CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

POST BOND ISSUANCE AMENDMENT REQUEST STAFF REPORT

REQUEST

The California Independent System Operator Corporation (Corporation or Borrower) has submitted a Request for Amendment (see **Attachment 1**) in connection with the California Infrastructure and Economic Development Bank (I-Bank) Revenue Bonds (CAISO Project) 2008 Series A, issued June 19, 2008 (Series 2008A Bonds) to allow the sale of a parcel of land (2013 Sale) which was refinanced with proceeds of the Series 2008A Bonds. The Corporation also requests the I-Bank, as issuer of the Bonds, to facilitate remedial actions relating to the proposed 2013 Sale by delivering, together with the Corporation, a Supplemental Tax Certificate to the legal counsel for the Corporation so that legal counsel may render its opinion to the effect that the 2013 Sale will not, in and of itself, adversely affect the tax-exempt status of the Series 2008A Bonds.

BACKGROUND

On May 20, 2008, the I-Bank Board approved Resolution 08-14 authorizing the issuance of tax-exempt 501(c)(3)bonds in an aggregate amount not to exceed $206,000,000 to refund the outstanding I-Bank Variable Rate Demand Revenue Bonds issued on behalf of the Corporation in 2000, 2004 and 2007 and to finance capital projects including computer hardware and software, office equipment, and construction planning and site preparation for development of a new Corporation headquarters facility in Folsom.

On June 23, 2009, the I-Bank Board approved Resolution 09-24 authorizing the issuance of tax-exempt 501(c)(3) bonds in an aggregate amount not to exceed $210,000,000 to finance (i) the construction and development of the office headquarters complex in Folsom, (ii) the acquisition and development of computer hardware and software systems, and (iii) the acquisition of office equipment.

The Borrower is a nonprofit public benefit corporation organized to ensure the efficient use and reliable operation of the electric transmission grid within most of the State of California. The Corporation manages the safe and reliable flow of electricity on California's high-voltage power grid by acting as the impartial link between entities that generate electrical power and the entities that provide electricity to customers.

The Borrower is contemplating the sale of a 1.49 acre parcel of land (Land) to Baugh Corporation (Purchaser) with the date of such 2013 Sale expected to be May 16, 2013. A portion or all of the cost of the Land has been financed or refinanced with proceeds of the 2008A Bonds. The Purchaser is not (a) a governmental entity, nor (b) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

NEED FOR ACTION

Accepted practice in connection with the issuance of tax exempt bonds is to condition certain actions of Borrower of bond proceeds upon the Borrower obtaining a favorable tax opinion from any nationally-recognized bond counsel. The Borrower requests that the I-Bank facilitate remedial actions relating to the 2013 Sale by delivering, together with the Borrower, a Supplemental Tax Certificate to Orrick, Herrington & Sutcliffe LLP (Orrick), a nationally-recognized bond counsel firm and legal counsel to the Borrower, so that Orrick may render its opinion to the effect that the 2013 Sale will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest payable with respect to the Series 2008A Bonds.

BOARD DELEGATION AUTHORIZATION

I-Bank Board Resolution 12-08 delegates to the Executive Director and his assignees, in connection with any proposed amendment of bond related documents (Amendment), the authority to execute and deliver all agreements, contracts, certificates, orders, appointments, notices, waivers, approvals, acknowledgements, consents, written directions, instruments and other documents (I-Bank Documents) necessary or convenient to effect such Amendment; provided that, the I-Bank receives an opinion of counsel to the effect (1) that the Amendment is in accordance with the associated transaction documents and (2) where bonds were issued as tax-exempt bonds, that the Amendment will not adversely affect the tax-exempt status of interest on the bonds.

LEGAL REVIEW

The I-Bank's General Counsel has reviewed the Borrower Request and the associated documents and has determined that they satisfy the applicable requirements of Resolution 12-08.

STAFF RECOMMENDATION

Staff recommends approval of the Borrower request for remedial actions relating to the 2013 Sale by delivering, together with the Borrower, a Supplemental Tax Certificate to Orrick and IRS Form 8038.

ATTACHMENTS

Attachment 1	Written Request for Amendment of the Series 2008A Bonds
Attachment 2	Supplemental Tax Certificate
Attachment 3	Form 8038

Prepared by: Elizabeth Hess — 5-7-13

Elizabeth Hess, Public Finance Officer — **Date**

Reviewed by: 5/7/13

Joel Tokimitsu, Bond Unit Manager — **Date**

Comments:

Reviewed by: 5/7/13

Marilyn Munoz, General Counsel — **Date**

Comments:

☒ The amendment request falls within the authority delegated to the Executive Director and his assignees. I-Bank Board consideration and approval is not required.

☐ The amendment request does not fall within the delegated authority of the I-Bank Executive Director, and Board consideration and approval of the request is required.

Reviewed by: R. Cristia-Plant — 5/9/13

Roma Cristia-Plant, Assistant Executive Director, as assignee of the Executive Director — **Date**

Comments:

Attachment 1 – Written Request for Amendment of the Series 2008A Bonds

REQUEST FOR AMENDMENT OR OTHER POST-BOND ISSUANCE ACTIONS

In order to consider post-issuance modifications, substitutions, redemptions or other actions related to I-Bank bond financings (a "Request"), I-Bank staff must have complete information regarding the nature of the request. Upon receipt of the information listed below, I-Bank Bond Unit staff will provide a single point of contact and prepare a list of issues, further questions or additional information needed so that the applicant can address them in an organized fashion.

The I-Bank Bond Unit staffer assigned to the Request will also contact the I-Bank Legal Unit for a determination as to whether the Request falls within the scope of authority delegated from the I-Bank Board to the Executive Director and his assignees (the "Delegation"). Please note that I-Bank staff reserves the right to elect to present any Request to the I-Bank Board for its approval regardless of the Delegation authority. Upon receipt of a Delegation determination from the I-Bank Legal Unit, the Bond Unit staffer will advise the applicant of the determination and the next steps in the process.

The Request for Amendment or Other Post-Bond Issuance Actions may be submitted via email.

1. Date of Request: **April 22, 2013**

2. Name/Title, Date, of Bond Issue

   California Infrastructure and Economic Development Bank Revenue Bonds (California Independent System Operator Corporation Project) 2008 Series A, issued June 19, 2008 in the aggregate principal amount of $196,970,000 (the "Obligations").

3. Description of why amendment(s), substitution(s) or other action(s) is/are needed/requested: (e.g., Issues relating to addition of credit support; substituting LOC provider, lender requirement to update financial covenants)

   In connection with the issuance of the Obligations, the I-Bank and the California Independent System Operator Corporation (the "Borrower") executed and delivered a Tax Certificate, dated June 19, 2008 (as amended, the "Tax Certificate"), including Exhibit B, Borrower's Tax Certificate, also dated June 19, 2008 (as amended, "Exhibit B").

   Section 3.3.1 of Exhibit B provides a general definition of the term "Private Use" "[f]or purposes of this Certificate," and Section 2.2.4 of the 2008 Tax Certificate provides additional definition of the term "Private Use" "[f]or purposes of this [2008] Tax Certificate".

   Section 2.3 of the 2008 Tax Certificate states: "Absent an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Obligations will not be adversely affected for federal income tax purposes, no contracts generating Private Use with respect to the Project will be entered into."

   In Section 3.2.1 of Exhibit B, the Borrower certified and represented that: "Absent an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Obligations will not be adversely affected for federal income tax purposes, no contracts generating Private Use with respect to the Project will be entered into."

Section 4.3 of Exhibit B states: "The Borrower represents, warrants and covenants that the facilities financed with the proceeds of the Obligations will be used in pursuit of the exempt purposes of the Borrower during the period of time the Obligations are outstanding, unless an opinion of nationally-recognized bond counsel is received with respect to any proposed sale, disposition or other change in use of any facility constructed with the proceeds of the Obligations or the Project that such proposed sale, disposition or other change of use will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable with respect to the Obligations."

The Borrower is contemplating a sale (the "2013 Sale") of a 1.49 acre parcel of land (the "Land") to Baugh Corporation (the "Purchaser"), with the date of such 2013 Sale expected to be May 16, 2013. A portion or all of the cost of the Land has been financed or refinanced with proceeds of the Obligations. The Purchaser is not (a) a governmental entity, or (b) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code").

The Borrower requests that the I-Bank facilitate remedial actions relating to the 2013 Sale including by delivering, together with the Borrower, a Supplemental Tax Certificate to Orrick, Herrington & Sutcliffe LLP ("Orrick"), legal counsel to the Borrower, and a nationally-recognized bond counsel firm so that Orrick may render its opinion to the effect that the 2013 Sale will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest payable with respect to the Obligations.

4. Proposed Timeline

   As soon as possible. The Borrower is prepared to execute the Supplemental Tax Certificate as soon as the I-Bank is able.

5. Identify the section numbers and the names of the original transaction documents that govern or relate to the Request. Please provide copies (preferably in an electronic format) of such documents.

   - **Tax Certificate: Section 2.3**
   - **Exhibit B: Sections 3.2.1 and 4.3**

6. Identify any bond documents to be amended (please provide draft documents to implement the Request as soon as possible)

_____ Indenture
_____ Loan Agreement
_____ Remarketing Agreement
_____ Other: **N/A**

7. Will this result in a reissuance for federal tax law purposes? If so, please provide a draft TEFRA notice, and, if required, a draft amendment to the Tax Agreement or No-Arbitrage Certificate (or similar tax document).

   Orrick has advised that, dependent on the use of the disposition proceeds of the 2013 Sale, the 2013 Sale may be treated as giving rise to a deemed reissuance of a portion of the Obligations for purposes of Sections 141, 145, 147, 149 and 150 of the Code. The requirements in this regard are set forth in the draft Supplemental Tax Certificate submitted by Orrick to the I-Bank via email on April 22, 2013.

8. Is Bond Counsel willing to provide an opinion to the effect that the Request is in accordance with the related transaction documents? If no, please explain.

   Orrick is willing to provide an opinion that the 2013 Sale will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

9. If the bonds associated with the Request were issued as tax-exempt bonds, is Bond Counsel willing to provide an opinion to the effect that the Request will not adversely affect the tax-exempt status of the bonds? If no, please explain.

   Orrick is willing to provide an opinion that the 2013 Sale will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

10. If the Request involves the substitution of a credit facility or a liquidity facility, will the applicant be able to provide written evidence, from the rating agencies specified in the transaction documents, to the effect that the Request will not result in a rating lower than the rating required by the transaction documents? If no, please explain.

    N/A

11. Distribution list with contact information:
    Bond Counsel: **Stradling Yocca Carlson & Rauth, P.C. delivered its approving opinion in connection with the June 19, 2008 issuance of the Obligations. The Borrower proposes that Orrick deliver any opinions required of nationally-recognized bond counsel in connection with the 2013 Sale. Contact information for Orrick:**

Dean Criddle	**dcriddle@orrick.com**	**415-773-5783**
Wolfram Pohl	**wpohl@orrick.com**	**415-773-4252**

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105

Borrower:

Virginia Ryan	**vryan@caiso.com**	**916-608-5946**
Senior Counsel		
California ISO		
250 Outcropping Way		
Folsom, CA 95630		

Borrower's Counsel:

Dean Criddle	**dcriddle@orrick.com**	**415-773-5783**
Wolfram Pohl	**wpohl@orrick.com**	**415-773-4252**
Orrick, Herrington & Sutcliffe LLP		
405 Howard Street		
San Francisco, CA 94105		

Financial Advisor: **None**
Other: **None**

Questions? Please contact Tara Dunn by email (Tara.Dunn@ibank.ca.gov) or call (916) 322-2571.

Attachment 2 - Supplemenal Tax Certificate

SUPPLEMENTAL TAX CERTIFICATE

THIS SUPPLEMENTAL TAX CERTIFICATE (this "Supplemental Tax Certificate"), dated [_____], 2013 is by and between the California Infrastructure and Economic Development Bank (the "Issuer") and the California Independent System Operator Corporation (the "Corporation" or the "Borrower"), in connection with sale of certain property originally financed or refinanced in whole or in part with proceeds of the Issuer's Revenue Bonds (California Independent System Operator Corporation Project) 2008 Series A (the "Obligations").

WHEREAS, the Issuer on June 19, 2008 issued the Obligations in the aggregate principal amount of $196,970,000 and, pursuant to a Loan Agreement between the Issuer and the Corporation, dated as of June 1, 2008, immediately loaned all net proceeds of the Obligations to the Corporation to finance and refinance certain facilities of the Corporation (the "Project");

WHEREAS, the Project includes the parcel of land listed on Appendix 1 hereto (the "Land");

WHEREAS, in connection with the issuance of the Obligations, the Issuer and the Corporation executed and delivered a Tax Certificate, dated June 19, 2008 (as amended, the "2008 Tax Certificate") and, in connection with the issuance of the Obligations, the Corporation executed and delivered a Borrower's Tax Certificate, dated June 19, 2008 which was included as Exhibit B to the 2008 Tax Certificate (as amended, "Exhibit B");

WHEREAS, Section 3.3.1 of Exhibit B provides a general definition of the term "Private Use" "[f]or purposes of this Certificate," and Section 2.2.4 of the 2008 Tax Certificate provides additional definition of the term "Private Use" "[f]or purposes of this [2008] Tax Certificate";

WHEREAS, the second sentence of Section 2.3 of the 2008 Tax Certificate states: "Absent an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Obligations will not be adversely affected for federal income tax purposes, no contracts generating Private Use with respect to the Project will be entered into.";

WHEREAS, in the second sentence of Section 3.2.1 of Exhibit B, the Corporation certified and represented that: "Absent an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Obligations will not be adversely affected for federal income tax purposes, no contracts generating Private Use with respect to the Project will be entered into.";

WHEREAS, the first sentence of Section 4.3 of Exhibit B states: "The Borrower represents, warrants and covenants that the facilities financed with the proceeds of the Obligations will be used in pursuit of the exempt purposes of the Borrower during the period of time the Obligations are outstanding, unless an opinion of nationally-recognized bond counsel is received with respect to any proposed sale, disposition or other change in use of any facility constructed with the proceeds of the Obligations or the Project that such proposed sale, disposition or other change of use will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable with respect to the Obligations.";

WHEREAS, the Corporation is contemplating a sale of the Land (the "2013 Sale") to Baugh Corporation (the "Purchaser"), with the date of such 2013 Sale expected to be June 17, 2013;

WHEREAS, a portion or all of the cost of the Land has been financed or refinanced with proceeds of the Obligations;

WHEREAS, the Purchaser is not (a) a governmental entity, or (b) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code");

WHEREAS, the only consideration the Corporation has received or will receive, directly or indirectly, in connection with the 2013 Sale is $157,750 cash (the "Disposition Proceeds"), which amount of cash is to be delivered by the Purchaser to the Corporation substantially contemporaneously with the closing of the 2013 Sale;

WHEREAS, the Issuer and the Corporation have determined to enter into this Supplemental Tax Certificate in order to set forth certain terms and conditions relating to the use and investment of the Disposition Proceeds, in order to assure that interest on the Obligations will continue to be excluded from gross income for federal income tax purposes;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Corporation hereby certify, covenant, represent and agree as follows:

1. Purpose of Certificate. The Issuer and the Corporation are delivering this Supplemental Tax Certificate to Orrick, Herrington & Sutcliffe LLP ("Special Counsel") with the understanding that Special Counsel will rely upon this Supplemental Tax Certificate in rendering its opinion to the effect that the 2013 Sale will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest payable with respect to the Obligations.

2. The 2013 Sale. The Corporation represents, certifies and warrants that the Land will be sold exclusively for cash, representing fair market value, as part of a bona fide sale pursuant to arm's length negotiations between the Corporation and the Purchaser. The $157,750 of cash to be paid by the Purchaser to the Corporation is the sole consideration the Corporation has received or will receive, directly or indirectly, as consideration for the Land. This $157,750 cash consideration results from an arm's length negotiation between the Purchaser and the Corporation, neither party being under compulsion to buy or sell the Land. Aside from the Purchaser's payment of $157,750 cash to the Purchaser, no portion of the property or services provided or to be provided by the Purchaser to the Corporation in connection with any past, present or future contract or other arrangement represents or will represent consideration for the Corporation's sale of the Land to the Purchaser.

3. **Unrelated Parties.** The Corporation represents, certifies and covenants that the Purchaser and the Corporation are not and have not been "related parties" within the meaning of Section 1.150-1(b) of the Treasury Regulations and will not become related parties in connection with the 2013 Sale.

4. **Reasonable Expectations**. In 2000, the Corporation purchased the 1.49 acres of Land as an integral part of a 30.6 tract, all the cost of which was financed by proceeds of the Issuer's Variable Rate Demand Revenue Bonds (California Independent System Operator Corporation Project) 2000 Series C. In 2005, the Corporation agreed to allow a public road to be constructed across the 30.6 acre tract. That road separated the 1.49 acres of Land from the rest of the 30.6 acres. In March 2008, the Corporation began work on the design development phase of constructing its new headquarters and related facilities on the 30.6 acres. During this design development phase, the Corporation worked on preparing the site development plan, submitting permit documents to the City of Folsom, and engaging an independent contractor to prepare detailed construction drawings and specifications for the Corporation's new headquarters. Although the 1.49 acres of Land was separated from the remaining portion of the 30.6 acre tract, as of June 19, 2008, the date the Obligations were issued, the Issuer and the Corporation reasonably expected that the Corporation would own the Land until at least February 1, 2014, the final scheduled maturity date of the Obligations, and that no more than 3% of the proceeds of the Obligations would be used for a Private Use. (*See* Sections 2.2.1 and 2.8 of the 2008 Tax Certificate and Sections 3.2.1 and 3.5 of Exhibit B.) Specifically, as of June 19, 2008, the Issuer and the Corporation reasonably expected that the Corporation would continue to own the Land and to use the Land for a day care facility or other purposes ancillary to the Corporation's exempt functions. However, after June 19, 2008, as the design development phase for the 30.6 acre tract progressed, the Corporation for the first time concluded that the Land was no longer suitable for the Corporation's exempt purposes. Specifically, the site development plan, permitting documents and detailed construction drawings for the Corporation's new headquarters revealed that the Land would not be included in the security perimeter for the Corporation's facilities. In May 2009, the Board of Directors of the Corporation approved the construction of the Corporation's new headquarters and related facilities and a security perimeter around the portion of the 30.6 acre tract that did not include the Land. Consequently, in September 2009, the Corporation for the first time listed the Land for sale.

5. **Treatment of Disposition Proceeds**. To the extent within its control, each of the Issuer and the Corporation will treat the Disposition Proceeds, as well as earnings from the investment or reinvestment of Disposition Proceeds, as proceeds of the Obligations for purposes of Section 148 of the Code, and will apply the special rules set forth in Section 1.141-12(a)(4) of the Treasury Regulations. Pending their allocation to capital expenditures for Replacement Facilities, these Disposition Proceeds, and

earnings from the investment and reinvestment thereon, will not be invested in investment securities with a yield that exceeds the 3.273706% yield on the Obligations. Except as set forth in this Supplemental Tax Certificate, each of the Issuer and the Corporation hereby represents, certifies and covenants that, to the extent within its control, it will comply with the requirements set forth in the 2008 Tax Certificate, including Exhibit B, as supplemented by this Supplemental Tax Certificate, with respect to Disposition Proceeds and earnings from the investment and reinvestment of Disposition Proceeds; provided, however, that the Obligations will be treated as reissued on the date of the 2013 Sale for purposes of Sections 141, 145, 147, 149 and 150 of the Code.

6. Use of Disposition Proceeds. The Corporation reasonably expects that, within 90 days after the date of the 2013 Sale, it will allocate all Disposition Proceeds, plus earnings from the investment and reinvestment thereof, to capital expenditures on facilities the nature, ownership and use of which comply with the restrictions and requirements set forth in the 2008 Tax Certificate (including Exhibit B) ("Replacement Facilities"). *See* Section 1.150-4(b)(2)(iii) of the Treasury Regulations. For purposes of this Section 6, the Issuer and the Corporation hereby acknowledge that the restrictions and requirements set forth in the 2008 Tax Certificate (including Exhibit B) shall be applied as if the issue date of the deemed reissued Obligations is the date of the 2013 Sale. No Disposition Proceeds or earnings from the investment and reinvestment thereof, will be allocated to expenditures which are not capital expenditures on Replacement Facilities.

If, within 90 days after the 2013 Sale, the Corporation has not allocated all Disposition Proceeds, together with earnings from the investment and reinvestment thereof, then:

(a) if the remaining unallocated amount of Disposition Proceeds is less than $25,000 the Corporation shall cause that remaining amount to be used to redeem Obligations no later than 90 days after the 2013 Sale (or, if the Corporation so chooses, instead redeem $25,000 aggregate principal amount of the Obligations no later than 90 days after the 2013 Sale), all as provided in Treasury Regulations Sections 1.145-2 1.141-12(d), and 1.150-4(b)(2)(iii), or;

(b) if the remaining unallocated amount of Disposition Proceeds is $25,000 or more the Corporation shall redeem $25,000 aggregate principal amount of the Obligations no later than 90 days after the 2013 Sale, all as provided in Treasury Regulations Sections 1.145-2 and 1.141-12(d), and 1.150-4(b)(2)(i).

7. Public Hearing and Approval. The Corporation represents, certifies and covenants that all Replacement Facilities shall conform to the description of the Project as published in the public notice described in Section 2.7 of the 2008 Tax Certificate.

8. Useful Life of Replacement Facilities. The Corporation represents, certifies and covenants that the Replacement Facilities shall not have an average expected economic life, determined as of the date of the 2013 Sale, which ends before February 1, 2014, the scheduled final maturity date of the Obligations.

9. Information Reporting. Unless all Disposition Proceeds, together with all earnings from the investment and reinvestment thereof, are used to redeem Obligations, as described in Section 6, Special Counsel has advised that the 2013 Sale will be treated as giving rise to a deemed reissuance of a portion of the Obligations for purposes of Sections 141, 145, 147, 149 and 150 of the Code. Unless all Disposition Proceeds, together with all earnings from the investment and reinvestment thereof, are used to redeem Obligations, as described in Section 6, the Issuer covenants that it will cause a properly completed and executed IRS Form 8038 to be filed with respect to the deemed reissued Obligations, not later than the fifteenth day of the second month of the calendar quarter following the calendar quarter in which the 2013 Sale occurs (expected to be August 15, 2013). Attached as Appendix 2 is a Form 8038 which is to be used if, as is expected, (a) the 2013 Sale occurs during the second calendar quarter of 2013, and (b) all Disposition Proceeds, together with all earnings from the investment and reinvestment thereof, are allocated within 90 days after the date of the 2013 Sale to capital expenditures for Replacement Facilities. Notwithstanding anything contained herein to the contrary, this Section 9 shall not apply if the Corporation redeems at least $25,000 aggregate principal amount of the Obligations no later than 90 days after the 2013 Sale in accordance with Section 6.

[Remainder of Page Intentionally Left Blank]

10. Compliance with the 2008 Tax Certificate. Except as otherwise described in this Supplemental Tax Certificate, each of the Issuer and the Corporation certifies that it has complied to date with all of its covenants, certifications, warranties and representations set forth in the 2008 Tax Certificate, including Exhibit B.

Dated as of the date first written above.

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

By_________________________________
Roma Cristia-Plant,
Assistant Executive Director,
Assignee of the Executive Director

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION, a California nonprofit public benefit corporation

By___________________________________
Ryan Seghesio
Chief Financial Officer and Treasurer

[Signature Page to Supplemental Tax Certificate]

APPENDIX 1
LEGAL DESCRIPTION OF LAND

Parcel 1 as shown on the Parcel Map of CA ISO Properties filed November 12, 2010 in Book 216 of Parcel Maps at Page 11 of Sacramento County.

APN: 072-0020-036

APPENDIX 2
FORM 8038

Attachment 3 – Form 8038

Form **8038** (Rev. April 2011) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Private Activity Bond Issues

(Under Internal Revenue Code section 149(e))
▶ See separate instructions.

OMB No. 1545-0720

Part I Reporting Authority

Check if **Amended Return** ▶ ☐

1 Issuer's name: California Infrastructure and Economic Development Bank	2 **Issuer's employer identification number**: 63-0304653
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)	3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address): 980 9th Street — Room/suite: 900	5 Report number *(For IRS Use Only)*: 1
6 City, town, or post office, state, and ZIP code: Sacramento, California 95814	7 Date of issue (MM/DD/YYYY): 6/17/2013
8 Name of issue: California Infrastructure and Economic Development Bank Revenue Bonds (California Independent System Operator Corporation Project) 2008 Series A	9 CUSIP number: 13033WM67
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information: Marilyn Munoz, General Counsel	10b Telephone number of officer or other employee shown on 10a: 916-324-1299

Part II Type of Issue (Enter the issue price.)

		Line	Issue Price
11	Exempt facility bond:		
a	Airport (sections 142(a)(1) and 142(c))	11a	
b	Docks and wharves (sections 142(a)(2) and 142(c))	11b	
c	Water furnishing facilities (sections 142(a)(4) and 142(e))	11c	
d	Sewage facilities (section 142(a)(5))	11d	
e	Solid waste disposal facilities (section 142(a)(6))	11e	
f	Qualified residential rental projects (sections 142(a)(7) and 142(d)) (see instructions)	11f	
	Meeting 20–50 test (section 142(d)(1)(A)) ☐		
	Meeting 40–60 test (section 142(d)(1)(B)) ☐		
	Meeting 25–60 test (NYC only) (section 142(d)(6)) ☐		
	Has an election been made for deep rent skewing (section 142(d)(4)(B))? ☐ Yes ☐ No		
g	Facilities for the local furnishing of electric energy or gas (sections 142(a)(8) and 142(f))	11g	
h	Facilities allowed under a transitional rule of the Tax Reform Act of 1986 (see instructions)	11h	
	Facility type		
	1986 Act section		
i	Qualified enterprise zone facility bonds (section 1394) (see instructions)	11i	
j	Qualified empowerment zone facility bonds (section 1394(f)) (see instructions)	11j	
k	District of Columbia Enterprise Zone facility bonds (section 1400A)	11k	
l	Qualified public educational facility bonds (sections 142(a)(13) and 142(k))	11l	
m	Qualified green building and sustainable design projects (sections 142(a)(14) and 142(l))	11m	
n	Qualified highway or surface freight transfer facilities (sections 142(a)(15) and 142(m))	11n	
o	Other (see instructions)		
p	Qualified New York Liberty Zone bonds (section 1400L(d))	11p	
q	Other (see instructions)	11q	
12a	Qualified mortgage bond (section 143(a))	12a	
b	Other (see instructions)	12b	
13	Qualified veterans' mortgage bond (section 143(b)) (see instructions) ▶	13	
	Check the box if you elect to rebate arbitrage profits to the United States ☐		
14	Qualified small issue bond (section 144(a)) (see instructions) ▶	14	
	Check the box for $10 million small issue exemption ☐		
15	Qualified student loan bond (section 144(b))	15	
16	Qualified redevelopment bond (section 144(c))	16	
17	Qualified hospital bond (section 145(c)) (attach schedule—see instructions)	17	
18	Qualified 501(c)(3) nonhospital bond (section 145(b)) (attach schedule—see instructions)	18	$25,000*
	Check box if 95% or more of net proceeds will be used **only** for capital expenditures ▶ ☑		
19	Nongovernmental output property bond (treated as private activity bond) (section 141(d))	19	
20a	Other (see instructions)		
b	New York Liberty Zone advance refunding bond (section 1400L(e)) (see instructions)	20b	
c	Other. Describe (see instructions) ▶	20c	

* Not more than $25,000. See attached Schedule for Form 8038, Line 18.

Part III **Description of Bonds** (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	2/1/2014	$ 25,000*	$ 25,000*	0.622 years	3.273706** %

Part IV **Uses of Proceeds of Issue** (including underwriters' discount)

					Amount
22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	25,000*
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	0		
25	Proceeds used for credit enhancement	25	0		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0		
27	Proceeds used to currently refund prior issue (complete Part VI)	27	25,000*		
28	Proceeds used to advance refund prior issue (complete Part VI)	28	0		
29	Add lines 24 through 28			29	25,000*
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	0*

Part V **Description of Property Financed by Nonrefunding Proceeds**

Caution: *The total of lines 31a through e below must equal line 30 above. Do not complete for qualified student loan bonds, qualified mortgage bonds, or qualified veterans' mortgage bonds.*

			Amount
31	**Type of Property Financed by Nonrefunding Proceeds:**		
a	Land	31a	
b	Buildings and structures	31b	
c	Equipment with recovery period of more than 5 years	31c	
d	Equipment with recovery period of 5 years or less	31d	
e	Other. Describe (see instructions)	31e	

32 North American Industry Classification System (NAICS) of the projects financed by nonrefunding proceeds.

	NAICS Code	Amount of nonrefunding proceeds		NAICS Code	Amount of nonrefunding proceeds
a		$	c		$
b		$	d		$

Part VI **Description of Refunded Bonds** (Complete this part only for refunding bonds.)

33 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ 0.622 years

34 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ N/A years

35 Enter the last date on which the refunded bonds will be called ▶ 6/ / 17 / 2013

36 Enter the date(s) the refunded bonds were issued ▶ June 19, 2008

Part VII **Miscellaneous**

37 Name of governmental unit(s) approving issue (see the instructions) ▶ No approval needed Section 147(f)(2)(D)

38 Check the box if you have designated any issue under section 265(b)(3)(B)(i)(III) ▶ ☐

39 Check the box if you have elected to pay a penalty in lieu of arbitrage rebate ▶ ☐

40a Check the box if you have identified a hedge and enter the following information ▶ ☐

b Name of hedge provider

c Type of hedge ▶

d Term of hedge ▶

41 Check the box if the hedge is superintegrated ▶ ☐

42a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) ▶

b Enter the final maturity date of the GIC ▶ / /

c Enter the name of the GIC provider ▶

43 Check the box if the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated in accordance with the requirements under the Code and Regulations (see instructions) ▶ ☑

44 Check the box if the issuer has established written procedures to monitor the requirements of section 148 ▶ ☑

45a Enter the amount of reimbursement if some portion of the proceeds was used to reimburse expenditures ▶

b Enter the date the official intent was adopted ▶ / /

46 Check the box if the issue is comprised of qualified redevelopment, qualified small issue, or exempt facilities bonds and provide name and EIN of the primary private user ▶ ☐

Name ▶ EIN

* See attached Schedule for Form 8038, Line 18.

** The instructions to Form 8038 state that yield should be determined under Section 148(h) of the Internal Revenue Code. Applying these principles, the yield on the 2008 Series A Bonds issued on June 19, 2008 is 3.273706%. Per Treas. Reg. § 141-12(e)(2), there is no deemed reissuance for purposes of Section 148 of the Internal Revenue Code, and there consequently is no change in the 3.273706% yield on the 2008 Series A Bonds.

Part VIII Volume Caps

			Amount
47	Amount of state volume cap allocated to the issuer. **Attach copy of state certification**	47	
48	Amount of issue subject to the unified state volume cap	48	
49	Amount of issue not subject to the unified state volume cap or other volume limitations:	49	
a	Of bonds for governmentally owned solid waste facilities, airports, docks, wharves, environmental enhancements of hydroelectric generating facilities, or high-speed intercity rail facilities	49a	
b	Under a carryforward election. Attach a copy of Form 8328 to this return	49b	
c	Under transitional rules of the Tax Reform Act of 1986. Enter Act section ▶	49c	
d	Under the exception for current refunding (section 146(i) and section 1313(a) of the Tax Reform Act of 1986)	49d	
50a	Amount of issue of qualified veterans' mortgage bonds	50a	
b	Enter the state limit on qualified veterans' mortgage bonds	50b	
51a	Amount of section 1394(f) volume cap allocated to issuer. **Attach copy of local government certification**	51a	
b	Name of empowerment zone ▶		
52	Amount of section 142(k)(5) volume cap allocated to issuer. **Attach copy of state certification**	52	

Signature and Consent

Under penalties of perjury, I declare that I have examined this return, and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person(s) that I have authorized above.

Signature of issuer's authorized representative | Date

Roma Cristia-Plant, Assistant Executive Director as assignee of the Executive Director

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	Preparer's PTIN
Wolfram Pohl				P01078285
Firm's name ▶ Orrick, Herrington & Sutcliffe LLP			Firm's EIN ▶	94-2952627
Firm's address ▶ 405 Howard Street San Francisco, CA 94105			Phone no.	415-773-5700