CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

STAFF REPORT

<table>
<tr><th colspan="4">EXECUTIVE SUMMARY</th></tr>
<tr><td rowspan="2">Borrower:</td><td rowspan="2">California Infrastructure and Economic Development Bank (IBank)</td><td>Amount Requested:</td><td>Not to exceed $125,000,000</td></tr>
<tr><td>Type of Issue:</td><td>Refunding and New Money</td></tr>
<tr><td>Issue New Bonds and Use of Bond Proceeds:</td><td colspan="3">IBank proposes to issue fixed-rate tax-exempt Infrastructure State Revolving Fund Revenue Bonds (2015 Bonds) and use the proceeds, together with other funds available to IBank, to (i) refund IBank's outstanding Infrastructure State Revolving Fund Revenue Bonds, Series 2008 (Refunded Bonds); (ii) finance and refinance loans to eligible borrowers for infrastructure and economic expansion projects pursuant to IBank's Infrastructure State Revolving Fund Program (ISRF Program), (iii) fund the reserve fund and (iv) pay costs of issuance.</td></tr>
<tr><td>Public Benefits:</td><td colspan="3">The issuance of the 2015 Bonds is expected to enhance IBank's ability to continue to provide low-cost, long-term financing for a variety of infrastructure and economic expansion projects throughout the state.</td></tr>
<tr><td colspan="4">Financing Structure:
Type of Issue: Publicly-offered fixed-rate bonds, issued in minimum denominations of $5,000 or integral multiples thereof.
Tax Status: Tax-exempt.
Term: The bonds are expected to have principal amortizations from 2015 through 2045.
Credit Enhancement: None.</td></tr>
<tr><td colspan="4">Financing Team:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Disclosure Counsel: Stradling Yocca Carlson & Rauth
Senior Managing Underwriter: Piper Jaffray & Co.
Co-Senior Managing Underwriters: Jefferies LLC
Underwriter's Counsel: Hawkins Delafield & Wood LLP
Financial Advisor: Lamont Financial Services Corporation
Trustee/Paying Agent: U.S. Bank National Association</td></tr>
<tr><td colspan="2">IBank Staff: Teveia Barnes</td><td colspan="2">Date of Staff Report: April 17, 2015</td></tr>
<tr><td colspan="2">Date of IBank Board Meeting:
April 28, 2015</td><td colspan="2">Resolution Number:
15-07</td></tr>
<tr><td colspan="4">Staff Recommendation:
The Staff recommends approval of Resolution 15-07 in connection with the issuance of fixed-rate tax-exempt program bonds not to exceed (i) a par amount of $125,000,000, (ii) a true interest cost (TIC) of 6% and (iii) a final maturity date of December 1, 2045.</td></tr>
</table>

SUMMARY

IBank Staff (the Staff) is proposing that the 2015 Bonds be issued and secured pursuant to (i) the Indenture, dated as of February 1, 2014 (2014 Master Indenture), between IBank and U.S. Bank National Association, as trustee (Trustee), as supplemented by the First Supplemental Indenture, dated as of February 1, 2014, between IBank and the Trustee (First Supplemental Indenture) with respect to the issuance of the 2014A Series Bonds (2014A Bonds) and by the Second Supplemental Indenture, to be associated with the 2015 Bonds, between IBank and the Trustee (Second Supplemental Indenture).

The 2014A Bonds issued pursuant to the 2014 Master Indenture as supplemented by the First Supplemental Indenture and, if approved by the Board, the 2015 Bonds to be issued pursuant 2014 Master Indenture as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, together with any additional series of bonds secured under the 2014 Master Indenture, as supplemented, are collectively referred to as the "Program Bonds." Each bond issuance secured by the 2014 Master Indenture, as supplemented will be issued in accordance with a supplemental indenture (a "Supplemental Indenture"). Capitalized terms used but not otherwise defined in this Staff Report have the definitions given to them in the 2014 Master Indenture.

If approved by the Board, the 2015 Bonds would be issued by IBank to provide funds, together with other available funds of IBank, to (i) refund IBank's outstanding 2008 Series Bonds issued under the Prior Master Indenture defined below (the Refunded Bonds), (ii) finance and refinance ISRF Program loans (Loans), (iii) provide additional funds to the Reserve Fund established under the 2014 Master Indenture, as supplemented by the First Supplemental Indenture, and (iv) pay costs of issuance of the 2015 Bonds. Interest on the 2015 Bonds is expected to be payable each April 1 and October 1, commencing on October 1, 2015, with annual principal payments due on October 1, commencing on October 1, 2015.

PROGRAM BACKGROUND

To provide funding for the ISRF Program, IBank issued the Refunded Bonds in 2008 in the principal amount of $48,375,000. The Refunded Bonds were issued by IBank pursuant to the provisions of a 2004 Master Indenture between IBank and Wells Fargo Bank, as trustee (the Prior Master Indenture) and a separate series indenture (collectively, the "Refunded Bonds Indenture"). The proceeds of the Refunded Bonds were generally used to fund loans made under the ISRF Program, fund reserves under the Prior Indentures, and pay costs of issuance of the Refunded Bonds. The Refunded Bonds were issued on a fixed-rate, tax-exempt basis and are currently rated 'AA+,' ''Aa2,' and 'AA+' by Fitch Ratings, Moody's Investors Service, and Standard and Poor's, respectively.

A total of 109 Loans have been approved by IBank under the ISRF Program with principal amounts totaling nearly $494 million. As of April 17, 2015, IBank has 30 Loans outstanding with outstanding principal balances totaling approximately $96 million that are currently pledged to the Refunded Bonds and the Prior Master Indenture. All payments on these pledged loans have generally been made on time, and are in compliance with the material financial covenants. In addition, IBank has two Loans with outstanding principal balances totaling approximately $5 million that are not pledged to any indenture.

PROPOSED BOND STRUCTURE

If approved by the Board, the 2015 Bonds will be issued under the 2014 Master Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture. The 2014 Master Indenture uses an open indenture structure, which provides for a common pool of assets/loans pledged to secure all series of ISRF Program Bonds generally on a parity basis (Open Indenture) under the 2014 Master Indenture. By allowing more than one series of ISRF Program Bonds to be secured by a common pool of assets/loans, the Open Indenture structure of the 2014 Master Indenture reduces the need for tracking separate loans pledged to separate series and the Prior Indentures and tracking separate covenants specific to each series. The Open Indenture structure is designed to (i) ease cash flow administration, (ii) increase credit capacity for future leveraging allowing for more efficient debt service coverage as program demand increases, (iii) increase flexibility for additional Program Bond issuances, and (iv) use one common pool of assets to satisfy bond debt service coverage ratios for the 2014A Bonds, the 2015 Bonds, and all future bonds issued under the 2014 Master Indenture.

The Prior Master Indenture and the Refunded Bonds Indenture used a closed indenture (Closed Indenture) model for the Program Bonds. Such a structure was the typical structure used nationwide at the time. In a Closed Indenture model, each series of bonds is secured by borrower repayments from a separate pool of specifically identified and pledged loans.

Estimated Savings

Based on interest rates as of April 17, 2015, the chart below provides an estimated savings analysis for a refunding of the Refunded Bonds:

ISRF Program Bonds	Outstanding Principal Amount	Estimated Dollar Amount of Net Present Value Debt Service Savings	% of Net Present Value Savings
Refunded Bonds	$35,435,000	$1,845,777.07	5.208909%

Note that the information provided above is a mere estimate of possible savings based on market conditions as of April 17, 2015. Market conditions at the time of the proposed sale of the 2015 Bonds may be markedly less favorable as compared to the April 17, 2015 conditions and, thus, could result in savings that are substantially lower than those estimated.

Notwithstanding the possible market fluctuation that could affect the resulting net present value savings, Staff recommends proceeding with the refunding of the Refunded Bonds if the true interest cost (TIC) on the 2015 Bonds is less than 6.00%. As of April 17, the estimated TIC for the 2015 Bonds is 3.062740%. In addition to the benefits to IBank to be realized by achieving debt service savings, IBank would experience other benefits by refunding the ISRF 2008 Series Bonds even if debt service savings were minimal. As discussed above, by defeasing the Prior Indentures and pledging their associated loans to the common pool of loans (Common Pool of Pledged Loans) established under 2014 Master Indenture, as supplemented by each supplemental indenture, IBank would immediately realize additional benefits from its Open Indenture structure, including the benefits of (i) combined debt service coverage of all Loans to support all Program Bonds issued and outstanding, (ii) combined pledge of the Common Pool of Pledged Loans for the benefit of all Program Bonds bondholders, (iii) combined common reserve account supporting all Program Bonds and (iv) administering a single pool of Loan assets with one trustee, instead of two asset pools under two different trustees.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS

Collateral

If approved by the Board, the 2015 Bonds will be limited obligations of IBank, payable solely from and secured by a pledge and assignment of all of IBank's rights, title, and interest in and to (a) the Pledged Loans (as defined below); (b) the Pledged Funds and Accounts (as defined below), and all money, instruments, investment property, and other property from time-to-time credited to or on deposit in the Pledged Funds and Accounts; and (c) all other revenues credited to or on deposit in the Pledged Funds and Accounts (collectively, Collateral).

The primary source of repayment for bonds to be issued under the 2014 Master Indenture, as supplemented by supplemental indentures, including the 2015 Bonds, are Loan Repayments (as defined below) made by Borrowers under a number of Pledged Loans (Pledged Loans). Staff proposes that the Pledged Loans be comprised of all the loans currently pledged to the 2014A Bonds and the Refunded Bonds, as well as loans pledged solely to the Prior Master Indenture. Under the Open Indenture structure, future loans made under the ISRF Program would, as a general practice, be added to the Common Pool of Pledged Loans. Pledged Loan Repayments are all payments of principal, interest, or premiums on a Pledged Loan, whether as a result of scheduled payments or prepayments or remedial proceedings taken in the event of a default.

For the 2015 Bonds, under the 2014 Master Indenture, as supplemented, Pledged Funds and Accounts consists primarily of the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund (as described below), the Supplemental Revenue Fund (as described below), the Equity Fund (to the extent and as described below). Pledged Funds and Accounts include the Series 2015 Bond Proceeds Fund established pursuant to the Second Supplemental Indenture.

Reserve Fund

If approved by the Board, the 2015 Bonds will be designated as 2014A Reserve Fund Participating Bonds secured by the Reserve Fund established pursuant to Section 14.08 of the First Supplemental Indenture. The Second Supplemental Indenture will provide that an amount necessary to fund the Reserve Fund (together with amounts already on deposit therein) equal to the 2014A Bond Reserve Requirement (as defined below) will be transferred to the Trustee for deposit into the Reserve Fund pursuant to the 2014 Master Indenture, as supplemented by the First Supplemental Indenture and Second Supplemental Indenture, to secure the payment of principal of and interest on the Series 2015 Bonds.

REPAYMENT OF PROGRAM BONDS

Overview of Source of Repayment

Prior Master Indenture Pledged Loans: If issuance of the 2015 Bonds is approved by the Board, the eight (8) loans currently pledged to the Prior Master Indenture with an outstanding principal balance of approximately $29 million as of April 17, 2015, would, upon the defeasance of the Prior Master Indenture be added to the Common Pool of Pledged Loans under the 2014 Master Indenture.

Refunded Bonds Pledged Loans. If issuance of the 2015 Bonds is approved by the Board, 22 loans currently pledged to secure the Refunded Bonds with an outstanding principal balance of approximately $67 million as of April 4, 2015, would, upon the defeasance of the indenture for the Refunded Bonds, be added to the Common Pool of Pledged Loans under the 2014 Master Indenture.

Common Pool of Pledged Loans. To date, IBank has pledged 60 existing loans to the Common Pool of Pledged Loans with an outstanding principal balance of approximately $207.7 million as of April 17, 2015 to secure the repayment of the Program Bonds. If issuance of the 2015 Bonds is approved by the Board, the loans currently in the Common Pool of Loans would, upon the defeasance of the Prior Master Indenture as well as the defeasance of Refunded Bonds Indenture secure the 2014A Bonds, the 2015 Bonds as well as any future Program Bonds.

RECOMMENDATION

The Staff recommends approval of Resolution 15-07 in connection with the issuance of fixed-rate tax-exempt program bonds not to exceed (i) a par amount of $125,000,000, (ii) a true interest cost (TIC) of 6% and (iii) a final maturity date of December 1, 2045.