MOODY'S
INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

January 30, 2014

Ms. Teveia Barnes
California Infrastructure & Economic Development Bank
980 9th Street
Sacramento, CA 95814

Dear Ms. Barnes:

We wish to inform you that on January 13, 2014, Moody's Investors Service reviewed and assigned a rating of **Aa1** to California Infrastructure Revolving Fund, Infrastructure State Revolving Fund Revenue Bonds Series 2014A.

In assigning such rating, Moody's has relied upon the truth, accuracy and completeness of the information supplied by you or on your behalf to Moody's. Moody's expects that you will, on an ongoing basis, continue to provide Moody's with updated information necessary for the purposes of monitoring the rating, including current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moodys.com.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Kevork Khrimian at 212-553-4837.

Sincerely,

Kevork Khrimian
VP-Senior Analyst

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa1 to CA I-Bank's (CA) Series 2014A Bonds

Global Credit Research - 13 Jan 2014

Approximately $98 million of debt affected

CALIFORNIA INFRASTRUCTURE & ECONOMIC DEVELOPMENT BANK
State Revolving Funds
CA

Moody's Rating

ISSUE	RATING
Infrastructure State Revolving Fund Revenue Bonds Series 2014A	Aa1

Sale Amount	$98,000,000
Expected Sale Date	01/24/14
Rating Description	Revenue: Government Enterprise

Moody's Outlook STA

Opinion

NEW YORK, January 13, 2014 --Moody's Investors Service has assigned an Aa1 rating to California Infrastructure and Economic Development Bank ("I-Bank"), Infrastructure State Revolving Fund Program Bonds, Series 2014A, affecting approximately $98 million. The outlook on the bonds is stable.

USE OF PROCEEDS: The proceeds will be used to refund bonds issued in 2004 and 2005 and reimburse the I-Bank for newly originated loans under the 2014 Indenture.

LEGAL SECURITY: The bonds are secured by loan principal and interest payments made from borrowers, debt service reserves, interest earnings on reserves, funds in the Supplemental Revenue Fund and the Equity Fund.

SUMMARY RATINGS RATIONALE

The Aa1 rating is primarily based on the program's ability to withstand the default of well over half of the loans securing the bonds. This very high default tolerance is offset by the relatively small number of borrowers whose loans secure the bonds, which increases the program's exposure to a handful of borrowers. Also weighing on the rating is the below average credit quality of the borrowers. The current cash flow coverage of approximately 1.7x is also a credit positive, although the coverage requirement is only a modest 1.2x.

The I-Bank is a financing authority in the state of California whose mission is to finance a variety of infrastructure and economic development projects and carries out its mission through the Program, which is a revolving loan fund that provides low-cost financing to local and state entities and certain nonprofit organizations sponsored by local and state entities.

The bonds are primarily secured by the loan repayments of pledged borrowers, as well as from debt service reserves, interest earnings on reserves and funds in the 2014 Indenture's Supplemental Revenue Fund and the Equity Fund, Restricted Account.

CREDIT STRENGTHS

- A very high degree of default tolerance. Recent cash flow projections demonstrate the program's ability to withstand the default of 58% of the loans securing the bonds.

- The Program is expected to have an asset-to-debt ratio of 2.6x.

- The current and near term debt service coverage ratio of 1.7x.

- Strong management which undertakes thorough surveillance of its borrower portfolio.

CREDIT CHALLENGES

- Small number of unique borrowers and elevated concentration. There are only 50 borrowers with the five largest representing 32% of the outstanding loans.

- Below average credit quality of the borrowers.

DETAILED CREDIT DISCUSSION

With the current borrowing, the I-Bank intends to replace the existing 2004 Indenture of the program with a new 2014 Indenture by ultimately refunding all of the outstanding debt. The current series will refund the program's outstanding 2004 and 2005 series, while the 2008 series will likely be refunded after 2018.

With the new Indenture, the I-Bank intends to expand the program with enhanced flexibility, such as eliminating restrictions on loan amounts and the borrowers' credit strength, thereby attracting higher rated borrowers. The new indenture also simplifies the security of the program, whereby a common pool of assets secures a common pool of bonds.

The I-Bank will also transfer approximately $35 million to the new Equity Fund for future loans.

THE PROGRAM IS EXPECTED TO ENJOY A HIGH DEGREE OF DEFAULT TOLERANCE AND OVERCOLLATERALIZATION

The default tolerance and asset-to-debt ratio provide much of the credit strength for the Program. Cash flow projections as of 1/10/2014 demonstrate a 58% default tolerance. This feature speaks to the Program's ability to withstand sizeable and immediate defaults, and to continue to meet all debt obligations. Additionally, the Program demonstrates a 2.6x asset-to-debt ratio, most of which is derived from the $183 million loan portfolio, and $68 million available for new loans, and $6.4 million for reserves, compared to $98 million of bonds being issued. The current cash flows also indicate debt service coverage of approximately 1.7x through 2029, and higher thereafter. However, the coverage requirement is only 1.2x.

THE LOAN PORTFOLIO IS SMALL WITH SOME WEAK BORROWERS

The loan portfolio is comprised of only 50 borrowers, which is very small compared to other state revolving funds. This modest portfolio size is a notable credit weakness as it leads to a relatively high concentration of loans of a handful of borrowers. The five largest borrowers represent a relatively high 32% of the loans securing the bonds. The borrowers of less than 1% of the outstanding loans make up only 12%, which is also an indication of concentration.

The loans are secured by a variety of pledges including enterprise revenues, general fund leases and tax allocations which represent 12% of the outstanding loans. Following an internal credit assessment of the loan portfolio, we have determined the weighted average credit quality to be consistent with Baa, and at least 48% of the 50 unique borrowers possess a credit characteristics consistent with Baa-or-below range. The pool as a whole is of below average credit quality, and the concentration of lower rated borrowers is viewed as a credit weakness.

Following the refunding, the remaining $37.8 million of Series 2008 Bonds will be secured with a reaming portfolio of 30 loans to 25 unique borrowers, totaling $102.8 million. Approximately $28 million of the loans are extended to the city San Bernardino, of which $22.7 million is secured by the net revenues of the city's water system, and the remaining $5.3 million are lease secured, general fund obligations. Although all of the loans are reportedly current in repayment, current cash flows indicate that the Series 2008 bonds could withstand the loss of 100% of the San Bernardino loans, a 46% of the remaining loans.

STRONG MANAGEMENT

I-Bank's management has employed a timely and rigorous surveillance system which proactively identifies weak participants through use of financial indicators, such as debt service coverage. A thorough monitoring process allows I-Bank's staff to act promptly in the event there could be a distressed borrower.

Outlook

The outlook on the rating is stable. While it is likely that new loans will be extended in the near term, the available funds for such loans is limited and we don't expect significant change in the default tolerance, credit quality or concentration of the pool.

WHAT COULD MAKE THE RATING GO UP

A significant improvement in the borrower pool's credit quality.

Significant increase in the number of unique borrowers and pool diversity.

WHAT COULD MAKE THE RATING GO DOWN

Events - such as a borrower default or downgrade - that we believe have a material negative impact on the portfolio's credit quality.

An increase in leverage through future bond issuances that has a negative effect on default tolerance that is not consistent with the Program's current rating.

KEY INDICATORS

Weighted Average Portfolio Credit Characteristics: Baa

Top 5 Borrowers: 32%

Borrowers of less than 1%: 12%

Unique Borrowers: 50

Asset-to-Debt Ratio: 2.6x (including reserves and other available funds in the Supplemental revenue Fund and the Equity Fund)

Default Tolerance: 58%

The principal methodology used in this rating was U.S. State Revolving Fund Debt published in March 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Kevork Khrimian
Lead Analyst
Public Finance Group

Moody's Investors Service

Florence Zeman
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA