RESOLUTION NO. 12-09

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK ADOPTING AN AMENDED POST-ISSUANCE TAX COMPLIANCE POLICY FOR TAX EXEMPT BONDS

WHEREAS, the California Infrastructure and Economic Development Bank (the "I-Bank") is established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 et seq.) (the "Act"), for the purpose of providing financial assistance to eligible projects in the State of California (the "State") through a variety of financing mechanisms, which include, among other things, the issuance of tax exempt bonds on behalf of eligible entities ("Conduit Bonds").

WHEREAS, the Act authorizes the direct issuance, by the I-Bank, of tax exempt bonds to fund the I-Bank's own Infrastructure State Revolving Fund Loan Program (the "ISRF Program Bonds") as well as tax exempt bonds to reimburse the State for emergency loans made by the State to financially troubled school districts through the State School Fund Apportionment Bond Program (the "School Apportionment Bonds" and together with the ISRF Program Bonds, "Direct Bonds").

WHEREAS, the Internal Revenue Service (the "IRS") developed certain recommendations that encourage bond issuers to adopt a written policy designed to facilitate post bond issuance tax compliance;

WHEREAS, in its meeting of June 26, 2012, the I-Bank's board of directors (the "Board of Directors") adopted a written policy to facilitate post issuance tax compliance for the I-Bank's Qualified 501(c)(3) Bonds, Industrial Development Bonds and Exempt Facility Bonds (the "Policy");

WHEREAS, the I-Bank's legal staff, in consultation with specialized tax counsel and in collaboration with the General Counsel of the State Treasurer's Office has developed an amended version of the existing Policy (as amended, the "Amended Policy"); and

WHEREAS, the proposed Amended Policy would (i) make certain improvements to the Policy and (ii) expand the Policy such that it covers all of the tax-exempt bonds that the I-Bank may issue.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors, as follows:

Section 1. The Board of Directors hereby finds that the above recitals are true and correct.

Section 2. The Board of Directors hereby approves and adopts the Amended Policy attached hereto as Attachment A.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on October 9, 2012 by the following vote:

AYES: JIMENEZ, REYES, LUJANO, ARMSTRONG, RICE

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

By _____
Stanton C. Hazelroth
Executive Director

Attest:
By _____
Roma Cristia-Plant,
Secretary of the Board of Directors

Attachment A

Proposed Amended
Post-Issuance Tax Compliance Policy
For Tax Exempt Bonds

California Infrastructure and Economic Development Bank
Post-Issuance Tax Compliance Policy
For Tax Exempt Bonds

Amended on October 9, 2012

The purpose of the Post-Issuance Tax Compliance Policy ("Policy") is to establish a policy to aid the California Infrastructure and Economic Development Bank ("I-Bank") in ensuring that entities (each, a "Borrower") that borrow the proceeds of qualified I-Bank bonds ("Conduit Bonds") comply with applicable post-issuance requirements of federal income tax law necessary to preserve the tax-exempt status (or tax-advantaged status) of interest on such bonds (collectively referred to herein as "Tax-Exempt Bonds"). Further, this Policy shall apply whenever the I-Bank issues bonds ("Direct Bonds") to provide funding for any of its programs, including, but not limited to its Infrastructure State Revolving Fund Program and State School Fund Apportionment Bond Program. The I-Bank reserves the right to use its discretion as necessary and appropriate to make exceptions or request additional provisions as circumstances warrant. The I-Bank also reserves the right to change these policies and procedures from time to time.

Post-Issuance Tax Compliance Requirements For Conduit Bonds

A. General

The I-Bank shall designate a "Tax Compliance Officer" who shall facilitate compliance on behalf of the I-Bank to the extent that federal tax law requires participation by the I-Bank as an issuer of Conduit Bonds. Unless the Board of Directors of the I-Bank or the I-Bank's Executive Director indicate otherwise, the I-Bank's Bond Programs Unit Manager shall be the I-Bank's designated Tax Compliance Officer.

The Borrower, in the Tax Certificate (as defined below) or in similar documents pertaining to the Conduit Bonds that are prepared in connection with the issuance of the Conduit Bonds, shall designate an officer or employee responsible for the Borrower's compliance tasks listed herein ("Borrower Compliance Officer").

If the I-Bank is contacted by the Internal Revenue Service ("IRS") regarding post-issuance tax compliance on the Conduit Bonds, the Borrower will cooperate with the I-Bank in responding to the IRS. The Borrower will also cooperate with the I-Bank in responding to any IRS examination or audit of the Conduit Bonds.

The I-Bank and Borrower shall take note of the availability of the United States Treasury's Tax-Exempt Bonds Voluntary Closing Agreement Program ("TEB VCAP") and other remedial actions to resolve violations, and shall cooperate with one another to take such corrective action when necessary or appropriate.

The Borrower shall be responsible for any and all costs, including but not limited to attorney's fees, associated with or related to post-issuance tax compliance, including but not limited to costs to respond to an IRS examination or for TEB VCAP.

B. External Advisors / Documentation

For each issue of Conduit Bonds, the I-Bank and the Borrower shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Conduit Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that, upon issuance, the Conduit Bonds will qualify for tax-exempt status. Those requirements and procedures shall be documented in the tax certificate and agreement ("Tax Certificate") and/or other documents finalized at or before issuance of the Conduit Bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and certain other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Conduit Bonds.

Following issuance of the Conduit Bonds, the Borrower also shall consult with bond counsel and other legal counsel and advisors, as needed, to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with any potential changes in use of Conduit Bond-financed or refinanced facilities, furnishings or equipment (each a "Project" and collectively, "Projects"). This requirement shall be documented in the Tax Certificate or other similar documents that are prepared in connection with the issuance of Conduit Bonds.

Unless otherwise indicated, in writing, in the Tax Certificate or other similar documents that are prepared in connection with the issuance of Conduit Bonds, the I-Bank shall require the Borrower to engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Conduit Bond proceeds.

Unless otherwise provided by the indenture (or similar document) relating to the Conduit Bonds, unexpended Conduit Bond proceeds shall be held by a trustee or other financial institution, and the investment of Conduit Bond proceeds shall be managed by the Borrower. The Borrower shall prepare (or cause the trustee or other financial institution to prepare) regular, periodic statements regarding the investments and transactions involving Conduit Bond proceeds. Upon the request of the I-Bank, the Borrower shall provide copies of any such statements as well as any additional related information requested by the I-Bank.

C. Arbitrage Rebate and Yield Restriction

It is the I-Bank's policy that the Borrower shall be solely responsible for compliance with all requirements under the Federal arbitrage regulations, including but not limited to the following:

- unless otherwise indicated in writing in the Tax Certificate or other similar documents that are prepared in connection with the issuance of the Conduit Bonds, engaging the services of a Rebate Service Provider and, prior to each rebate calculation date, causing the trustee or other financial institution investing Conduit Bond proceeds to deliver periodic statements concerning the investment of Conduit Bond proceeds to the Rebate Service Provider;

- providing to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;

- monitoring the efforts of the Rebate Service Provider;

- assuring the payment of required arbitrage rebate amounts, if any, by the applicable due date;

- during the construction period of each capital project financed in whole or in part by Conduit Bonds, monitoring the investment and expenditure of Conduit Bond proceeds and consulting with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements, including during each spending period following the issue date of the Conduit Bonds;

- establishing procedures to ensure investments acquired with Conduit Bond proceeds are acquired at their fair market value in accordance with the requirements of federal tax law; and

- retaining copies of all arbitrage rebate and yield restriction reports, investment records and trustee statements as described below under "Record Keeping Requirements" and, upon request, providing such copies to the I-Bank.

D. Use of Bond Proceeds and Bond-Financed or Refinanced Projects:

It is the I-Bank's policy that the Borrower shall be solely responsible for:

- monitoring the timely expenditure and use of Conduit Bond proceeds (including investment earnings and including reimbursement of expenditures made before bond issuance) and the use of Conduit Bond-financed or refinanced Projects throughout the term of the Conduit Bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the Conduit Bonds;

- maintaining records identifying the assets or portion of Projects that are financed or refinanced with proceeds of each issue of Conduit Bonds, including a final allocation of Conduit Bond proceeds as described below under "Record Keeping Requirements;"

- consulting with bond counsel and other legal counsel and advisers in the review of any change in use, potential change in use or transfer of Bond-financed or refinanced Projects to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the Conduit Bonds;

- ensuring that the Borrower Compliance Officer confers, at least annually, with appropriate Borrower personnel, to identify and discuss any existing or planned use of Conduit Bond-financed or refinanced Projects, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate relating to the Conduit Bonds; and

- to the extent that the Borrower discovers that any applicable tax restrictions regarding use of Conduit Bond proceeds and Conduit Bond-financed or refinanced Projects have been or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified Conduit Bonds or take other remedial action, if such counsel advises that a remedial action is necessary.

E. Record Keeping Requirement

It is the I-Bank's policy that the Borrower shall be solely responsible for maintaining the following documents for the term of each issue of Conduit Bonds (including refunding bonds, if any) plus at least three years:

- a copy of the Conduit Bond closing transcript(s) and other relevant documentation delivered to the Borrower at or in connection with closing of the issue of Conduit Bonds;

- a copy of all material documents relating to capital expenditures financed or refinanced by Conduit Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Conduit Bond proceeds and records identifying the Projects or portion of Projects that are financed or refinanced with Conduit Bond proceeds, including a final allocation of Conduit Bond proceeds;

- a copy of all contracts and written arrangements involving the use of Conduit Bond-financed or refinanced Projects; and

- a copy of all records of investments, investment agreements, credit enhancement transactions, financial derivatives, arbitrage rebate and yield restriction reports and underlying documents, including trustee statements, in connection with any bond proceeds investment agreements, and copies of all bidding documents, if any.

F. Education and Training

The Borrower Compliance Officer and appropriate staff of the Borrower shall periodically and as necessary obtain education and training on federal tax requirements for post-issuance compliance applicable to the Conduit Bonds. The Borrower will enable and encourage relevant personnel to attend and participate in educational and training programs offered by professional organizations and other entities with regard to monitoring compliance with federal tax requirements for the Conduit Bonds.

G. Model Tax Compliance Policy

Borrowers are encouraged to adopt a formal Tax Compliance Policy as soon as possible after the issuance of the Conduit Bonds. Attached hereto, as Exhibit A, is a Model Tax Compliance Policy that was prepared for use by the I-Bank with respect to its own bonds. With the advice of their own legal counsel, Borrowers may wish to develop a Tax Compliance Policy that is

fashioned after the Model Tax Compliance Policy; provided, however, that the I-Bank hereby disclaims all responsibility for any consequences that may arise as a result of Borrower's reliance on any part of the Model Tax Compliance Policy.

H. Correcting Non-Compliance

If any non-compliance of applicable federal tax requirements is identified or otherwise brought to the I-Bank's attention, the I-Bank's Tax Compliance Officer (as defined below) shall, in consultation with legal counsel and the Borrower Compliance Officer and any other appropriate tax compliance personnel of the Borrower, cause the I-Bank and the Borrower, as required, to take all steps necessary or advisable in order to timely correct or remediate such non-compliance.

Post-Issuance Tax Compliance Requirements
For Direct Bonds

A. General

The I-Bank shall designate a "Tax Compliance Officer" who shall facilitate compliance on behalf of the I-Bank as required by federal tax law from the I-Bank as an issuer of Direct Bonds. Unless the Board of Directors of the I-Bank or the I-Bank's Executive Director indicate otherwise, the I-Bank's Bond Programs Unit Manager shall be the I-Bank's designated Tax Compliance Officer.

B. Tax Compliance Policy

With respect to Direct Bonds, the Tax Compliance Officer, in consultation with legal counsel, shall institute processes, as necessary, to implement the applicable provisions of the Model Tax Compliance Policy, attached hereto as Exhibit A (the "Model Policy").

In accordance with the Tax Certificate or similar document prepared by bond counsel for the bonds in question, the Tax Compliance Officer, with the advice of legal counsel, shall take into account those tax requirements for the Direct Bonds that differ from requirements applicable to the construction of capital projects, as set forth in the Model Policy, and shall act accordingly.

The Tax Compliance Officer, in consultation with legal counsel, shall also coordinate with the other entities benefited by such Direct Bonds in its observance of the terms and conditions of the Tax Certificate for such bonds.

C. Education and Training

The Tax Compliance Officer and relevant staff of the I-Bank shall periodically and as necessary be provided with education and training on federal tax requirements for post-issuance compliance applicable to the Direct Bonds. The I-Bank will enable and encourage relevant personnel to attend and participate in educational and training programs offered by professional organizations and other entities with regard to monitoring compliance with federal tax requirements for both Direct Bonds and Conduit Bonds.

D. Correcting Non-Compliance

If any non-compliance of applicable federal tax requirements is identified or otherwise brought to the I-Bank's attention, the I-Bank's Tax Compliance Officer shall, in consultation with legal counsel and the appropriate tax compliance personnel of the entity benefited by Direct Bonds, cause the I-Bank and the entity benefited by Direct Bonds, as required, to take all steps necessary or advisable in order to timely correct or remediate such non-compliance.

Exhibit A

MODEL TAX COMPLIANCE POLICY
California Infrastructure and Economic Development Bank
Post-Issuance Tax Compliance Policy
For I-Bank Tax-Exempt Bonds

The purpose of this Tax Compliance Policy (this "Policy"), established by [ENTITY NAME] (the "Entity"), is to maximize the likelihood that post-issuance requirements of federal income tax law necessary to preserve the tax exempt status (or tax-advantaged status) of interest on bonds (the "Bonds") issued by the California Infrastructure and Economic Development Bank (the "I-Bank") are met. The Entity reserves the right to use its discretion as necessary and appropriate to make exceptions or request additional provisions as circumstances warrant. The Entity also reserves the right to change this Policy from time to time.

Post-Issuance Tax Compliance Requirements

[TITLE OF EMPLOYEE/OFFICER OF ENTITY] (the "Tax Compliance Officer") shall be responsible for overseeing compliance with the provisions of this Policy.

External Advisors / Documentation

The Entity shall consult with bond counsel and/or other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements generally set forth in the Tax Certificate for the Bonds (the "Tax Certificate") are met. This shall include, without limitation, consultation in connection with any potential changes in the use of Bond-financed or refinanced Projects (as defined herein).

Unless otherwise indicated, in writing, in the Tax Certificate or other similar documents that are prepared in connection with the issuance of the Bonds, the Entity shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds. The Entity shall make any arbitrage rebate payments required on a timely basis as required under federal tax law.

Unless otherwise provided by the indenture (or similar document) relating to the Bonds, unexpended Bond proceeds shall be held by a trustee or other financial institution, and the investment of Bond proceeds shall be managed by the Entity. The Entity shall prepare (or cause the trustee or other financial institution to prepare) regular, periodic statements regarding the investments and transactions involving Bond proceeds.

Arbitrage Rebate and Yield Restrictions

The Tax Compliance Officer shall be responsible for overseeing compliance with arbitrage rebate and yield restriction requirements under federal tax law. Unless otherwise indicated, in writing, in the Tax Certificate or other similar documents that are prepared in connection with the issuance of the Bonds, the Entity shall:

- engage the services of a Rebate Service Provider and, prior to each rebate calculation date, cause the trustee or other financial institution investing Bond proceeds to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider;
- provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- monitor the efforts of the Rebate Service Provider;
- assure the payment of required arbitrage rebate amounts, if any, no later than the applicable deadline under federal tax law;
- during the construction period of each capital project financed in whole or in part by Bonds, monitor the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements, including during spending periods, as and if applicable, following the issue date of the Bonds;
- retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements;" and
- establish procedures to ensure that investments that are acquired with Bond proceeds are so acquired at their fair market value pursuant to federal tax law.

Use of Bond Proceeds and Bond-Financed or Refinanced Projects

The Tax Compliance Officer shall be responsible for:

- monitoring the use of Bond proceeds (including investment earnings and including reimbursement of expenditures made before Bond issuance) and the use of Bond-financed or refinanced projects, such as facilities, furnishings or equipment ("each a "Project" and collectively, "Projects") throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
- maintaining records identifying the Projects or portion of Projects that are financed or refinanced with proceeds of each issue of Bonds (including investment earnings and including reimbursement of expenditures made before Bond issuance), including a final allocation of Bond proceeds as described below under "Record Keeping Requirements;"
- consulting with bond counsel and other legal counsel and advisers in the review of any change in use, or potential change in use, of Bond-financed or refinanced Projects to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
- maintaining records for any contracts or arrangements involving the use of Bond-financed or refinanced Projects as described below under "Record Keeping Requirements;"
- conferring at least annually with personnel responsible for Bond-financed or refinanced Projects to identify and discuss any existing or planned use of Bond-financed or refinanced Projects and to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds; and
- to the extent that the Entity discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed or refinanced Projects will or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified Bonds or take other remedial action, if such counsel advises that a remedial action is necessary.

Record Keeping Requirement

The Tax Compliance Officer shall be responsible for maintaining the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the Entity at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the Projects or portion of Projects that are financed or refinanced with Bond proceeds, including a final allocation of Bond proceeds;
- where appropriate, a copy of all contracts and written arrangements involving the use of Bond-financed or refinanced Projects; and
- a copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any bond proceeds investment agreements, and copies of all bidding documents, if any.

Education and Training

The Tax Compliance Officer and appropriate staff of the Entity shall periodically and as necessary obtain education and training on federal tax requirements for post-issuance compliance applicable to the Bonds. The Entity will enable and encourage relevant personnel to attend and participate in educational and training programs offered by professional organizations and other entities with regard to monitoring compliance with federal tax requirements for the Bonds.

Correcting Non-Compliance

If any non-compliance of applicable federal tax requirements is identified or otherwise brought to the Entity's attention, the Tax Compliance Officer shall, in consultation with legal counsel and the appropriate tax compliance personnel of the Entity cause the Entity and any other parties involved with the issuance of the Bonds or the use of the proceeds of the Bonds, as required, to take all steps necessary or advisable in order to timely correct or remediate such non-compliance.