MOODY'S
INVESTORS SERVICE

Rating Update: **MOODY'S AFFIRMS Aaa RATING OF CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK CLEAN WATER STATE REVOLVING FUND REVENUE BONDS SERIES 2002**

Global Credit Research - 31 Jan 2011

APPROXIMATELY $163.4 MILLION OF OUTSTANDING DEBT AFFECTED

State
CA

Opinion

NEW YORK, Jan 31, 2011 -- Moody's Investors Service has affirmed the Aaa Rating of California Infrastructure and Economic Development Bank Clean Water State Revolving Fund Revenue Bonds Series 2002, affecting approximately $163,370,000 of outstanding debt.

RATINGS RATIONALE

The affirmation is a reflection of the program's continued overcollateralization and sufficient debt service coverage levels. The bonds are secured by a loan portfolio which derives its repayments from municipal wastewater system revenues. The State Water Resources Control Board (SWRCB) administers the Clean Water State Revolving Fund program pursuant to the federal Clean Water Act that provides financial assistance to municipalities for eligible wastewater treatment projects.

STRENGTHS

* Strong overcollateralization of assets to outstanding debt

* Sufficient debt service coverage levels

CHALLENGES

* Medium-sized loan portfolio with borrower concentration risks

DETAILED CREDIT DISCUSSION

As of December 31, 2010, the Clean Water SRF demonstrated a strong asset-to-debt ratio of 2.15x. Recent cash flows illustrate the program's minimum projected debt service coverage to be 2.07x in 2017 - one year prior to maturity. The projections did not assume investment income, therefore coverage was driven solely by pledged loan receivables.

The bonds are primarily secured by $334 million of loan repayments from a medium-sized pool of 44 discrete borrowers. Based on the loan amounts outstanding, the portfolio exhibits average-quality diversity characteristics. The top five borrowers comprise about 42% of the total loan portfolio, and of that, 16% resides with City and County of San Francisco's (Aa3). Only 12% of the borrowers make up less than 1% of the total portfolio.

The weighted average portfolio credit quality was determined to be in the A-range, and three of the portfolio's top five borrowers are rated in the Aa-range (City of Santa Rosa, City of Santa Cruz, and City and County of San Francisco). Highly rated top borrowers such as these should mitigate some of the risks associated with the aforementioned portfolio concentration.

The indenture requires the program's reserve to be funded at 50% of maximum annual debt service. As of December 31, 2010, it was valued at approximately $16 million. All reserve monies are deposited with the California State Treasurer's office in the Pooled Money Investment Fund, an internal cash investment pool administered by the Pooled Money Investment Board comprised of the California State Treasurer, the State Controller, and the Director of Finance. Thus CWSRF management has no responsibility or control over the investment decisions for excess cash.

WHAT COULD MAKE THE RATING GO UP

* Not applicable

WHAT COULD MAKE THE RATING GO DOWN

* Deterioration of loan portfolio credit quality

* Material decline in asset to debt ratio or debt service coverage levels

KEY INDICATORS (AS OF 12/31/2010)

Bonds outstanding: $163,370,000

Bond maturity: 2018

Loans outstanding: $334,740,216

Reserve fund: $15,997,114

Asset-to-debt ratio: 2.15x

Discrete Borrowers: 44

Top 5 borrower concentration: 42%

% of borrowers less than 1% of total pool: 12%

Weighted average pool rating: A-range

The principal methodology used in this rating was U.S. State Revolving Fund Debt published in July 2010.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings and public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of maintaining a credit rating.

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