by the Commission in any of the following ways:

(A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when they become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Commission shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the Commission , then and in that case, at the election of the Commission (evidenced by a Certificate of the Commission, filed with the Trustee, signifying the intention of the Commission to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Commission under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Commission, the Trustee shall cause an accounting for such period or periods as may be requested by the Commission to be prepared and filed with the Commission and shall execute and deliver to the Commission all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Commission all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

**Discharge of Liability on Bonds**. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Commission in respect of such Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Commission shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

If the Bonds being discharged are Variable Rate Indebtedness, (i) the Bonds shall be redeemed at the first possible redemption date or purchase date applicable to such Bonds and to the extent the rate of interest payable on such Bonds prior to such redemption or purchase date is not known, such rate of interest shall be assumed to be the maximum rate payable thereon or (ii) the Trustee shall receive a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in the reduction or withdrawal of the then-current ratings on the Bonds.

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

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

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Commission) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

**Payment of Bonds After Discharge of Indenture**. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Commission free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Commission as aforesaid, the Trustee may (at the cost of the Commission) first mail to the Holders of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Commission of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Holders thereof and the Trustee shall not be required to pay Holders any interest on, or be liable to the Holders or any other person (other than the Commission) for interest earned on, moneys so held. Any interest earned thereon shall belong to the Commission and shall be deposited upon receipt by the Trustee into the Revenue Fund.

## APPENDIX D

## BOOK ENTRY SYSTEM

*The information in this Appendix D concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's Book-Entry System has been obtained from DTC and the Commission, the Trustee and the Underwriters take no responsibility for the completeness or accuracy thereof.*

The Commission, the Trustee and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants or others will distribute any (a) payments of principal or purchase price or interest with respect to the 2010 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2010 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2010 Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. The Commission, the Trustee and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a beneficial owner with respect to the 2010 Bonds or an error or delay relating thereto.

DTC will act as securities depository for the 2010 Bonds. The 2010 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 2010 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 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 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 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 the 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 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 the 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2010 Bond documents. For example, Beneficial Owners of the 2010 Bonds may wish to ascertain that the nominee holding the 2010 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 2010 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.*

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or purchase price of and interest on the 2010 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 Commission or the Trustee, 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, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2010 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

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

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* By written notice of the Trustee, DTC will modify its practice and observe a pro rata reduction of principal with respect to the 2010 Series B Bonds.

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## APPENDIX E

## PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Riverside County Transportation Commission
Riverside, California

Riverside County Transportation Commission
Sales Tax Revenue Bonds (Limited Tax Bonds)
2010 Series A (Tax-Exempt) and
2010 Series B (Taxable Build America Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Riverside County Transportation Commission (the "Issuer") in connection with issuance of $150,000,000 aggregate principal amount of Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Tax-Exempt) (the "2010 Series A Bonds") and 2010 Series B (Taxable Build America Bonds) (the "2010 Series B Bonds") (collectively, the "Bonds"), issued pursuant to an Indenture, dated as of June 1, 2008, as previously supplemented, and as supplemented by a Third Supplemental Indenture, dated as of November 1, 2010 (herein collectively referred to as the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, 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 opinion speaks only as of its date and is not intended to, and may not, be relied upon 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 Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, 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 interest on the 2010 Series A Bonds to be included in gross income for federal income tax purposes. 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 county transportation commissions in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, 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 state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. 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 the valid and binding limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.

3. Interest on the 2010 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2010 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of California personal income taxes. Interest on the 2010 Series B Bonds is not excludable from gross income for federal income tax purposes. 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.

**Circular 230 Disclaimer.** To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties that may be imposed under the Code, or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

# APPENDIX F

# PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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**CONTINUING DISCLOSURE AGREEMENT**

**by and between**

**RIVERSIDE COUNTY TRANSPORTATION COMMISSION**

**and**

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.,**
**as Dissemination Agent**

**Dated as of November 1, 2010**

**Relating to**

**$37,630,000**
**RIVERSIDE COUNTY**
**TRANSPORTATION COMMISSION**
**Sales Tax Revenue Bonds**
**(Limited Tax Bonds)**
**2010 Series A (Tax-Exempt)**

**$112,370,000**
**RIVERSIDE COUNTY**
**TRANSPORTATION COMMISSION**
**Sales Tax Revenue Bonds**
**(Limited Tax Bonds)**
**2010 Series B**
**(Taxable Build America Bonds)**

## CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement"), dated as of November 1, 2010, is by and between the RIVERSIDE COUNTY TRANSPORTATION COMMISSION, a public entity duly established and existing under the laws of the State of California (the "Commission"), and Digital Assurance Certification, L.L.C., as Dissemination Agent (the "Dissemination Agent").

**WITNESSETH:**

**WHEREAS**, the Commission has issued $37,630,000 Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) 2010 Series A (Tax-Exempt) (the "2010 Series A Bonds") and $112,370,000 Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) 2010 Series B (Taxable Build America Bonds) (the "2010 Series B Bonds" and, together with the 2010 Series A Bonds, the "2010 Bonds") pursuant to an Indenture, dated as of June 1, 2008, between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented, including as supplemented by a Third Supplemental Indenture, dated as of November 1, 2010, between the Commission and the Trustee (collectively, the "Indenture"); and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the Commission and the Dissemination Agent for the benefit of the owners and beneficial owners of the 2010 Bonds and in order to assist the underwriters of the 2010 Bonds in complying with the Rule (as defined herein);

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

**Section 1. Definitions**. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture. In addition, the following capitalized terms shall have the following meanings:

**"Annual Report"** means any Annual Report provided by the Commission pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

**"Disclosure Representative"** means the Chief Financial Officer of the Commission, or such other officer or employee of the Commission as the Executive Director of the Commission or the Chief Financial Officer of the Commission shall designate in writing to the Dissemination Agent and the Trustee from time to time.

**"Dissemination Agent"** means an entity selected and retained by the Commission, or any successor thereto selected by the Commission. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

**"Listed Events"** means any of the events listed in subsection (a) of Section 4 hereof.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"Participating Underwriters"** means the underwriters of the 2010 Bonds required to comply with the Rule in connection with the offering of the 2010 Bonds.

**"Repository"** means, until otherwise designated by the Securities and Exchange Commission, the Electronic Municipal Market Access website of the MSRB located at http://emma.msrb.org.

**"Rule"** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 2. Provisions of Annual Reports**.

(a) The Commission shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of each Fiscal Year, commencing with the report for the Commission's fiscal year ended June 30, 2010, provide to each Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Commission 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 Fiscal Year changes for the Commission, the Commission shall give notice of such change in the manner provided under Section 4 (f) hereof.

(b) Not later than two (2) Business Days prior to the date specified in subsection (a) for providing the Annual Report to each Repository, the Commission shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Commission, the Dissemination Agent shall contact the Commission to determine if the Commission is in compliance with the first sentence of subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report of the Commission has been provided to each Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached hereto as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall: (i) determine each year, prior to the date for providing the Annual Report, the name and address of each Repository, and file the Annual Report so provided therewith; and (ii) upon verification of filing, file a report with the Commission and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing the Repository or Repositories to which it was provided.

**Section 3.** **Content of Annual Reports**. The Commission's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Commission for the prior Fiscal Year, 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 Commission's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The debt service schedule for the 2010 Bonds, if there have been any unscheduled redemptions, retirements or defeasances, and the debt service on any additional parity bonds issued, in each case during the prior Fiscal Year.

(c) The actual Sales Tax Revenues for the prior Fiscal Year consistent with the information concerning Sales Tax Revenues set forth in the Official Statement under the caption "THE SALES TAX," including but not limited to an update of the table entitled "Historical Sales Tax Revenues" set forth in the Official Statement under the caption "THE SALES TAX – Historical Sales Tax Revenues"; provided, that commencing with the fiscal year ending June 30, 2010, the Commission shall provide such information with respect to Sales Tax Revenues in lieu of such information with respect to Sales Tax Revenues.

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 Commission or public entities related thereto, which have been submitted to each Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Commission shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the Commission to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Commission or to reflect changes in the business, structure, operations, legal form of the Commission or any mergers, consolidations, acquisitions or dispositions made by or affecting the Commission; provided that any such modifications shall comply with the requirements of the Rule.

**Section 4.** **Reporting of Significant Events**. (a) Pursuant to the provisions of this Section, the Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2010 Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

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

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled Bond calls.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(b) The Commission shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Commission promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) of this Section.

(c) Whenever the Commission obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) of this Section or otherwise, the Commission shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the Commission has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Commission shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) of this Section.

(e) If in response to a request under subsection (b) of this Section, the Commission determines that the Listed Event would not be material under applicable Federal securities law, the Commission shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) of this Section.

(f) If the Dissemination Agent has been instructed by the Commission to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB and each Repository. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (8) and (9) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2010 Bonds pursuant to the Indenture.

**Section 5.** **Filings with the MSRB**. All information, operating data, financial statements, notices and other documents provided to the MSRB as Repository in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

**Section 6.** **Termination of Reporting Obligation**. The Commission's obligations under this Disclosure Agreement shall terminate upon the legal defeasance or payment in full of all of the 2010 Bonds. If such termination occurs prior to the final maturity of the 2010 Bonds, the Commission shall give notice of such termination in the same manner as for a Listed Event under subsection (f) of Section 2 hereof.

**Section 7.** **Dissemination Agent**. The Commission may, from time to time, appoint or engage another 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. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent; provided, it shall receive written notice of such designation at the time of such designation.

**Section 8.** **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Agreement, the Commission may amend this Disclosure Agreement, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Commission to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**Section 9.** **Additional Information**. Nothing in this Disclosure Agreement shall be deemed to prevent the Commission 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 or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

**Section 10.** **Default**. In the event of a failure of the Commission or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee shall, at the written request of any Participating Underwriter or of the Holders of at least twenty-five percent (25%) of the aggregate principal amount of the 2010 Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Holder or beneficial owner of the 2010 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission 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 Commission or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 11.** **Duties, Immunities and Liabilities of Dissemination Agent**. The Dissemination Agent shall not be responsible for the form or content of any notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Commission 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 arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Commission under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2010 Bonds.

**Section 12.** **Notices**. Any notices or communications to or among any of the parties to the Disclosure Agreement or the Trustee may be given as follows:

| | | |
|---|---|---|
| To the Commission: | Riverside County Transportation Commission<br>4080 Lemon Street, 3rd Floor<br>Riverside, California 92501<br>Tel: (951) 787-7926<br>Fax: (951) 787-7920 | Mail:<br><br>P.O. Box 12008<br>Riverside, California 92502 |
| To the Dissemination Agent: | Digital Assurance Certification, L.L.C.<br>390 North Orange Avenue, Suite 1750<br>Orlando, Florida 32801<br>Tel: (407) 515-1100<br>Fax: (407) 515-6513 | |
| To the Trustee: | U.S. Bank National Association<br>633 West Fifth Street, 24th Floor<br>Los Angeles, California 90071<br>Attention: Corporate Trust Division<br>Tel: (213) 615-6023<br>Fax: (213) 615-6197 | |

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Any notice or communication may also be sent by electronic mail, receipt of which shall be confirmed.

**Section 13.** **Beneficiaries**. This Disclosure Agreement shall inure solely to the benefit of the Commission, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2010 Bonds, and shall create no rights in any other person or entity.

**Section 14.** **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.

**RIVERSIDE COUNTY TRANSPORTATION COMMISSION**

By: ________________________________________
Theresia Trevino
Chief Financial Officer

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.,**
as Dissemination Agent

By: ________________________________________
Authorized Representative

## EXHIBIT A

## NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | Riverside County Transportation Commission (the “Commission”) |
| Name of Issue: | $37,630,000 Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) 2010 Series A (Tax-Exempt) |
| | $112,370,000 Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) 2010 Series B (Taxable Build America Bonds) |
| Date of Issuance: | November 30, 2010 |

NOTICE IS HEREBY GIVEN that the Commission has not provided an Annual Report with respect to the above-named Bonds as required by this Continuing Disclosure Agreement dated as of November 1, 2010, between the Commission and the Dissemination Agent. The Commission anticipates that the Annual Report will be filed by _____________.

Dated: _______________

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.**, as Dissemination Agent, on behalf of the Commission

cc: Riverside County Transportation Commission

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RIVERSIDE COUNTY TRANSPORTATION COMMISSION • SALES TAX REVENUE BONDS (LIMITED TAX BONDS) 2010 SERIES A AND 2010 SERIES B

RCTC

Riverside County Transportation Commission

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