CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

ISSUE: In anticipation of a proposed remarketing of the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (The Colburn School) Series 2008 (2008 Bonds) to Wells Fargo Bank, National Association (Wells Fargo Bank), The Colburn School (School or Borrower) requests amendments to certain documents relating to the 2008 Bonds. The amendments will clarify certain provisions of the existing indenture and loan agreement, add a new interest rate mode permitting the 2008 Bonds to bear interest at a rate indexed to a LIBOR (London Interbank Offered Rate) rate (Index Rate) for specified periods (each an Index Rate Period), and permit the 2008 Bonds to be held unrated by a qualified institutional buyer (as defined herein) during an Index Rate Period.

BACKGROUND INFORMATION: The School is a not-for-profit corporation that provides high-quality performing arts education to students of all ages (toddler to adults) and abilities (novices to advanced).

On March 30 2005, the I-Bank issued two series of bonds (2005 Bonds) totaling $130,000,000 as variable rate demand bonds secured by a letter of credit to finance and refinance the construction, furnishing and equipping of an educational facility, consisting of an approximately 384,000 square foot building that houses a library, performance lab, rehearsal hall, studios, classrooms, practice rooms, cafeteria, and dormitory as well as an outdoor plaza and parking facilities related thereto located at 201 South Olive Street, Los Angeles, California and with a street address of 200 South Grand Avenue, Los Angeles, California, and the renovation, furnishing and equipping of certain areas within an existing educational facility owned and operated by the Borrower located at 200 South Grand Avenue, Los Angeles, California, and to pay issuance costs of the 2005 Bonds. Construction and renovation of the facilities was completed in August 2007.

On November 30, 2006, the I-Bank issued its Variable Rate Revenue Bonds, Series 2006A and Series 2006B (together, the 2006 Bonds) totaling $132.925 million in order to refund the 2005 Bonds. The 2006 Bonds were marketed as auction rate securities secured by bond insurance provided by Ambac Assurance Corporation (Ambac). The proceeds of the 2006 Bonds were used to refund all of the outstanding 2005 Bonds, to fund a reserve fund and capitalized interest, and to pay bond insurance and costs of issuance of the 2006 Bonds.

On July 22, 2008, the I-Bank Board approved Resolution 08-22 authorizing the issuance of tax-exempt bonds in an amount not to exceed $150,000,000 on behalf of the School in order to refund the 2006 Bonds, in whole or in part. On December 9, 2008, the I-Bank issued $69,190,000 of 2008 Bonds which refunded all of the outstanding Series 2006B Bonds as well as $3,000,000 of the Series 2006A Bonds. The 2008 Bonds are secured by a direct pay letter of credit provided by Allied Irish Banks, p.l.c (AIB). Currently, $64,925,000 of the Series 2006A Bonds remain outstanding as auction rate securities secured by Ambac. The Staff Report dated

July 22, 2008, and a copy of Resolution 08-22 are attached for a more complete description of the transaction and financing structure (see Attachment A).

NEED FOR AMENDMENTS/APPROVAL OF NEW TAX AGREEMENT: As a result of the recent downgrading of the credit rating of AIB, the School has negotiated the remarketing of the 2008 Bonds for purchase by Wells Fargo Bank.

In conjunction with this anticipated remarketing, the School has requested an amendment of the indenture and loan agreement for the 2008 Bonds to add a new interest rate calculation method, indexed to a LIBOR rate, and to permit bonds bearing interest at this new Index Rate to be unrated, to the extent they are held by Qualified Institutional Buyers within the meaning of Section 144(A) promulgated under the Securities Act of 1933, as amended (Qualified Institutional Buyers or QIBs). Amendments to the original indenture and loan agreement will also clarify certain provisions in anticipation of the planned remarketing to Wells Fargo Bank and establish an initial Index Rate Period during which the 2008 Bonds are to be held by Wells Fargo Bank for an initial period of five years.

The amendments to the indenture do not require bondholder consent, as they will become effective only after thirty day's notice to bondholders who will then have the opportunity to tender their bonds prior to the date the amendments become effective. However, these amendments do result in a material change to the terms of the 2008 Bonds as approved by the I-Bank Board, and as such the authority to enter into these amended documents does not fit within the scope of the Executive Director's existing delegated authority established by Resolution 08-35.

It is the plan of the School, once the amendments to the indenture and loan agreement are effective, to remarket the 2008 Bonds for purchase by Wells Fargo Bank. Tax counsel has advised I-Bank staff that this remarketing will constitute a "reissuance" of the 2008 Bonds under federal tax law, and has advised that a new tax agreement and certificate must be entered into between the I-Bank and the School.

The approval of this new tax agreement does not fit within the scope of the Executive Director's existing delegated authority established by Resolution 08-05.

FINANCING STRUCTURE: In accordance with the I-Bank's adopted Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities (Policies), the I-Bank's general policy is to issue bonds bearing certain minimum ratings. The Policies provide that the Board may waive the requirement for a credit rating where bonds are sold using a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor**. The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the Infrastructure Bank. Each investor must be a qualified institutional buyer within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the Infrastructure Bank.

2. **Resale Limitations**. Depending on the circumstances of the proposed sale, the Infrastructure Bank may require conditions for the resale of the 2008 Bonds after initial issuance.
3. **Minimum Denomination**. The Infrastructure Bank will require a minimum bond denomination of at least $100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The proposed amendments would permit the 2008 Bonds to be unrated during an Index Rate Period, as long as the 2008 Bonds are held by a Qualified Institutional Buyer , and would restrict the remarketing or transfer of such unrated Index Rate bonds except to Qualified Institutional Buyers. The proposed amendment would also require that bonds bearing an Index Rate of interest will be held in minimum denominations of $500,000 and any integral multiple of $5,000 in excess thereof.

It is anticipated that the 2008 Bonds will be remarketed to Wells Fargo Bank, which has represented to I-Bank staff that it is a QIB. Pursuant to the terms of the proposed amended indenture, Wells Fargo Bank will be required to formally certify to its status as a QIB prior to purchase upon remarketing. Specifically, Wells Fargo Bank will be required to certify, among other things, that: (i) it is a Qualified Institutional Buyer; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the 2008 Bonds and that it is able to bear the economic risks of such investment; and, (iii) unless the 2008 Bonds are subsequently rated by a rating agency at a rating which meets the I-Bank's minimum rating standards, it will not transfer its interest in the 2008 Bonds, except to another QIB signing a sophisticated investor letter, and only in denominations of $500,000 or greater. Each QIB purchaser, including Wells Fargo Bank, will also be required to certify that it understands there is no liability on the part of the I-Bank or the State to make any payment on the 2008 Bonds other than the I-Bank's limited obligation to make payments from revenues received from the Borrower.

RECOMMENDATION: Staff recommends approval of Resolution 11-01 authorizing an amended and restated Indenture and an amended and restated Loan Agreement, to, among other things, add an Index Rate method of setting interest on the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (The Colburn School), Series 2008, and to permit the 2008 Bonds to be held unrated by a Qualified Institutional Buyer during an Index Rate Period. Resolution 11-01 would also authorize a tax agreement in relation to the anticipated remarketing of the 2008 Bonds.

Attachment A – July 22, 2008 Staff Report and Resolution 08-22

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

EXECUTIVE SUMMARY			
Applicant:	The Colburn School (Colburn)	**Amount Requested:**	Not to exceed $150,000,000
Applicant Description:	Colburn is a California nonprofit public benefit corporation providing high-quality performing arts education to students of all ages (toddler to adults) and abilities (novices to advanced).	**Date of Bd. Mtg.:**	July 22, 2008
		Resolution No.:	08-22
		Type of Issue:	Refunding
Project Site:	200 S. Grand Avenue, Los Angeles, California 90012 (Los Angeles County).	**Prepared by:** Tara Dunn and Andrea Kennedy	
Project Description:	The I-Bank previously issued bonds in 2005 and 2006 to finance and refinance the construction, furnishing and equipping of an educational facility, consisting of an approximately 384,000 square foot building that houses a library, performance lab, rehearsal hall, studios, classrooms, practice rooms, cafeteria, dormitory, outdoor plaza and parking facilities related thereto, and the renovation, furnishing and equipping of certain areas within the existing school facility (Project). The Project was completed in August 2007. Two series of Bonds issued by the I-Bank in 2006 refunded bonds issued by the I-Bank in 2005, and both series of bonds were issued as auction rate securities.		
Uses of Bond Proceeds:	Bond proceeds (2008 Bonds) are expected to be used to refund the 2006B Bonds, and possibly a portion of the 2006A Bonds, to variable rate demand bonds and to pay the costs of issuance. In the event Colburn does not convert the 2006A Bonds to fixed rate, Colburn will also refund the remaining 2006A Bonds.		
Public Benefits:	In addition to a variety of performing arts programs offered to students, performances are attended by a broad economic and ethnic spectrum of the greater Los Angeles community. Through its mission to offer high quality performing arts education, Colburn hosts free concerts and performances by the Zipper Orchestra and operates many community programs exposing 20,000 elementary school children each year to performing arts.		

Financing Structure:

	Refunding of 2006B Bonds	In addition to the refunding as shown at left, Colburn will either:		
Amount	Up to $70 million	Convert the existing 2006A Bonds to fixed rate, and possibly refund a small portion as part of the VRDB Bonds	**OR**	Refund the 2006A Bonds up to $80 million
Type of Issue	New Variable Rate Demand Bonds (VRDB)	N/A		New Fixed rate Bonds
Tax Status	Tax-Exempt	Tax-Exempt		Tax-Exempt
Term	29 years	29 years		35 years
Credit Enhancement	Direct-pay letter of credit (LOC) from Allied Irish Bank, plc (AIB)	Existing Ambac Assurance, Inc. (Ambac) bond insurance		None
Expected Credit Rating	AIB's current ratings are AA by S&P and Aa by Moody's Investors Service, Inc. (Moody's).	Ambac's current Standard & Poor's (S&P) credit rating is AA		Underlying Colburn credit rating of an A or higher by one or more rating agencies.

Total Est. Sources of Funds:		**Total Est. Uses of Funds:**	
2008A/B Bond Proceeds	$150,000,000	Refunding 2006 Bonds	$132,925,000
		Cost of Issuance	1,327,293
		Reserve Fund/Additional funds	15,747,707
TOTAL SOURCES	**$150,000,000***	**TOTAL USES**	**$150,000,000**

**Total amount required to refund both the 2006A and 2006B Bonds; the amount of the 2008 Bonds will be approximately $70 million if the 2006A Bonds are converted instead of refunded.*

Financing Team:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter's Counsel: Hawkins, Delafield & Wood, LLP
Underwriter: Banc of America Securities LLC
Trustee: Wells Fargo Corporate Trust Services

Staff Recommendation:
Staff recommends approval of Resolution 08-22 for an amount not to exceed $150,000,000 for The Colburn School.

BACKGROUND AND HISTORY

The Colburn School (Colburn) is a nonprofit, public benefit corporation located in the financial district of downtown Los Angeles. Colburn is an independent community school of the arts, serving students of all ages and abilities, whose mission is to offer the highest quality performing arts education by an outstanding faculty in an optimal learning environment. Colburn is located on two adjacent sites leased through 2082 from the Community Redevelopment Agency of Los Angeles for nominal rent prepaid through the lease term. Colburn owns all improvements located on leased land.

Colburn offers programs in music, dance and drama to students of all ages and abilities through the School of Performing Arts (non-degree granting), and offers professional training in music through the Conservatory of Music (degree-granting). Although originally begun as a preparatory program for the University of Southern California in 1950, Colburn became an independent community school of the arts in 1980 and was accredited as a non-degree granting institution by the National Association of Schools of Music. Colburn maintains an open enrollment policy for the School of Performing Arts with current enrollment of approximately 1,700 students.

Additionally, the Colburn Conservatory of Music opened in 2003, offering an undergraduate degree program and specialized professional training performance programs. Enrollment in the Conservatory of Music is based on an application and highly competitive audition process and there are 100 students currently enrolled.

Accreditation and Affiliations

Colburn is accredited by the National Association of Schools of Music and is a member of the National Guild of Community Schools of the Arts, Inc., the American Association of Collegiate Registrars and Admissions Officers, and the National Association for College Admission Counseling.

Colburn was approved to operate a degree program by the State and received licensing for the Conservatory of Music programs from the State's Bureau for Private Postsecondary and Vocational Education (Bureau) based upon a review of the programs and site visit to the Colburn. The Bureau ceased to exist on June 30, 2007, following the expiration of the Private Postsecondary and Vocational Education Reform Act. Colburn subsequently entered into a Voluntary Agreement with the Director of the Department of Consumer Affairs effective July 1, 2007, under which agreement Colburn is required to comply with California statutes and rules and regulations pertaining to private postsecondary educational institutions. The Voluntary Agreement provides Colburn with a legal method by which the institution may comply with applicable federal statutes, rules and regulations, and demonstrates to the United States Department of Education the legal authorization to a operate school under California law.

Current Colburn leadership consists of:

OFFICERS	
President	Miguel Angel Corzo
Dean	Deborah Berman
Chief Financial Officer	Jean Sommerville
Chief Operations Officer	Michael Hockett

An updated list of Colburn's 2008 Board of Director's is included in Appendix A.

FINANCING STRUCTURE/PROJECT DESCRIPTION

In 2005, the I-Bank issued two series of bonds (2005 Bonds) totaling $130 million as variable rate demand bonds secured by a letter of credit to finance and refinance the construction, furnishing and equipping of an educational facility, consisting of an approximately 384,000 square foot building that houses a library, performance lab, rehearsal hall, studios, classrooms, practice rooms, cafeteria, and dormitory as well as an outdoor plaza and parking facilities related thereto, and the renovation, furnishing and equipping of certain areas within the existing Colburn facility, and to pay issuance costs. Construction was completed in August 2007 (See Appendix B - Project Picture).

In 2006, the I-Bank issued Variable Rate Revenue Bonds, Series 2006A and Series 2006B (2006 Bonds) totaling $132.925 million as auction rate securities (ARS) secured by Ambac Assurance Corporation (Ambac) with the proceeds used to: refund all of the outstanding 2005 Bonds; fund a reserve fund; fund capitalized interest; and, pay bond insurance and costs of issuance.

Subsequent to the issuance of the 2006 Bonds, the ARS market became severely damaged due to credit risk problems related to the sub-prime mortgage market resulting in failed auctions and spikes in bond interest rates. On April 15, 2008, the I-Bank Board approved amendments to the 2006 Bonds loan agreement to allow Colburn the flexibility to repurchase its own ARS. However, Colburn did not exercise this option.

Additionally, due to a recent reported Ambac financial losses resulting from the continued sub-prime mortgage debacle, Ambac's credit rating was downgraded from AAA to AA by Standard & Poor's (S&P) in June 2008 (only S&P rated the 2006 Bonds). As a result of both the recent rating agency insurer downgrade, and continued failures of ARS auctions, rates on the 2006 Bonds have reset as high as 7% resulting in substantially higher borrowing costs for Colburn.

Colburn expects to refund the 2006B Bonds, and possibly a portion of the 2006A Bonds, with 2008 Bond proceeds, with the 2008 Bonds issued as variable rate demand bonds, and to convert the 2006A Bonds to fixed rate bonds as follows:

> The 2008 Bonds issued to refund the 2006B Bonds, currently outstanding in the amount of $65 million, and possibly a portion of the 2006A Bonds up to approximately $3 million, will be supported by a direct-pay letter of credit from Allied Irish Bank, p.l.c. (AIB), and are expected to be rated AA by S&P and/or Aa by Moody's based upon the credit rating of AIB.

The converted and remarketed 2006A Bonds, currently outstanding in the amount of $67.925 million, will not have any additional credit enhancement beyond the existing bond insurance provided by Ambac. S&P is expected to rate the converted 2006A Bonds at least an A based upon Colburn's underlying credit rating and also AA based upon the Ambac's current credit rating.

However, the resolution provides flexibility in the event Colburn elects to also refund all of a portion of the 2006A Bonds with 2008 Bond proceeds. In such event, the 2008 Bonds will either include a small portion of refunded 2006A Bonds in an aggregate amount not to exceed $70 million, or the 2008 Bonds will be issued in two series consisting of both variable rate and fixed rate bonds in an aggregate amount not to exceed $150 million. The variable rate bonds will refund the 2006B Bonds (and possibly a portion of the 2006A Bonds) as described above, and the fixed rate bonds would refund the 2006A Bonds, but be unenhanced, and rated at least an A based upon Colburn's underlying credit rating.

The 2008 Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for under one or more loan agreements between the I-Bank and Colburn. Neither the faith and credit nor the taxing power of the I-Bank, the State or any political corporation, subdivision or agency of the State will be pledged to the payment of the principal of, premium, if any, or interest on the 2008 Bonds, nor shall the I-Bank the State or any political corporation, subdivision or agency of the State shall be liable or obligated to pay the principal of, premium, if any, or interest on, the 2008 Bonds.

PUBLIC BENEFITS

Due to Ambac's downgrade and the collapse of the ARS market, the interest rates of the 2006 Bonds have significantly increased and resulted in substantially higher borrowing costs for Colburn. Colburn estimates that the refunding will generate approximately $48 million in net present value savings based upon current market rates.

Colburn reaches a broad economic and ethnic spectrum of greater Los Angeles community through its free *Concert Series* and its community programs – *Musical Encounter* and *Summer Encounter.* Colburn brings its performing arts program to more than 20,000 elementary school children each year.

Programs that are available to the community in the greater Los Angeles area consist of the following:

Concert Series

Colburn presents more than 100 free concerts each year. The concerts are held in Zipper Hall and in Mayman Recital Hall.

Musical Encounter

The *Musical Encounter* series, which was started over 24 years ago, introduces the performing arts to inner-city public school students attending 12 different elementary schools through concerts by some of Colburn's young students. . Student performers, including the Children's Choir, the Colburn Conservatory Orchestra, string trios and quartets, a brass quintet, jazz groups, tap dance

groups and a variety of solo musicians visit each of the 12 schools three times annually.

Summer Encounter

Summer Encounter is a free, two-week immersion program in the performing arts that provides enrichment opportunities students attending the same 12 inner-city schools that are visited by *Musical Encounter*, which features classes in guitar, voice, percussion, recorder, keyboard improvisation, drama and mime. Lunch is provided each day, and a portion of the lunch period is devoted to a special performance to inspire and entertain the children and encourage a dialogue between artists and students. As part of the program, Colburn arranges special field trips to neighboring arts venues, such as the Museum of Contemporary Art and the Walt Disney Concert Hall.

Summer Encounter students who show serious interest and ability are awarded full scholarships for continuing studies at Colburn.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	☒ **NO** ☐ **YES, Describe:** **(**Project is completed)
TEFRA	
Date of TEFRA	July 21, 2008
Publications	*The Sacramento Bee* *The Metropolitan News-Enterprise*
Oral/Written Comments	☒ **NO** ☐ **YES, Explain:**
LEGAL QUESTIONNAIRE	
Completed?	☐ **NO** ☒ **YES**
Issues?	☒ **NO** ☐ **YES, Explain:**
ELIGIBILITY REVIEW	
Applicant meets all of the I-Bank eligibility criteria? ☒ **YES** ☐ **NO**	1. Project is in the State of California. 2. Colburn is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Colburn to the I-Bank under the proposed financing agreements are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	☐ **NO** ☐ **YES** Certificate No.: ☒ **N/A** Date:

RECOMMENDATION

Staff recommends approval of Resolution 08-22 for an amount not to exceed $150,000,000 for The Colburn School.

APPENDIX A -- 2008 Board of Directors

Officers
Robert S. Attiyeh, *Chairman of the Board*
Eugene I. Krieger, *Vice Chair of the Board*
Toby E. Mayman, *Vice Chair of the Board*
Pedro Pizarro, *Vice Chair of the Board*
Susan K. Solomon, *Vice Chair of Board*

Directors
Alice Coulombe, *Chair of Academic Affairs Committee*
Robert B. Egelston, *Chair of Governance Committee*
Wendy Kelman, *Chair of Development Committee*
Ian White-Thomson, *Chair of Audit Committee*
Iona Benson
Deborah Borda
Joan Boyett
Daniel Clement
Jennifer Flinton Diener
Placido Domingo
Edmund D. Edelman
Richard Grant
Warner Henry
Carol Colburn Hogel
Catherine Hogel
Peter Whybrow

APPENDIX B – PROJECT PICTURE

The Colburn School's facilities, original (right) and newly completed (left - orange).

RESOLUTION NO. 08-22

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE ISSUANCE OF ITS REVENUE BONDS ON BEHALF OF THE COLBURN SCHOOL IN ONE OR MORE SERIES TO REFINANCE THE COSTS OF THE CONSTRUCTION, EQUIPPING AND FURNISHING OF CERTAIN ECONOMIC DEVELOPMENT FACILITIES, PROVIDING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF THE BONDS AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS

WHEREAS, the California Infrastructure and Economic Development Bank (the "Issuer") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the "Act"), for the purpose of, among other things, providing financial assistance for the design, construction, financing and development of economic development facilities (as such term is defined in the Act) located in the State of California;

WHEREAS, The Colburn School, a California nonprofit public benefit corporation (the "Corporation"), has applied for the financial assistance of the Issuer (i) to refund, in whole or in part, the Issuer's Variable Rate Revenue Bonds (The Colburn School) Series 2006A and Series 2006B (the "2006 Bonds"), a portion of the proceeds of which were used to finance or refinance the construction, equipping and furnishing of certain improvements to The Colburn School of Performing Arts (the "School"), consisting of an approximately 384,000 square foot facility including a library, performance lab, rehearsal hall, studios, classrooms, practice rooms, a cafeteria, dormitory, outdoor plaza, parking facilities and related and appurtenant facilities (located at 201 South Olive Street, Los Angeles, California) and the renovation, furnishing and equipping of certain facilities within the School (located at 200 South Grand Avenue, Los Angeles, California) (collectively, the "Project"), (ii) to pay the costs of issuance incurred in connection with the issuance and sale of the Bonds (as defined below) and (iii) if the Corporation determines to issue bonds bearing interest at a fixed rate, fund a reserve fund;

WHEREAS, the Corporation requests the Issuer to issue bonds in one or more series, initially bearing interest at variable and/or fixed rates, to assist in financing the Project and for the other purposes specified in the second recital hereto, and has requested the Issuer to authorize the issuance of its California Infrastructure and Economic Development Bank Revenue Bonds (The Colburn School), Series 2008 (the "Bonds"), or such other name or names and with such series designations as may be necessary or desirable to conform to the terms of Bonds to be issued pursuant to the Indenture hereinafter mentioned in Section 2, in an aggregate principal amount outstanding not to exceed $150,000,000;

WHEREAS, if the Corporation determines to refund less than all of the 2006 Bonds and convert a portion of the 2006 Bonds from a variable rate of interest to a fixed rate of interest, the Corporation requests the Issuer to execute a supplemental indenture (the "Supplemental

Indenture") as authorized by the indenture executed and delivered in connection with the 2006 Bonds and such other documents as may be necessary to effect the conversion of a portion of the 2006 Bonds;

WHEREAS, approval of the terms of the Bonds and certain documents relating to the Bonds and the 2006 Bonds is now sought;

WHEREAS, there is now on file with the Secretary of the Issuer the following:

(a) a proposed form of the Loan Agreement (the "Loan Agreement") to be entered into by and between the Issuer and the Corporation;

(b) a proposed form of the Indenture (the "Indenture") to be entered into between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee");

(c) a proposed form of Bond Purchase Agreement (the "Bond Purchase Agreement") with respect to the Bonds, to be entered into by and among the Issuer, the Treasurer of the State of California, the Corporation, and Banc of America Securities LLC (the "Underwriter");

(d) a proposed form of Official Statement with respect to the Bonds to be used in connection with the offering and sale of the Bonds;

(e) a proposed form of Conversion Bond Purchase Agreement (the "Conversion Purchase Agreement") with respect to the 2006 Bonds, to be entered into by Banc of America Securities LLC (the "Remarketing Agent"), accepted and agreed to by the Issuer and approved by the Corporation; and

(f) a proposed form of Remarketing Circular with respect to the conversion of the 2006 Bonds to be used in connection with the reoffering of any 2006 Bonds not refunded with proceeds of the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The form of Loan Agreement on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Loan Agreement to the Corporation with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Issuer further authorizes and approves the loan of the proceeds of the Bonds to the Corporation in order to finance the Project and for the other purposes stated in the second recital hereto pursuant to the terms and provisions of the Loan Agreement.

Section 2. The form of Indenture on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Trustee, and the Secretary of the Issuer is authorized to

attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The dated date, maturity date or dates (but in no event later than 35 years from the date of issuance of the Bonds), interest payment dates, methods of determining interest rates, denominations, forms, provisions relating to any credit facility with respect to all or a portion of the Bonds, terms of tender, mandatory purchase and/or redemption and other terms of the Bonds shall be provided in the Indenture, provided that the maximum interest rate to be borne by any of the Bonds shall be as specified in the Indenture on file with the Secretary of the Issuer prior to this meeting.

Section 3. The proposed form of Bond Purchase Agreement on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Bond Purchase Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Treasurer of the State of California is hereby authorized and requested to sell the Bonds in one or more series, at any time within one hundred eighty (180) days of the adoption of this Resolution, at negotiated sale, at such prices and at such initial interest rates as he may determine.

Section 4. The form of Official Statement on file with the Secretary of the Issuer is hereby approved. The Underwriter is hereby authorized to distribute copies of the Official Statement in preliminary form in connection with the offering of the Bonds with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by delivery thereof to the Underwriter. The preparation and delivery of the Official Statement in final form and its use by the Underwriter in connection with the sale of the Bonds is hereby approved. The final Official Statement shall be in the form of the preliminary Official Statement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by delivery thereof to the Underwriter. The Underwriter is hereby authorized and directed to distribute copies of the final Official Statement to the purchasers of the Bonds.

Section 5. The proposed form of Conversion Purchase Agreement on file with the Secretary of the Issuer is hereby approved, and the Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Conversion Purchase Agreement, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 6. The form of Remarketing Circular on file with the Secretary of the Issuer is hereby approved. The Remarketing Agent for the 2006 Bonds is hereby authorized to distribute copies of the Remarketing Circular in preliminary form in connection with the reoffering of the 2006 Bonds with such changes and insertions therein as may be necessary to

cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by delivery thereof to the Remarketing Agent. The preparation and delivery of the Remarketing Circular in final form and its use by the Remarketing Agent in connection with the reoffering of the 2006 Bonds is hereby approved. The final Remarketing Circular shall be in the form of the preliminary Remarketing Circular with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by delivery thereof to the Remarketing Agent. The Remarketing Agent is hereby authorized and directed to distribute copies of the final Remarketing Circular to the purchasers of the 2006 Bonds.

Section 7. The Issuer approves the issuance of the Bonds in accordance with the terms of, and to be secured by, the Indenture, in an aggregate principal amount not to exceed $150,000,000 outstanding at any time, to assist in financing the Project and for the other purposes stated in the second recital hereto. Payment of the principal of and premium, if any, and interest on the Bonds shall be made solely from payments made by the Corporation and the other sources expressly provided in the Indenture and the Bonds shall not be deemed to constitute a debt or liability of the Issuer or the State. The Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed to execute, in the name and on behalf of the Issuer, by manual or facsimile signature, the Bonds in accordance with and in the form set forth in the Indenture.

Section 8. The Bonds, when so executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds so delivered by executing the certificate of authentication appearing thereon and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the Issuer by the Executive Director or the Chair of the Issuer, or the Chair's designee, which instructions said officer is hereby authorized and directed, for and in the name of and on behalf of the Issuer, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Underwriter upon payment of the purchase price therefor.

Section 9. Based upon representations made by the Corporation, the Board of Directors of the Issuer hereby finds and determines that:

(a) the Project is located in the State;

(b) the Corporation is capable of meeting its obligations under the Loan Agreement;

(c) the payments to be made under the Loan Agreement are adequate to pay all current expenses of the Issuer in connection with the Bonds and to make all payments with respect to the Bonds when due;

(d) the proposed financing is appropriate for the Project;

(e) the Project demonstrates clear evidence of a defined public benefit; and

(f) the Project is consistent with any existing local and regional comprehensive plans.

The finding in subsection (b), above, is based on the requirement that payment of principal and purchase price of and interest on the Bonds issued at a variable rate of interest will be secured by a credit facility and rated at least A2 by Moody's Investors Service or at least A by Standard & Poor's Ratings Services; provided, however that if any of the Bonds will be issued at a fixed rate of interest, such Bonds will be rated at least A2 by Moody's Investors Service or at least A by Standard & Poor's Ratings Services.

Section 10. The Board of Directors of the Issuer hereby finds and determines that the proposed financing complies with the criteria, priorities and guidelines adopted by the Issuer pertaining to the conduit issuance of revenue bonds.

Section 11. The Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver a Supplemental Indenture to the Trustee, and the Secretary of the Issuer is authorized to attest thereto, in the event the Corporation elects to convert a portion of the 2006 Bonds to a fixed interest rate; provided, however that such Supplemental Indenture shall be limited to provisions relating to redemption, interest rates and maturity dates; and provided, further that a Favorable Opinion of Bond Counsel (as such term is defined in the indenture relating to the 2006 Bonds) to the effect that such Supplemental Indenture will not adversely affect the tax-exempt status on such 2006 Bonds shall be delivered to the Issuer prior to any such execution and delivery.

Section 12. The Executive Director and the Chair of the Issuer, or the Chair's designee, and each of them, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate to this transaction and the issuance and sale of the Bonds and the conversion of any 2006 Bonds not refunded with proceeds of the Bonds and any interest rate swap agreements in connection therewith.

Section 13. All actions heretofore taken by the officers and agents of the Issuer with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed and ratified, and the officials and officers of the Issuer and their authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents that they, their counsel or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution.

Section 14. This Resolution shall take effect from and after its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on July 22, 2008, by the following vote:

AYES: Berte, Sheehan, Rosenstiel, Saragosa, Rice

NOES: None

ABSENT: None

ABSTAIN: None

By _____
Stanton C. Hazelroth, Executive Director

Attest:

By _____
Roma Cristia-Plant, Secretary