

**NEW ISSUE
(BOOK-ENTRY-ONLY SYSTEM)**

Standard & Poor's: ____

Moody's: ____

Fitch: ____

See "Ratings" herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the IBank, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2016 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the IBank, under existing statutes, interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.



\$ _____ *

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
CLEAN WATER STATE REVOLVING FUND REVENUE BONDS
SERIES 2016 (GREEN BONDS)**



Dated: Date of Issuance

Due: October 1, as shown on the inside front cover

The California Infrastructure and Economic Development Bank (the "IBank") is issuing its \$_____ Clean Water State Revolving Fund Revenue Bonds Series 2016 (Green Bonds) (the "Series 2016 Bonds") pursuant to (i) a Master Trust Indenture dated as of November 1, 2012 (the "Master Trust Indenture"); (ii) a Series 2016 Indenture, dated as of _____, 2016, each between the IBank and the Treasurer of the State of California, as trustee (the "Trustee"); and (iii) a Master Payment and Pledge Agreement, dated as of November 1, 2012, between the IBank and the State Water Resources Control Board (the "State Water Board") for the purpose of financing a portion of the California Clean Water State Revolving Fund Program administered by the State Water Board which provides financial assistance to local governments for water pollution control projects. Additional Bonds on a parity with the Series 2016 Bonds and the IBank's currently Outstanding Series 2012 Bonds (hereinafter defined) may be issued in accordance with the Master Trust Indenture.

The Series 2016 Bonds will mature in the principal amounts in the years, and will bear interest at the respective rates of interest per annum, as set forth on the inside cover page hereof. The IBank will pay interest on the Series 2016 Bonds on April 1 and October 1 of each year, commencing [October 1, 2016]. The Series 2016 Bonds will be delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2016 Bonds. Individual purchases of the Series 2016 Bonds will be made in book-entry form only. Purchasers of the Series 2016 Bonds will not receive certificates representing their ownership interests in the Series 2016 Bonds purchased. Principal and interest payments represented by the Series 2016 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2016 Bonds. See Appendix F – "Book-Entry-Only System" attached hereto.

The Series 2016 Bonds are subject to redemption prior to their maturity as set forth herein.

The Series 2016 Bonds are special limited obligations of the IBank, generally payable from and secured by a pledge of the Pledged Assets which consist primarily of Pledged Revenues derived from the Pledged Project Obligations. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein. The Series 2016 Bonds do not constitute a debt or liability of the State or any political subdivision thereof, but are limited obligations of the IBank and the State Water Board that are payable solely from Pledged Assets. Neither the State, the IBank nor the State Water Board shall be obligated to pay the principal of, or interest on, the Bonds, except from the funds provided therefor under the Master Payment and Pledge Agreement and the Indenture, and neither the faith and credit nor the taxing power of the State, the IBank, the State Water Board or of any political subdivision thereof is pledged to the payment of the principal of, or interest on, the Series 2016 Bonds. The issuance of the Series 2016 Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation. Neither the IBank nor the State Water Board has any taxing power.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2016 Bonds will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the IBank, and certain other conditions. Certain matters with respect to the Official Statement will be passed on by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the IBank. Certain legal matters will be passed upon for the IBank by General Counsel to the IBank, for the State Water Board by Chief Counsel to the State Water Board and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Series 2016 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about _____, 2016.

MORGAN STANLEY

PIPER JAFFRAY & CO.

Dated: _____, 2016

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____*

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
CLEAN WATER STATE REVOLVING FUND REVENUE BONDS
SERIES 2016 (GREEN BONDS)**

MATURITY SCHEDULE

Initial CUSIP <u>(13034A)**</u>	Due <u>(October 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Price or <u>Yield</u>
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** CUSIP data, copyright, American Bankers Association. CUSIP data herein are set forth herein for convenience of reference only. Neither the IBank, the State Water Board nor the Underwriters assume any responsibility for the accuracy of such data.

* Preliminary, subject to change.

This Official Statement, which includes the cover page, inside cover page and appendices hereto, does not constitute an offer to sell the Series 2016 Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the IBank, the State Water Board or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2016 Bonds and, if given or made, such information or representations must not be relied upon.

The information set forth in the Section entitled “THE INFRASTRUCTURE BANK” has been obtained from the IBank. All other information set forth herein has been obtained from the State Water Board and other sources that are believed to be current and reliable, but the accuracy or completeness of such information has not been independently verified by, is not guaranteed by, and is not to be construed as a representation by, the IBank. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the IBank or the State Water Board or the information herein pertaining to the Clean Water State Revolving Fund since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute projections or “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such statements include, but are not limited to, certain statements contained in the information under the captions “THE CLEAN WATER STATE REVOLVING FUND PROGRAM,” “SECURITY AND SOURCE OF PAYMENT FOR BONDS,” “CASH FLOW SCHEDULE,” “THE RECIPIENTS,” and the statements contained in APPENDIX A—“PLEDGED PROJECT OBLIGATIONS” to this Official Statement.

The achievement of certain results or other expectations contained in such projections or forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such projections or forward-looking statements. The State Water Board takes no responsibility for, and the State Water Board does not plan to issue, any updates or revisions to those projections or forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, change.

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

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OFFICIAL STATEMENT

\$_____*

California Infrastructure and Economic Development Bank
Clean Water State Revolving Fund Revenue Bonds
Series 2016 (Green Bonds)

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, provides certain information concerning \$_____* original principal amount of Clean Water State Revolving Fund Revenue Bonds, Series 2016 (Green Bonds) (the “Series 2016 Bonds”) issued by the California Infrastructure and Economic Development Bank (the “IBank”), a public instrumentality of the State of California (the “State”). The IBank is organized and existing under Division 1 (commencing with Section 63000) of Title 6.7 of the California Government Code, as amended (the “IBank Act”) and is authorized to issue the Series 2016 Bonds at the request of the State Water Resources Control Board (the “State Water Board”) in connection with the State Water Pollution Control Revolving Fund created by Chapter 6.5 (commencing at Section 13475) of Division 7 of the California Water Code (the “State Clean Water Act”). Capitalized terms not otherwise defined herein shall have the meanings set forth in APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND THE MASTER PAYMENT AND PLEDGE AGREEMENT.”

The Series 2016 Bonds will be issued and secured pursuant to a Master Trust Indenture, dated as of November 1, 2012 (the “Master Trust Indenture”) and the Series 2016 Indenture, dated as of _____, 2016 (the “Series 2016 Indenture” and, collectively with the Master Trust Indenture as further supplemented and amended from time to time, the “Indenture”), each between the IBank and the Treasurer of the State of California, as trustee (the “Trustee”). The Series 2016 Bonds are secured under a Master Payment and Pledge Agreement, dated as of November 1, 2012, by and between the IBank and the State Water Board (the “Master Payment and Pledge Agreement”). The Series 2016 Bonds are being issued for the purpose of financing a portion of the California Clean Water State Revolving Fund Program administered by the State Water Board by providing financial assistance to local governments for water pollution control projects.

The IBank has previously issued its \$68,940,000 Clean Water State Revolving Fund Refunding Revenue Bonds, Series 2012 (the “Series 2012 Bonds”) of which \$29,940,000 remain Outstanding. The Series 2016 Bonds, together with the Series 2012 Bonds and any additional bonds hereafter issued on a parity with the Series 2012 Bonds and the Series 2016 Bonds under the Master Trust Indenture (the “Additional Bonds”), are collectively referred to herein as the “Bonds.” Each series of Additional Bonds will be issued under a subsequent series indenture (a “Series Indenture”). See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Additional Debt” herein.

* Preliminary, subject to change.

The Bonds are limited obligations of the IBank, payable from and secured by a pledge under the Master Trust Indenture of the Pledged Assets, consisting of all of IBank's right, title and interest in and to the Master Payment and Pledge Agreement (other than Board Reserved Rights and IBank Reserved Rights), the Pledged Revenues, and the funds and accounts established under the Master Trust Indenture (except amounts on deposit in the Rebate Fund). See "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein. **The Series 2016 Bonds do not constitute a debt or liability of the State or any political subdivision thereof, but are limited obligations of the IBank and the State Water Board that are payable solely from Pledged Assets. Neither the State, the IBank nor the State Water Board shall be obligated to pay the principal of, or interest on, the Bonds, except from Pledged Assets, and neither the faith and credit nor the taxing power of the State, the IBank, the State Water Board or of any political subdivision thereof is pledged to the payment of the principal of, or interest on, the Series 2016 Bonds. The issuance of the Series 2016 Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation. Neither the IBank nor the State Water Board has any taxing power.**

Title VI of the Federal Water Pollution Control Act of 1972, as amended (33 U.S.C. Sections 1251 *et seq.*) (the "Federal Clean Water Act"), part of the federal water pollution control program, provides for the creation of water pollution control revolving fund programs. To implement the Federal Clean Water Act, the State established a clean water state revolving fund (the "CWSRF") program under the supervision of the State Water Board pursuant to the State Clean Water Act.

The State Water Board enters into loan contracts, installment sales agreements and similar contracts ("Project Obligations") with local governments and other qualified program participants (the "Recipients") in order to provide low-cost financing for projects and activities permitted under the Federal Clean Water Act and the State Clean Water Act, including, but not limited to, publicly owned water pollution control facilities, non-point source pollution control projects, estuary management plans, decentralized wastewater treatment systems, stormwater or subsurface drainage water systems, capacity or energy reduction measures for public treatment facilities, watershed projects, security measures for public treatment facilities, and wastewater, stormwater, or subsurface drainage water reuse or recycling (the "Eligible Projects"). The IBank intends to issue the Series 2016 Bonds to provide additional moneys to the State Water Board for the CWSRF that would be used by the State Water Board to fund Project Obligations ("Bond Funded Project Obligations") to provide additional funds to Recipients for Eligible Projects. See "PLAN OF FINANCE" for a description of State Water Board's plans to request the IBank to issue Additional Bonds in the future for such purposes.

Under the Master Trust Indenture the IBank may establish a Debt Service Reserve Fund Requirement with respect to the Bonds. A Debt Service Reserve Fund Requirement will not be initially established in connection with the issuance of the Series 2016 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS—No Initial Debt Service Reserve Fund Requirement for Series 2016 Bonds."

Under certain circumstances the IBank may amend the Master Trust Indenture without the consent of Owners for a number of reasons, including amending to provide for the issuance

of Bonds to finance other State programs, such as the State’s Drinking Water State Revolving Fund (“DWSRF”) program under the federal Safe Drinking Water Act of 1974 (42 U.S.C. § 300 et seq.) (“Drinking Water Act”). See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Financing Additional Programs” and APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND THE MASTER PAYMENT AND PLEDGE AGREEMENT—Master Trust Indenture and Series 2016 Indenture—Supplemental Indentures Not Requiring Consent of Owners.”

THE INFRASTRUCTURE BANK

The IBank is an entity within the Governor’s Office of Business and Economic Development, organized and existing pursuant to the IBank Act. The IBank is authorized and empowered pursuant to the IBank Act to issue the Series 2016 Bonds, to loan the proceeds thereof to the State Water Board, to secure the Series 2016 Bonds by a pledge of the Pledged Assets and to enter into the Master Payment and Pledge Agreement, the Series 2016 Indenture and the Master Trust Indenture pursuant to which the Series 2016 Bonds are to be issued.

The IBank is governed by a five-member board of directors consisting of the Director of the Governor’s Office of Business and Economic Development, who serves as Chair, the State Director of the Department of Finance, the State Treasurer, the Secretary of the State Transportation Agency and an appointee of the Governor of the State, or their designee. The directors serve without compensation, provided, however, that the directors may be reimbursed for actual and necessary expenses incurred in the performance of their duties. The IBank has no taxing power.

The Series 2016 Bonds are limited obligations of the IBank and the State Water Board that are payable solely from the Pledged Assets consisting of all of IBank’s right, title and interest in and to the Master Payment and Pledge Agreement (other than Board Reserved Rights and IBank Reserved Rights), the Pledged Revenues, and the funds and accounts established under the Master Trust Indenture (except amounts on deposit in the Rebate Fund).

Except for the information included in this section, the IBank has not independently verified and makes no representations with respect to the accuracy, adequacy or completeness of the statements and information set forth herein.

STATE WATER RESOURCES CONTROL BOARD

The State Water Board was created in 1967 by merging the State Water Rights Board and the State Water Quality Control Board, thus integrating water rights and water quality decision-making authority. In 2014, the State’s drinking water program responsibilities were transferred from the Department of Public Health to the State Water Board to further integrate oversight of water issues in California. The mission of the State Water Board is to preserve, enhance, and restore the quality of California’s water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations. The State Water Board, nine Regional Water Quality Control Boards (the “Regional Water Boards”), and 24

Drinking Water District Offices (the “District Offices”) throughout the state work together to protect California’s water.

The nine Regional Water Boards develop and enforce water quality objectives and implementation plans which will best protect the beneficial uses of the State’s waters, recognizing local differences in climate, topography, geology, and hydrology. Each Regional Water Board makes critical water quality decisions for its region. These decisions include setting standards, issuing waste discharge requirements, determining compliance with those requirements, and taking appropriate enforcement actions. Regional Water Boards develop “basin plans” for their hydrologic areas, govern the issuance of waste discharge permits, take enforcement action against violators, and monitor water quality. Each Regional Water Board has seven part-time members appointed by the Governor and confirmed by the State Senate.

The District Offices issue permits to drinking water systems, inspect water systems, monitor drinking water quality, and set and enforce drinking water standards.

Certain activities of each Recipient are regulated by the State Water Board and the Regional Water Boards for the region in which the Recipient is located. The State Water Board’s role in protecting water includes setting statewide policy, coordinating and supporting the Regional Water Boards’ efforts, reviewing petitions contesting Regional Water Boards’ actions, and administering several financial assistance programs, including, but not limited to, the CWSRF and the DWSRF. The State Water Board is also solely responsible for allocating certain surface water rights.

The State Water Board is authorized by the State Clean Water Act to use moneys in the CWSRF for purposes permitted by the Federal Clean Water Act. The Division of Financial Assistance administers the CWSRF with approximately 54 full-time equivalent staff and management positions assigned to such purpose. Additionally, the State Water Board is authorized under the Safe Drinking Water State Revolving Fund Law of 1997 (commencing at Section 116760 of Division 104 of the California Health and Safety Code) to use monies in the DWSRF for the purposes permitted in the Drinking Water Act. The DWSRF provides financial assistance to public water systems in the form of low-interest financing, additional subsidy, and other technical assistance derived from federal capitalization grants, associated state match, and revolving principal and interest repayments, and is also administered by the Division of Financial Assistance. The State Water Board’s telephone number for activities relating to the CWSRF or DWSRF is (916) 327-9978 and the address is State Water Resources Control Board, Division of Financial Assistance, 1001 I Street, 16th Floor, Sacramento, CA 95814.

The State Water Board consists of five full-time salaried members, each filling a different specialty position. Board members are appointed to four-year terms by the Governor and confirmed by the State Senate. The current Board members are:

<u>Name</u>	<u>Position</u>	<u>Type</u>	<u>Term Expires (January 15)</u>
Felicia Marcus	Chair	Attorney	2019
Frances Spivy-Weber	Vice Chair	Public	2017
Tam M. Doduc	Member	Civil engineer	2017
Steven Moore	Member	Sanitary engineer	2020
Dorene D'Adamo	Member	Water quality expert	2019

THE CLEAN WATER STATE REVOLVING FUND PROGRAM

Federal Grants and State Match

Under the Federal Clean Water Act, each state may create a water pollution control revolving fund to accept federal capitalization grants (the “Capitalization Grants”). Capitalization Grants are awarded to states so they can provide loans and other forms of financial assistance to eligible applicants for construction, rehabilitation or implementation of Eligible Projects.

Capitalization Grants are made pursuant to agreements (the “Capitalization Grant Agreements”) between each state and the United States Environmental Protection Agency (the “EPA”). As a condition to receiving a Capitalization Grant, the State, among other conditions, must provide additional funding in an amount equal to at least 20% of each Capitalization Grant (the “State Match”). The State Water Board has provided the State Match in various ways, including direct appropriations from State resources (including State general obligation bonds) and loan repayments from the State’s water reclamation program. In addition, certain Recipients have contributed a portion of the State Match in exchange for reduced interest rate financing. Under the Master Trust Indenture, the Bonds may also be used to provide the State Match. To date, the State Water Board has not issued bonds to fund the State Match.

Since 1989, the EPA has awarded the State Water Board Capitalization Grants aggregating \$2.957 billion. This amount includes EPA awards of Capitalization Grants of approximately \$[___] million for the federal fiscal year ended September 30, 2013, \$100.3 million for the federal fiscal year ended September 30, 2014, and \$99.8 million for the federal fiscal year ended September 30, 2015.

Administration of CWSRF

In order to implement the Federal Clean Water Act, in 1989 the State established the CWSRF. A key feature of the CWSRF is its revolving nature. The Capitalization Grants and the State Match funds received by the State Water Board are deposited in the CWSRF. Moneys in the CWSRF are used by the State Water Board for various purposes permitted under the Federal Clean Water Act and the State Clean Water Act, including providing low-cost financing to Recipients for the costs of Eligible Projects by entering into Project Obligations.

For each Capitalization Grant Agreement, the State Water Board prepares a Capitalization Grant application and a plan (the “Intended Use Plan”) describing the intended use of the grant and other available sources. The Intended Use Plan identifies projects expected to

be provided with financial assistance from the CWSRF, the goals of the CWSRF and the criteria and method established for the distribution of CWSRF funds and other funds available to the State Water Board that can be used in conjunction with the CWSRF for Eligible Projects. The Capitalization Grant Agreement is subject to a CWSRF operating agreement which governs the State's implementation of the federal CWSRF program.

The State Clean Water Act currently authorizes funding for any projects and activities eligible under the Federal Clean Water Act, including, but not limited to, planning, design, construction and implementation of wastewater management systems, non-point source pollution management systems, estuary conservation and management, decentralized wastewater treatment systems, stormwater or subsurface drainage water systems, capacity or energy reduction measures for public treatment facilities, watershed projects, security measures for public treatment facilities, and wastewater, stormwater, or subsurface drainage water reuse or recycling.

Under the State Clean Water Act, the amounts on deposit in the CWSRF are continuously appropriated, so that the State Water Board may transfer amounts from the CWSRF as needed to fund additional Project Obligations and for other permitted purposes of the CWSRF. The State Water Board can fund Project Obligations from (i) net assets of the CWSRF including revolving federal contributions, revolving state match contributions, and retained income and (ii) revenue bonds issued by the IBank on behalf of the State Water Board. As of June 30, 2015, the State Water Board had funded Project Obligations in the aggregate principal amount of approximately \$7.951 billion to 323 Recipients for 712 Eligible Projects. For more information on Project Obligations, see "THE RECIPIENTS—Project Obligations." For a description of the operation of the CWSRF following issuance of the Series 2016 Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR BONDS—Summary of Flow of Funds."

The State Water Board monitors and surveils the Project Obligations in a variety of ways to ensure that loans are repaid on time and in full, including, but not limited to, (1) reviewing water related news clips and press releases, (2) reviewing bankruptcy filings, and (3) requiring loan recipients to submit annual, audited financial statements for at least the first five years of the loan, and potentially longer if warranted.

The EPA periodically evaluates the State Water Board to determine whether its CWSRF complies with the requirements of the Federal Clean Water Act. In its Program Evaluation Report (PER) for the State's fiscal year ended June 30, 2014, the EPA noted that "[o]verall this PER found no deficiencies in the management of the California CWSRF program, and found the technical, managerial and financial management of the program favorable." EPA did note two areas to be addressed. The State Water Board has reviewed its compliance procedures in those areas to assure that all federal program requirements are fulfilled.

THE RECIPIENTS

General

Under the CWSRF, the State Water Board provides financial assistance for Eligible Projects of local government units or other qualified program participants, referred to herein as "Recipients." The financial assistance provided by the State Water Board is evidenced by a loan

contract, an installment purchase contract or similar document, referred to herein as the “Project Obligations.” The particular Project Obligations that are pledged by the State Water Board under the Master Payment and Pledge Agreement and assigned by the IBank to the Trustee under the Indenture for the benefit of the Bonds, including the Series 2016 Bonds, are referred to herein as “Pledged Project Obligations,” and the Recipients under the Pledged Project Obligations are referred to as “Pledged Project Obligation Recipients,” as described below.

Recipient Eligibility

Municipalities and other qualified entities are eligible to be Recipients under the CWSRF. Currently, each Recipient under the initial Pledged Project Obligations is a local government unit in the State.

The State Water Board may determine the eligibility and priority of applicants for Project Obligations by considering a variety of factors, including an applicant’s ability to repay the State Water Board, the feasibility of the proposed project and whether the proposed project is expected to result in a demonstrable improvement in water quality. The State Water Board’s evaluation of an applicant’s ability to repay a Project Obligation includes, but is not limited to: (a) evaluating all material debt (e.g., all debt secured by the revenues or other assets securing or used to pay the Project Obligation); (b) evaluating the applicant’s capital improvement and the long-term indebtedness plans; (c) evaluating three years of the applicant’s audited financial statements and any adopted future year’s budget; (d) identifying any restricted funds and the reason for the restrictions; (e) evaluating information submitted by the applicant regarding current, prior, or pending material events (such as, bankruptcy, defaults, litigation, grand jury findings/indictments); (f) identifying any conditions in material debt obligations that must be satisfied prior to executing the Project Obligation; (g) identifying any debt limit to which an applicant is subject; (h) evaluating a new tax, fee, charge, or assessments and its ability to meet budget projections; (i) evaluating the effect of any relevant service, management, operating, or joint powers agreements on the proposed Project Obligation; and (j) verifying that the applicant has sufficient property rights in the land used for all portions of the project to enable it to access, construct, operate, maintain, and allow for outside inspections of the project throughout the Project Obligation. **Neither the State Water Board nor the IBank makes any representation concerning the creditworthiness of any particular Recipient or its ability to make payments as provided in its Project Obligation.**

Project Obligations

General. The State Water Board has entered into the Pledged Project Obligations with the Pledged Project Obligation Recipients and the State Water Board has in the past and will in the future enter into Project Obligations with other Recipients whose Project Obligations are not currently pledged as security for the Bonds but may be so pledged in the future. Each Project Obligation is negotiated between the State Water Board and the Recipient, so certain terms of the individual Project Obligations are different. Eligible Projects are funded by the State Water Board by periodically transferring funds to the Recipients pursuant to a cost reimbursement disbursement process while the Eligible Project is being constructed. Upon the completion of the Eligible Project a final amortization schedule is provided to the Recipient.

Presently, each CWSRF Recipient of a Pledged Project Obligation must pledge one or more dedicated sources of revenue toward repayment of its CWSRF financial agreement. These dedicated sources of revenue can include, but are not limited to, sewer rate revenue pledges or other contractual income of the Recipient. To ensure that financial agreements are repaid on time and in full, the State Water Board uses a variety of analytical and monitoring measures to reduce the possibility of non-payment.

Since 2012, the State Water Board has restructured three Project Obligations that are not Pledged Project Obligations in response to financial distress on the part of those Recipients and it continues to closely monitor the financial condition of these Recipients. Additionally, the State Water Board is currently reviewing the financial condition of four other Recipients, one of which has filed for Chapter 9 bankruptcy protection. Of the remaining three Project Obligations, one is a Pledged Project Obligation. This Pledged Project obligation constitutes less than [5%] of the pool of Pledged Project Obligations. This Pledged Project Obligation had a late payment in 20___. The State Water Board responded to this late payment and full payment was thereafter received and all subsequent payments have since been made on a timely basis. In all cases, the State Water Board monitors Recipients' finances and is working closely with the Recipients to maximize the likelihood of complete repayment of the Project Obligations.

Basic Terms of Project Obligations. Project Obligations are generally amortized over a period of not to exceed 20 to 30 years, with payments commencing one year after the date of completion of the Eligible Project. Interest rates on Project Obligations are fixed at rates that are no greater than one-half the interest rate rounded up to the next one-tenth of one percent on the most recent issue of State general obligation bonds. In addition to interest, the State Water Board may charge Recipients fees that are not included in Pledged Assets. An administrative fee may be charged in lieu of up to 1.0% interest on obligations and a small community grant fee may be charged in lieu of the full interest rate on certain Project Obligations. Repayments of Project Obligations are made annually, generally in level annual installments throughout the Project Obligation term, and prepayments are typically permitted. Substantially all Project Obligations identify the revenues dedicated or otherwise expected to be used to repay the Project Obligations, such as the gross or net revenues from the Recipient's sewer or water and sewer system or special assessments or capacity charges. Some Project Obligations are secured by a senior lien on revenues or other pledged assets, but other Project Obligations may be secured on a parity or subordinate basis or provide no priority lien. Recipients may generally issue additional debt with a parity lien on the revenues or other assets securing or used to pay the Project Obligations, but may not issue additional debt with a lien senior to the lien on revenues or other assets securing or used to pay the Project Obligations, except in certain specific situations. These specific situations may include, but are not limited to, circumstances where (a) the Project Obligation provides for 100% forgiveness of principal or (b) the senior obligation refunds an existing debt with the same lien position as that existing debt, the new debt has the same or earlier repayment term as the refunded debt, the new debt service is the same or lower than the existing debt service, and the new debt will not diminish the applicant's ability to repay its Project Obligation. Following an event of default under a Project Obligation, the State Water Board may pursue various remedies, such as restructuring payment terms or taking action in court to compel performance by the Recipient. However, there can be no assurance that the exercise of such remedies would fully compensate the State Water Board for losses it suffers as a result of such event of default.

The terms of the Project Obligations generally permit prepayment. If prepayments on Pledged Project Obligations occur, the State Water Board will apply the prepayment amount in the manner it determines, in its discretion, including without limitation to pay scheduled debt service on Outstanding Bonds, to redeem or purchase Outstanding Bonds in accordance with their terms, or, if released from the lien of the Master Payment and Pledge Agreement and the Indenture in accordance with the Master Payment and Pledge Agreement and the Indenture, for other lawful purposes of the State Water Board.

Additional Terms of Project Obligations. Project Obligations previously entered into by the State Water Board are evidenced by standard forms of contract documents used at various times by the State Water Board. These Project Obligations include provisions concerning (i) the maximum financing amount, (ii) the interest rate, (iii) the repayment schedule, (iv) the right of the State Water Board to assign, grant a security interest in or otherwise encumber the Project Obligation including any payments thereunder, and (v) a limited right of the State Water Board to terminate the Project Obligation upon material breach by the Recipient. Such Project Obligations also include covenants by the Recipient (a) to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment, (b) to establish a restricted cash reserve equal to one year's debt service before the construction completion date funded from Recipient revenues rather than Project Obligation proceeds and maintain such reserve throughout repayment of the Project Obligation, unless the State Water Board determines that credit or tax considerations support a different result, (c) to comply with existing coverage covenants or with CWSRF coverage requirements, whichever covenants or requirements provide greater coverage throughout the term of the Project Obligation, (d) to properly staff, operate and maintain the Eligible Project during its useful life, (e) to not abandon or dispose of the Eligible Project, (f) to provide reports, data and information reasonably required by the State Water Board, and (g) to maintain project accounts in accordance with generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board. Project Obligations generally contain a requirement mandating minimum coverage ratios of net system revenues to amounts required to be paid under Project Obligations that generally range from 110% to 125%.

Legacy Project Obligations. Prior to the issuance of the Series 2002 Bonds, the IBank had not previously issued revenue bonds on behalf of the State Water Board to fund the CWSRF. Therefore, the financing agreement language for the Project Obligations dated prior to 2003 ("Legacy Project Obligations") does not include certain provisions that are typically included in revenue bond financings in the public finance sector, such as an explicit pledge, lien or encumbrance on revenues, a specific rate covenant, a stated priority of the dedicated source of revenues used to repay the Project Obligations, nor, in most instances prior to 1994, a covenant regarding additional borrowings. The financing agreement language for the Project Obligations executed after 2003 does include an explicit pledge, lien or encumbrance on revenues, a specific rate covenant, a stated priority of the dedicated source of revenues used to repay the Project Obligations and a covenant regarding additional borrowings. The Legacy Project Obligations are indicated by footnote in APPENDIX A — "PLEGGED PROJECT OBLIGATIONS."

Amount of Project Obligations. As of June 30, 2015, the State Water Board had approximately \$2.788 billion outstanding principal amount of Project Obligations that are currently in repayment. As of June 30, 2015, the State Water Board had approximately \$757

million outstanding principal amount of Project Obligations that are not yet in repayment, and approximately \$1.462 billion in outstanding commitments remaining to be disbursed to Project Obligations not in repayment. The State Water Board currently estimates additional commitments for future Project Obligations of approximately \$[___] million principal amount within the next 12 months.

Pledged Project Obligations

Pursuant to the Master Payment and Pledge Agreement, the State Water Board will pledge to the IBank [___] Pledged Project Obligations from [___] Recipients with an outstanding aggregate principal amount as of ____, 2015 of approximately \$___ million (the “Pledged Project Obligations”). Under the Indenture and the Master Payment and Pledge Agreement, the Pledged Project Obligations can be substituted, added or released from time to time at the discretion of the State Water Board if the requirements of the Indenture are satisfied. See “SECURITY AND SOURCE OF REPAYMENT FOR BONDS—Release of Pledged Project Obligations.” The Pledged Project Obligations at the time of issuance of the Series 2016 Bonds are listed in APPENDIX A—“PLEGGED PROJECT OBLIGATIONS.”

The State Water Board has determined that certain financial and operating information for the Recipients of the Pledged Project Obligations pledged to the Bonds will be provided when a Recipient has Pledged Project Obligations in an outstanding aggregate principal amount comprising more than 20% of the aggregate principal amount of the Pledged Project Obligations. Upon issuance of the Series 2016 Bonds, no Recipient will have Pledged Project Obligations in an outstanding aggregate principal amount comprising more than 20% of the aggregate principal amount of the Pledged Project Obligations. See APPENDIX A—“PLEGGED PROJECT OBLIGATIONS.”

Matters Affecting Pledged Project Obligation Recipients’ Systems

General. A number of factors may affect operation of the wastewater systems of Pledged Project Obligation Recipients which could in turn impact revenues available to Pledged Project Obligation Recipients for the payment of their Pledged Project Obligations. Actual operation and maintenance expenses of such systems may be greater or less than projected. Factors such as changes in technology, increased costs of material, energy, labor and administration can substantially affect system expenses. The operation of Pledged Project Obligation Recipients’ wastewater systems are also subject to a variety of state and federal laws and regulations. Changes in, modifications in interpretation of, or additions to such applicable laws, provisions, and regulations could have a material adverse effect, either directly or indirectly, on the operation of such systems. Increases in system rates or other factors such as mandated water conservation that impacts sewer flow could affect demand for system usage.

California Constitution. Provisions of the California Constitution may affect Pledged Project Obligation Recipients’ ability to charge or increase fees for sewer services. While fees or charges for the provision of sewer service are specifically excluded from the voter approval requirements of Cal. Const. Art. 13D, § 6; Cal. Const. Art. 13C, § 3 provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fees or charges. Since 2006, several Recipients have faced ratepayer initiatives. None of the

Project Obligations of these Recipients are Pledged Project Obligations. No assurance can be given that the voters of a Pledged Project Obligation Recipient will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of fees or charges for sewer services which are the source of revenues for the payment of its Pledged Project Obligation. The State Water Board is required to monitor each Pledged Project Obligation Recipient's performance under the Pledged Project Obligations, exercise all rights and remedies under any statute, rule, or Master Payment and Pledge Agreement to ensure the timely performance by the Pledged Project Obligation Recipient and the timely payment of all amounts due under the Pledged Project Obligations and diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Pledged Project Obligations. APPENDIX C—"SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND MASTER PAYMENT AND PLEDGE AGREEMENT—Master Payment and Pledge Agreement—Enforcement of the Pledged Project Obligations." The State Water Board may, but is not required to, substitute or add Project Obligations to the lien of the Master Payment and Pledge Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS—Release of Pledged Project Obligations."

Neither the State Water Board nor the IBank makes any representation concerning the impact of matters affecting Pledged Project Obligation Recipient wastewater systems, ratepayer initiatives or similar matters on any particular Pledged Project Obligation Recipient or its ability to make payments as provided in its Project Obligation.

Drought. Ongoing pressure associated with long term drought in California, including the need to meet water conservation requirements and increase rates to offset decrease in consumption presents a potential challenge for Recipients' wastewater systems.

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Limited Obligations

The Bonds, including the Series 2016 Bonds, are special limited obligations of the IBank, payable solely from, and secured by, a pledge of the Pledged Assets consisting primarily of the Pledged Revenues, and the funds and accounts established under the Master Trust Indenture (except amounts on deposit in the Rebate Fund). **The Bonds, including the Series 2016 Bonds, do not constitute an indebtedness of the State Water Board, the IBank or the State or any instrumentality or political subdivision thereof within the meaning of any constitutional debt limitation or restriction nor a pledge of the faith and credit or taxing power of the State or any instrumentality or political subdivision thereof. Neither the State Water Board nor the IBank has taxing power.**

Pledged Assets

The Bonds, including the Series 2016 Bonds, are secured by a pledge of the Pledged Assets which consist of all of IBank's right, title and interest in and to the Master Payment and Pledge Agreement (other than Board Reserved Rights and IBank Reserved Rights), the Pledged Revenues, and the funds and accounts established under the Master Trust Indenture (except amounts on deposit in the Rebate Fund).

Sources of Repayment

The Bonds issued under and secured by the Master Trust Indenture, any Related Series Indenture and the Master Payment and Pledge Agreement, including the Series 2016 Bonds, are to be repaid from Pledged Revenues derived from the Pledged Project Obligations, including any prepayments.

The Master Trust Indenture provides that Pledged Revenues include (i) repayments of principal of and interest on Pledged Project Obligations and Prepayments thereon, (ii) the principal and interest on Investment Obligations, (iii) payments received from the United States or the State related to Bonds issued under the Master Trust Indenture and as designated in a Series Indenture, and (iv) and any other amounts held under the Master Trust Indenture and designated as Pledged Revenues.

The Master Trust Indenture and the Master Payment and Pledge Agreement define certain events of default and remedies; however, that no remedy of acceleration is available the Master Trust Indenture following an event of default. See APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND THE MASTER PAYMENT AND PLEDGE AGREEMENT— Events of Default; Remedies.”

Pledged Project Obligations

Pledged Project Obligations consist of the Project Obligations identified by the State Water Board in the Master Payment and Pledge Agreement. As of ____, 2016, the outstanding principal balance of the Pledged Project Obligations is approximately \$__ million with interest rates ranging from 0.0% to 2.5% per annum. See “THE RECIPIENTS—Pledged Project Obligations;” and APPENDIX A— “PLEDGED PROJECT OBLIGATIONS.”

As described below, the State Water Board may from time to time add, release or substitute the Pledged Project Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Release of Pledged Project Obligations.” The issuance of Additional Bonds and other factors may affect the amount by which amounts payable with respect to Pledged Project Obligations exceed the amount of Debt Service on the Outstanding Bonds, including the Series 2016 Bonds, at any particular time; provided, however, that the State Water Board would still be required to meet the Additional Bonds Test. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Additional Debt.”

If Additional Bonds are issued in the future, the State Water Board may use a portion of the proceeds of such Bonds to fund additional Project Obligations, which, in accordance with the terms of the Master Trust Indenture, may be designated as Pledged Project Obligations.

No Debt Service Reserve Fund Requirement for Series 2016 Bonds

Under the Master Trust Indenture, the IBank may, but is not required to, establish the Debt Service Reserve Fund Requirement and make a deposit to the Debt Service Reserve Fund from the proceeds of one or more Series of Bonds. Any amounts in the Debt Service Reserve Fund are pledged to and may be used to pay principal and interest on all Bonds. In connection with the Series 2016 Bonds, a Debt Service Reserve Fund Requirement will not be established.

There is no amount held in the Debt Reserve Fund for the Series 2012 Bonds. No assurance can be given that a Debt Service Reserve Fund Requirement for any Series of Bonds will ever be established. See APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND MASTER PAYMENT AND PLEDGE AGREEMENT—Master Trust Indenture and Series 2016 Indenture—Debt Service Reserve Fund.”

Release of Pledged Project Obligations

Under the Master Trust Indenture, the State Water Board may release Pledged Project Obligations from the lien of the Master Payment and Pledge Agreement so as to become Excluded Project Obligations or substitute and add Project Obligations to the lien of the Master Payment and Pledge Agreement by providing and filing with the Trustee, the IBank and each Rating Agency then rating the Bonds (1) a revised Schedule I to the Master Payment and Pledge Agreement, describing the Pledged Project Obligations to be released and, if applicable, substituted therefor or added thereto, and (2) a Board Officer Certificate which demonstrates, in each year Bonds are scheduled to be Outstanding compliance with the Coverage Test. “Coverage Test” means, as of any date of calculation, (A) Pledged Assets are not less than 105% of Debt Service for each Bond Year in which the Series 2016 Bonds are scheduled to be Outstanding, and (B) the Debt Service Reserve Fund Requirement is satisfied.

Additional Debt

Additional Bonds or notes of various Series may be issued pursuant to the Master Trust Indenture and a Related Series Indenture. At the time Additional Bonds are issued, the Master Trust Indenture requires that the State Water Board must file with the Trustee a written certificate of the State Water Board demonstrating compliance with the Additional Bonds Test. (Refunding Bonds that result in aggregate lower Debt Service on the Outstanding Bonds are not required to have such a written certificate of the State Water Board.) Under the Master Trust Indenture, Additional Bonds Test means, as of any date of calculation, (A) Pledged Revenues are not less than 105% of Debt Service for each year in which the Bonds are scheduled to be Outstanding, and (B) the Debt Service Reserve Fund Requirement, if any, is satisfied.

Financing Additional Programs

The IBank and the Trustee may, with the prior written consent of the State Water Board and without the consent of or notice to the Owners, make changes or modifications necessary to the Master Trust Indenture to issue Bonds to finance such additional programs from time to time of the Board under the Federal Clean Water Act or the Drinking Water Act, or any other similar State or federally supported financing program as approved by the United States Environmental Protection Agency, provided that such change or modification does not materially adversely affect or diminish the rights or interests of the Trustee or the Owners of any other Bonds. In making such determination the Trustee shall be entitled to rely on an opinion of counsel. The IBank and the State Water Board may issue Bonds to finance such additional programs in the next several years. See APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND THE MASTER PAYMENT AND

PLEDGE AGREEMENT—Master Trust Indenture and Series 2016 Indenture—Supplemental Indentures Not Requiring Consent of Owners.”

Summary of Flow of Funds

Restricted Assets Fund. Under the Master Trust Indenture, there shall be deposited into the Restricted Assets Fund all amounts received as principal or interest on the Pledged Project Obligations and any Prepayments transferred from the Prepayment Fund. Investment earnings on amounts in the Restricted Assets Fund shall be transferred when received to the Debt Service Fund. Amounts in the Restricted Assets Fund shall be applied to pay or reimburse the State Water Board and the IBank for any Bond Expenses reasonably incurred in connection with an Event of Default and thereafter shall be applied to the funds and accounts established under the Master Trust Indenture to pay amounts due from the State Water Board in accordance with the priority described under “Payments by the State Water Board.” After the transfers to the Trustee of the amounts required to be paid as described under “Payments by the State Water Board” and the receipt by the Trustee of all amounts due from the Board in accordance therewith, amounts held by the State Water Board in the Restricted Assets Fund may be applied at the direction of the State Water Board (i) to pay for Administrative Costs, (ii) to originate a Pledged Project Obligation, (iii) to the redemption or purchase of Bonds as provided in the Master Trust Indenture and a Related Series Indenture, (iv) to make payments to the Trustee and the IBank required by the Master Payment and Pledge Agreement, or (v), subject to the payment of any amounts necessary to satisfy the Related Rebate Requirement (as provided in the Related Tax Certificate) and upon the filing of a Board Officer Certificate with the Trustee and the IBank which demonstrates that the Coverage Test is satisfied in each Bond Year the Bonds are scheduled to be Outstanding, released from the lien of the Master Trust Indenture and the Master Payment and Pledge Agreement and transferred to the CWSRF free and clear of the lien of the Master Trust Indenture and applied by the Board for any lawful purpose.

Payments by the State Water Board. The Master Trust Indenture provides that the State Water Board shall make periodic payments from the Restricted Assets Fund to the Trustee on each Board Payment Date. The Board Payment Dates are March 15, June 15, September 15 and December 15 of each year.

The amount due and payable on a Board Payment Date shall be determined as follows and paid in the following order of priority:

(i) The amount necessary to pay the interest portion of the Amount Payable due on a Series on the next succeeding Related Bond Payment Date on which interest is due less amounts to be used to pay interest on the Related Series as provided in the Debt Service Fund provisions of the Master Trust Indenture (provided that the State Water Board may include in its calculation of the amounts paid to the Trustee any investment earnings transferred from the Debt Service Reserve Fund to the Debt Service Fund, and interest earnings on deposit in the Debt Service Fund);

(ii) The amount necessary to pay the principal portion of the Amount Payable due on a Series on the next succeeding Related Bond Payment Date on which principal is due;

- (iii) The amount necessary to pay any other amounts that remain due and unpaid;
- (iv) The amount necessary to pay any Rebate Requirement as provided in the Related Tax Certificate; and
- (v) The amount necessary to pay for Related Bond Expenses.

Deposits to Debt Service Fund. Amounts so paid by the State Water Board to the Trustee are applied in accordance with the Master Trust Indenture. The application of funds for deposit into the Debt Service Fund pursuant to the Master Trust Indenture may be briefly described as follows.

There shall be deposited into the Debt Service Fund the amounts due on each Related Board Payment Date and investment earnings on amounts in the Bond Proceeds Accounts, the Restricted Assets Fund and the Prepayment Fund. Interest earnings on amounts held in the Debt Service Fund shall be credited and held in the Debt Service Fund. Amounts to be deposited into the Debt Service Fund shall be transferred in the following priorities, subject to the exceptions described in the final paragraph of this subsection:

- (i) Amounts designated to be used from proceeds of a Series and transferred to pay Debt Service on the Series, as provided in the Related Series Indenture;
- (ii) Amounts transferred from the Debt Service Reserve Fund, constituting certain amounts in excess of the Debt Service Reserve Fund Requirement, as and to the extent required under the Master Trust Indenture;
- (iii) Investment earnings on amounts held in the Debt Service Reserve Fund;
- (iv) Amounts transferred from the Prepayment Fund;
- (v) Amounts transferred from the Restricted Assets Fund as and to the extent provided in the Master Trust Indenture to pay principal portion and interest portion of the Amount Payable;
- (vi) Any other amounts transferred from the Restricted Assets Fund as and to the extent provided in the Master Trust Indenture to pay outstanding amounts that remain due and unpaid;
- (vii) Certain amounts transferred from the Debt Service Reserve Fund;
- (viii) Any other amounts deposited therein by the State Water Board.

Under the Master Trust Indenture, amounts held in the Debt Service Fund shall be applied by the Trustee on each Related Bond Payment Date to pay Debt Service on the Related Series.

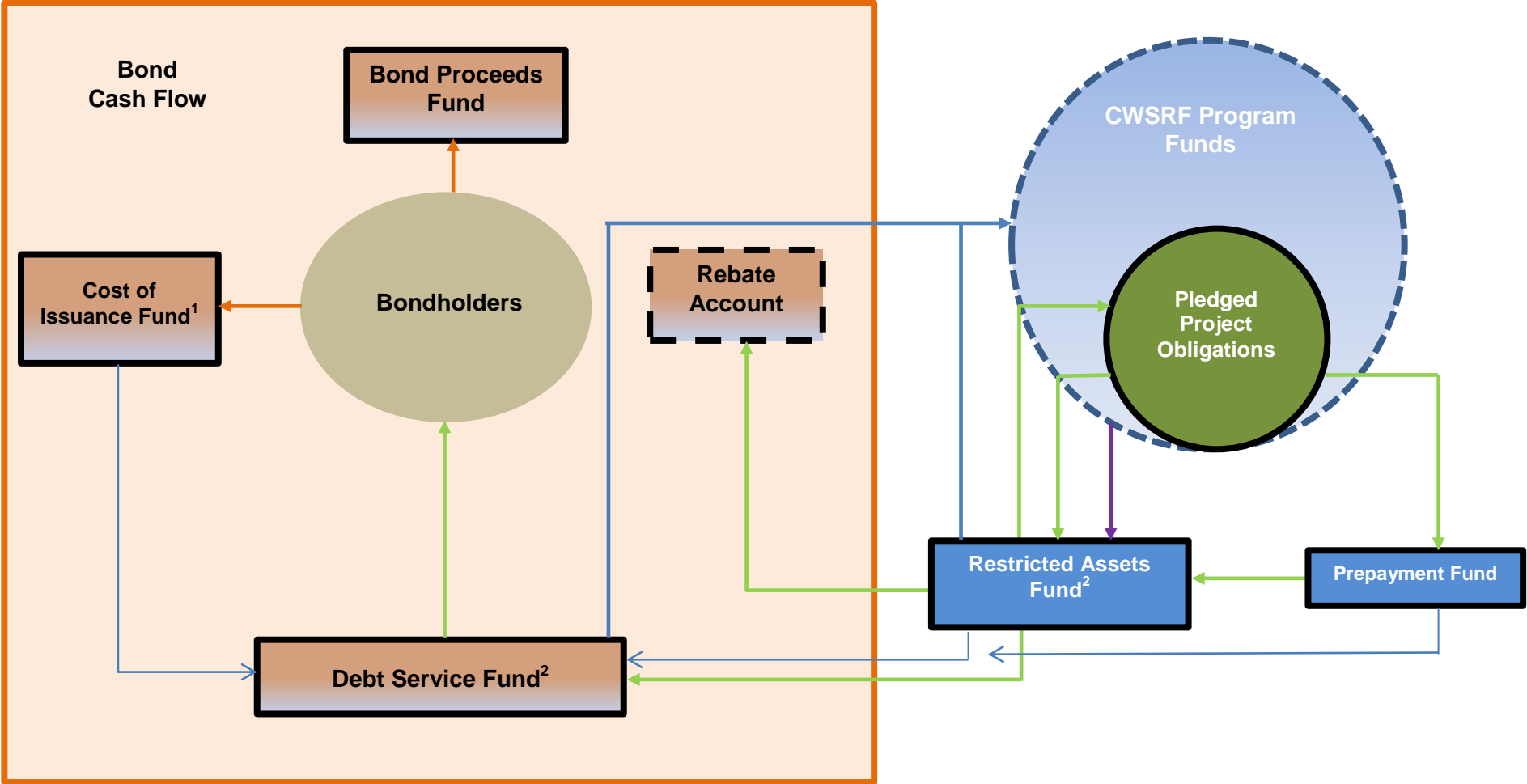
The Master Trust Indenture provides the following exceptions to the deposit of funds to the Debt Service Fund described above: (a) if an Event of Default shall have occurred and be

continuing, prior to any transfers by the State Water Board of amounts into the Debt Service Fund, the State Water Board may first retain from amounts in the Restricted Assets Fund such amounts as are necessary to pay or reimburse the State Water Board and the IBank for any Bond Expenses reasonably incurred in connection with such Event of Default; and (b) the State Match Portion of a Series of Bonds may not be paid from principal payments received on Pledged Project Obligations in accordance with the Related Series Indenture.

Flow of Funds Diagram

The following diagram illustrates the flow of funds related to repayments of Pledged Project Obligations and Debt Service Reserve Account moneys pursuant to the Master Trust Indenture and is not intended to be a complete or definitive description of the flow of funds. For a more complete description, see APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND THE MASTER PAYMENT AND PLEDGE AGREEMENT—Master Trust Indenture and Series 2016 Indenture.”

CWSRF Program Operations



	State Water Board Controlled Fund		Not Pledged
	Bond Trustee Controlled Fund		Bond Proceeds Cash Flow
	Secured By Master Indenture or Series Indenture		Pledged Project Obligation Cash Flow
	Interest Earnings Cash Flow		Release of Excess Pledged Funds upon Satisfaction of Applicable Conditions
			Other Assets per State Water Board's Discretion

1 Excess principal funds, if any, remaining in the Cost of Issuance Fund are transferred to the Debt Service Fund.
 2 Administrative expenses fees are payable from the Restricted Assets Fund or Debt Service Fund.

CASH FLOW SCHEDULE

The following cash flow schedule sets forth on an annual basis the Pledged Revenues and the Debt Service on the Outstanding Bonds, including the Series 2016 Bonds. The amounts set forth in the cash flow schedule are based upon various assumptions concerning the timely repayment of Pledged Project Obligations in accordance with scheduled repayment amounts and without any prepayments of such amounts and other assumptions. There can be no assurance that the assumptions will be realized. Actual cash flow and debt service coverage may be different than described below. In addition, the cash flow schedules assume that there is no substitution, addition or release of Pledged Project Obligations as permitted under the Indenture. Any such release of Pledged Project Obligations could result in a reduction in the debt service coverage set forth in the Cash Flow Schedule below; provided, however, that the State Water Board would still be required to meet the Coverage Test. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Release of Pledged Project Obligations.”

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CASH FLOW SCHEDULE

<u>Bond Year</u> <u>Ending</u> <u>October 1</u>	Scheduled Repayments from Pledged Project <u>Obligations</u>	Debt Service on Series <u>2012 Bonds</u>	<u>Series 2016 Debt Service</u>			Total Debt <u>Service</u>	Debt Service <u>Coverage</u>
			<u>Principal</u>	<u>Interest</u>	<u>Total</u>		

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STATE WATER BOARD FINANCING PROGRAM

Designation as Green Bonds

The mission of the State Water Board is to preserve, enhance, and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations. See "STATE WATER RESOURCES CONTROL BOARD" herein."

The IBank at the request of the State Water Board is issuing the Series 2016 Bonds as "Green Bonds" due to the projects' adherence to the standards of the Federal and State Clean Water Acts. The Series 2016 Bonds are issued to help local governments and other public entities finance wastewater infrastructure projects throughout the State of California to bring communities into compliance with the Clean Water Act. The goal of this law is to improve water quality, protect the environment, and protect public health. The purpose of identifying the Series 2016 Bonds as Green Bonds is to allow investors to invest directly in bonds which finance such environmentally beneficial projects. Holders of Series 2016 Bonds do not assume any specific risk with respect to any of the funded projects. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.

Use of Proceeds

The Series 2016 Bond proceeds shall be used to fund, including reimbursing the State Water Board for a portion of disbursements for previously financed projects, together with CWSRF Program Funds, the projects listed in Appendix H (the "Series 2016 Financings"). Approximately \$___ million of Series 2016 Bond Proceeds and approximately \$___ million of CWSRF Program Funds will be applied to fund the Series 2016 Financings, the CWSRF Program, and paying for costs associated with the issuance of the Series 2016 Bonds. At closing the State Water Board will use \$_____ of net bond proceeds to reimburse itself for previous CWSRF disbursements. Accordingly, the State Water Board expects to expend approximately ___% of the net proceeds of the Series 2016 Bonds, after deducting the amount devoted to paying costs of issuance, on the date of closing. The State Water Board anticipates expending all of the remaining proceeds within three years of the issuance of the Series 2016 Bonds. If there are unexpended Series 2016 Bond proceeds in the Series 2016 Bond Proceeds Account upon completion of a Series 2016 Financing, the unexpended funds will be applied to fund costs of other eligible projects for the applicable Recipients or costs of eligible projects for other Recipients within such three year period.

Project Evaluation and Selection

The State Water Board is authorized by the State Clean Water Act to use moneys in the CWSRF for purposes permitted by the Federal Clean Water Act. See "STATE WATER RESOURCES CONTROL BOARD" and "THE CLEAN WATER STATE REVOLVING FUND PROGRAM" herein for details on Eligible Projects, administration of the CWSRF and monitoring and surveillance of the program.

Proceeds Management and Reporting.

Proceeds of the Series 2016 Bonds will be placed in the Series 2016 Bond Proceeds Account established under the Series Indenture. Appendix H identifies the amount of Series 2016 Bond proceeds expected to be provided for each project, the completion date for such projects and the percentage of the project expenditure completed. The net proceeds of the Series 2016 Bonds not used to reimburse the CWSRF for previous expenditures on the date of closing will be tracked by the State Water Board. The State Water Board will report on the remaining net proceeds of the Series 2016 Bonds annually in its Annual Report to EPA until all proceeds have been fully expended. The report will be in substantially the same form as is presented in Appendix H hereto. The SFY 2014/15 CWSRF Annual Report is available at:

http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/pubs.shtml#annual.

This information is not incorporated by reference herein. The State Water Board expects to post future Annual Reports at the same web site.

Future Borrowing

The Series 2016 Bond proceeds shall be used to make loans from the CWSRF. On January 4, 2016, the State Water Board approved the sale of up to \$1.2 billion in bonds for the CWSRF program. Therefore, the State Water Board anticipates requesting the IBank to issue up to \$700,000,000 of Additional Bonds in 2017 and 2018 in order to provide additional moneys to the State Water Board for the CWSRF. The Additional Bonds would be used by the State Water Board to fund Bond Funded Project Obligations to provide additional funds to Recipients for Eligible Projects. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Additional Debt” herein.

Commercial Paper

For interim funding prior to leveraging, the State Water Board may elect to authorize a subordinate lien commercial paper program through a supplemental indenture and, as necessary, amendments to the Master Indenture. Any such commercial paper program may also require a liquidity support facility from a bank or other financial institution.

Cross-Collateralization

The State Water Board may elect to cross-collateralize assets from the CWSRF and DWSRF programs in the future. If this occurs, future series of Additional Bonds could be used to reimburse the DWSRF program, in addition to being used to provide additional funds for the CWSRF program. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS—Financing Additional Programs” and APPENDIX C—“SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE AND THE MASTER PAYMENT AND PLEDGE AGREEMENT—Master Trust Indenture and Series 2016 Indenture—Supplemental Indentures Not Requiring Consent of Owners.”

Interfund Investing

Prior to cross collateralization of pledged assets, the State Water Board may elect to interfund invest non-pledged balances between the CWSRF and DWSRF. Through interfund investing, SWRCB can utilize unencumbered balances in one fund to support a higher level of activity in the other fund.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2016 Bonds are estimated to be applied as follows:

Sources:

Series 2016 Bond Proceeds Account
[Net] Original Issue [Premium][Discount]
Total

Uses:

Bond Proceeds [Fund][Account]
Underwriters' Discount
Series 2016 Costs of Issuance Account
Total

THE SERIES 2016 BONDS

General

The Series 2016 Bonds are issued in fully registered form in the denominations of \$5,000 and any integral multiple thereof. The Series 2016 Bonds will bear interest from their date of issuance, and will mature on the dates and in the principal amounts set forth on the inside cover page hereof.

Interest on the Series 2016 Bonds is payable on [October 1, 2016] and semiannually thereafter on October 1 and April 1 of each year. The record date for the payment of such interest on the Series 2016 Bonds is the close of business on the fifteenth day of the month immediately preceding such interest payment date.

So long as the Series 2016 Bonds are registered in the name of Cede & Co., as nominee of DTC, principal and interest on the Series 2016 Bonds are payable directly to DTC by the State Treasurer. Upon receipt of payments of principal and interest, DTC is to in turn remit such principal and interest to the Direct Participants in DTC for disbursement to the Beneficial Owners of the Series 2016 Bonds. See APPENDIX F—“BOOK ENTRY ONLY SYSTEM.”

To the extent the Series 2016 Bonds are not registered in the name of Cede & Co., as nominee of DTC, interest on the Series 2016 Bonds will be payable by check or draft of the Trustee mailed on each interest payment date to each registered owner of Series 2016 Bonds as of the close of business on the fifteenth day of the month immediately preceding an interest

payment date and principal of the Series 2016 Bonds will be payable at the office of the Trustee in Sacramento, California.

Redemption

Optional Redemption. The Series 2016 Bonds maturing on or after October 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the State Water Board from lawfully available funds as a whole or in part (in such order of maturity as shall be selected by the Trustee upon direction by the Board and by lot within a maturity) on any date, on or after October 1, 20__ at a redemption price equal to 100% of the principal amount of the Series 2016 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2016 Bonds maturing October 1, ____ shall be redeemed by sinking fund installments in amounts sufficient to redeem on October 1 of each year the principal amount of such Series 2016 Bond at the redemption price of 100% of the principal amount thereof plus accrued interest, if any, to the date of redemption in the following amounts for the respective years set forth below:

<u>Year</u>	<u>Principal Amount</u>
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Notice of Redemption. The Trustee shall give in the name of the IBank notice to the Owners of the Series 2016 Bonds, or portions thereof, so called, as provided in the Master Trust Indenture, at least thirty (30) but no more than sixty (60) days before the date fixed for redemption.

In the case of redemption of a Series 2016 Bonds at the option of the State Water Board, a notice of redemption may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date, or (ii) that the IBank at the direction of the State Water Board retains the right to rescind the redemption notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and redemption will be of no effect if such moneys are not so deposited or if the notice is rescinded. Any Conditional Redemption may be rescinded in whole or in part at any time prior to the fifth Business Day preceding the redemption date if the IBank at the direction of the State Water Board delivers a written direction to the Trustee to rescind the redemption notice.

So long as a book entry system is used for determining beneficial ownership of the Series 2016 Bonds, the Paying Agent is to send such notice to DTC or to Cede & Co., as nominee for DTC. DTC was organized to hold securities of its participants ("Participants"). Any failure of DTC to advise any Participant, or of any Participant or indirect participant to notify the

Beneficial Owner, of any such notice and its content or effect does not affect the validity of the redemption of the Series 2016 Bonds called for redemption or any other action premised on that notice.

Registration, Transfer and Exchange

The Series 2016 Bonds are issued in fully registered form and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the Series 2016 Bonds. Purchases by Beneficial Owners of the Series 2016 Bonds are to be made in book entry form in the principal amount of \$5,000 or any integral multiple thereof. Payments to Beneficial Owners are to be made as described in APPENDIX F. The Series 2016 Bonds may be exchanged or transferred at the principal office of the Paying Agent. Transfers or exchanges by Beneficial Owners are to be made as described below under APPENDIX F—“BOOK-ENTRY-ONLY SYSTEM.”

Book-Entry-Only System

The Depository Trust Company, New York, New York, will act as securities depository for the Series 2016 Bonds. The ownership of one fully registered Series 2016 Bond for each maturity set forth on the inside cover page hereof, in the aggregate principal amount of the Series 2016 Bonds maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See APPENDIX F—“BOOK ENTRY ONLY SYSTEM” for a description of DTC and the Book Entry Only System.”

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the IBank, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2016 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the IBank, the State Water Board and each Recipient of Series 2016 Bond funded Project Obligations in connection with the Series 2016 Bonds, and Bond Counsel has assumed compliance by each of the IBank, the State Water Board and each Recipient of Series 2016 Bond funded Project Obligations with certain ongoing covenants, applicable to it, to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the IBank, under existing statutes, interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2016 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2016 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds in order that interest on the Series 2016 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2016 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2016 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The State Water Board and, to the extent within its control, the IBank and each Recipient of Series 2016 Bond funded Project Obligations have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2016 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2016 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2016 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2016 Bonds.

Prospective owners of the Series 2016 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2016 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2016 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2016 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2016 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2016 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2016 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2016 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2016 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2016 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the

Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2016 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2016 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2016 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2016 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2016 Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the foregoing matters.

MISCELLANEOUS

Ratings

Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings (the "Rating Agencies") have assigned the Series 2016 Bonds a rating of "___", "___" and "___", respectively. Such ratings reflect only the views of the Rating Agencies, and an explanation of the significance of such ratings may be obtained from Standard & Poor's Ratings Services at 55 Water Street, New York, New York 10014, telephone: (212) 438-2000, Moody's Investors Service, Inc. at 99 Church Street, New York, New York 10007, telephone: (212) 553-0300 and Fitch, Inc. at One State Street Plaza, New York, New York 10004, telephone: (212) 908-0500. The Rating Agencies are independent of any investment banking firm, bank or similar institution.

Generally, rating agencies base their ratings on materials and information furnished to the rating agencies and on investigations, studies and assumptions by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There can be no assurance that such ratings will continue for any given period of time or that they will not be lowered, suspended or withdrawn entirely by the rating agencies. Any such downward changes in or suspension or withdrawal of such ratings may have an adverse effect on the marketability of and secondary market price for the Series 2016 Bonds.

Underwriting

The Series 2016 Bonds offered hereby are being purchased from the IBank by the Underwriters named on the cover page of this Official Statement (the "Underwriters") at a purchase price of \$_____ (which amount is comprised of the par amount of the Series 2016 Bonds of \$_____, plus a net original issue premium of \$_____, less an underwriters' discount of \$_____). The Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2016 Bonds offered hereby if any are purchased, and that the obligation to make such purchase is subject to the approval of certain legal matters by Bond Counsel and certain other conditions. The initial public offering price may be changed from time to time by the Underwriters.

Several of the Underwriters have provided letters to the State Treasurer setting forth certain information pertaining to the Underwriters, including, for certain Underwriters, information relating to their retail distribution practices, for inclusion in this Official Statement, which letters are set forth in APPENDIX G— "LETTERS SUBMITTED BY UNDERWRITERS." Neither the IBank nor the State Water Board guarantee the accuracy or completeness of the information contained in such letters and the information therein is not to be construed as a representation of the IBank, the State Water Board or any Underwriter other than the Underwriter providing such representation.

Litigation - State Water Board

There is not now pending, nor to the knowledge of the State Water Board, threatened any litigation against the State Water Board, seeking to restrain or enjoin the issuance or delivery of

the Series 2016 Bonds, or questioning or affecting the validity of the Series 2016 Bonds or the proceedings or the authority under which they are to be issued, or which in any manner questions the right of the State Water Board to enter into the Master Payment and Pledge Agreement or to pledge assets to secure the Series 2016 Bonds in the manner provided in such document.

Litigation - IBank

There is not now pending, nor to the knowledge of the IBank, threatened any litigation against the IBank, seeking to restrain or enjoin the issuance or delivery of the Series 2016 Bonds, or questioning or affecting the validity of the Series 2016 Bonds or the proceedings or the authority under which they are to be issued, or which in any manner questions the right of the IBank to enter into the Master Trust Indenture, the Series 2016 Indenture or the Master Payment and Pledge Agreement or to secure the Series 2016 Bonds in the manner provided in such documents.

Legal Matters

The approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the IBank, in substantially the form attached to this Official Statement as Appendix E, will be delivered upon the issuance of the Series 2016 Bonds. Certain legal matters with respect to the Official Statement will be passed upon by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the IBank. Certain legal matters will be passed upon for the State Water Board by its Chief Counsel, Michael A. M. Lauffer, Esq., and for the IBank by its General Counsel, Marilyn Munoz, Esq. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California.

Financial Advisor

The IBank has utilized the services of Public Financial Management, Inc., San Francisco, California, as independent financial advisor in connection with the issuance of the Series 2016 Bonds. The Financial Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Financial Statements

The audited financial statements of the CWSRF for the fiscal year ended June 30, 2015, which are included in APPENDIX B— “AUDITED FINANCIAL STATEMENTS OF THE CLEAN WATER SRF FOR THE FISCAL YEAR ENDED JUNE 30, 2015,” have been audited by CliftonLarsonAllen LLP, independent certified public accountants. CliftonLarsonAllen has consented to the inclusion of its report as Appendix B. CliftonLarsonAllen has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by CliftonLarsonAllen with respect to any event subsequent to its report dated _____, 2015.

CliftonLarsonAllen noted as a “Significant Deficiency” that the CWSRF did not timely file a required “Data Collection Form” with the Federal Audit Clearinghouse for fiscal years 2012, 2013, and 2014 due to a change of procedure at the State. There were no questioned costs as a result of this oversight. The CWSRF has changed its procedure to ensure that it files the form directly with the Federal Audit Clearinghouse, and has filed the data collection forms for the fiscal years ending 2012, 2013, and 2014.

Continuing Disclosure

The State Water Board has covenanted for the benefit of the holders and Beneficial Owners of the Series 2016 Bonds to provide certain financial information and operating data relating to the State Water Board by not later than each February 1 following the end of the State Water Board’s fiscal year (which fiscal year as of the date hereof ends June 30) (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the State Water Board with the Trustee and with the MSRB. Any notice events will be filed by the State Water Board with the Dissemination Agent for filing with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is stated in APPENDIX D— “FORM OF CONTINUING DISCLOSURE AGREEMENT.” Pursuant to the Master Payment and Pledge Agreement, failure of the State Water Board to comply with its obligations under the Continuing Disclosure Agreement will not be considered an event of default under the Master Payment and Pledge Agreement. However, the Trustee or any holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State Water Board to comply with its obligations under the Continuing Disclosure Agreement.

The State Water Board has determined that no financial or operating data concerning the IBank is material to an evaluation of the offering of the Series 2016 Bonds or to any decision to purchase, hold or sell the Series 2016 Bonds. Accordingly, neither the State Water Board nor the IBank shall provide any such information. The IBank has not undertaken any continuing disclosure obligations with respect to the Series 2016 Bonds and has no duty to enforce the State Water Board’s undertakings pursuant to the Continuing Disclosure Agreement.

The State Water Board represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Other Matters; Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement contains descriptions of, and information regarding the IBank, the State Water Board, the CWSRF, the application of the proceeds of the Series 2016 Bonds and the security and sources of payment for the Series 2016 Bonds. Certain information in this Official Statement involves projections and assumptions which are not represented as fact and such projections and assumptions may not prove to be accurate. Such descriptions and information do not purport to be comprehensive and the descriptions of documents contained herein are qualified in their entirety by reference to such documents. Copies of the Master Trust

Indenture, the Series 2016 Indenture, the Master Payment and Pledge Agreement and other documents referred to in this Official Statement are available upon request to the State Water Resources Control Board, Division of Financial Assistance, 1001 I Street, 16th Floor, Sacramento, California 95814, Attention: James Maughan, Assistant Deputy Director.

This Official Statement has been reviewed and approved by the State Water Board. Concurrent with the delivery of the Series 2016 Bonds, the State Water Board will furnish a certificate executed on its behalf by its Executive Director to the effect that this Official Statement (excluding any information regarding the IBank or DTC and the information pertaining to OCWD under the caption “THE RECIPIENTS—Pledged Project Obligations”) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

**STATE WATER RESOURCES
CONTROL BOARD**

By: Thomas Howard
Executive Director

**APPENDIX A
PLEDGED PROJECT OBLIGATIONS**

The following table sets forth the Pledged Project Obligations, their respective balances and certain other information respecting the Pledged Project Obligations as of March 1, 2016:

<u>Borrower</u>	<u>Obligation Balance as of March 1, 2016</u>	<u>Percent of Total Pledged Project Obligations</u>	<u>Combined Percent of Total Pledged Project Obligations</u>	<u>Final Maturity of Obligation</u>
Brentwood, City of	\$ 15,969,065*	0.91%	0.9%	January 2023
Chico, City of	31,104,136	1.76	1.8	December 2029
Corona, City of	17,022,722	0.96	1.0	September 2025
Delta Diablo	4,644,195	0.26		April 2033
Delta Diablo	4,753,149	0.27	0.5	December 2030
Eastern Municipal Water District	140,304,458	7.95		February 2036
Eastern Municipal Water District	17,625,066	1.00		December 2034
Eastern Municipal Water District	39,679,975	2.25		March 2033
Eastern Municipal Water District	33,026,598	1.87	13.1	July 2032
Fontana, City of	2,771,298	0.16		August 2028
Fontana, City of	3,502,215	0.20		June 2028
Fontana, City of	6,529,128	0.37	0.7	March 2028
Hayward, City of	35,459,619	2.01	2.0	September 2028
Inland Empire Utilities Agency	25,983,387	1.47		December 2034
Inland Empire Utilities Agency	22,278,583	1.26		February 2032
Inland Empire Utilities Agency	3,924,913	0.22		August 2030
Inland Empire Utilities Agency	3,969,370	0.23		August 2030
Inland Empire Utilities Agency	4,376,696	0.25		March 2029
Inland Empire Utilities Agency	10,473,993	0.59		June 2028
Inland Empire Utilities Agency	3,025,821	0.17		June 2025
Inland Empire Utilities Agency	2,691,102	0.15	4.3	July 2024
Laguna County Sanitation District	4,287,196*	0.24	0.2	July 2023
Los Angeles County Sanitation District	9,274,810	0.53		August 2035
Los Angeles County Sanitation District	51,404,380	2.91		January 2033
Los Angeles County Sanitation District	63,713,106	3.61		July 2031
Los Angeles County Sanitation District	9,934,004	0.56		January 2031
Los Angeles County Sanitation District	3,024,351	0.17		December 2029
Los Angeles County Sanitation District	11,400,233	0.65		March 2028
Los Angeles County Sanitation District	4,303,255*	0.24		October 2026
Los Angeles County Sanitation District	6,858,519	0.39		October 2026
Los Angeles County Sanitation District	7,476,712*	0.42		October 2026
Los Angeles County Sanitation District	5,740,993	0.33		April 2025
Los Angeles County Sanitation District	5,222,960	0.30		March 2025
Los Angeles County Sanitation District	4,929,652*	0.28		December 2024
Los Angeles County Sanitation District	18,413,554*	1.04		May 2024
Los Angeles County Sanitation District	18,621,888	1.06		November 2023
Los Angeles County Sanitation District	21,268,929*	1.21		October 2023
Los Angeles County Sanitation District	41,435,540*	2.35	16.0	December 2022
Los Angeles, City of	122,449,342	6.94	6.9	August 2024
Modesto, City of	114,811,589	6.51	6.5	December 2035
Novato Sanitary District	67,091,444	3.80	3.8	December 2030
Orange County Water District	138,920,800	7.87		January 2036
Orange County Water District	82,080,887	4.65		December 2027
Orange County Water District	2,417,581	0.14		June 2026
Orange County Water District	3,074,726	0.17		June 2026
Orange County Water District	2,263,372	0.13		April 2026

<u>Borrower</u>	<u>Obligation Balance as of March 1, 2016</u>	<u>Percent of Total Pledged Project Obligations</u>	<u>Combined Percent of Total Pledged Project Obligations</u>	<u>Final Maturity of Obligation</u>
Orange County Water District	4,329,735	0.25	13.2	June 2024
Palo Alto, City of	6,830,311	0.39	0.7	November 2030
Palo Alto, City of	6,300,000	0.36		June 2029
Pismo Beach, City of	6,092,595	0.35	0.3	February, 2026
Redding, City of	5,585,087	0.32		April 2034
Redding, City of	11,217,479	0.64		December 2033
Redding, City of	16,481,747	0.93		April 2033
Redding, City of	8,321,342	0.47		December 2031
Redding, City of	6,973,625	0.40		March 2030
Redding, City of	14,849,133	0.84		March 2030
Redding, City of	3,533,974	0.20		October 2028
Redding, City of	2,847,797	0.16		September 2027
Redding, City of	7,053,758	0.40	4.4	February 2023
San Diego, City of	26,160,644	1.48		September 2035
San Diego, City of	7,840,985	0.44		March 2034
San Diego, City of	14,695,796	0.83		June 2033
San Diego, City of	7,689,307	0.44		March 2026
San Diego, City of	5,099,454	0.29		January 2024
San Diego, City of	3,388,393*	0.19		January 2023
San Diego, City of	14,172,883*	0.80		May 2022
San Diego, City of	2,786,981*	0.16		October 2021
San Diego, City of	3,183,637*	0.18	4.8	March 2020
Santa Margarita Water District	5,401,228	0.31	0.3	November 2027
Santa Rosa, City of	2,048,273	0.12		July 2023
Santa Rosa, City of	9,547,483	0.54		July 2023
Santa Rosa, City of	5,963,179	0.34		July 2023
Santa Rosa, City of	6,049,612	0.34		May 2023
Santa Rosa, City of	10,870,996	0.62		May 2023
Santa Rosa, City of	7,578,878	0.43		April 2023
Santa Rosa, City of	3,222,731	0.18		March 2023
Santa Rosa, City of	7,017,174	0.40		December 2022
Santa Rosa, City of	7,468,865*	0.42	3.4	March 2022
Sonoma Valley County Sanitation District	3,000,235	0.17		August 2034
Sonoma Valley County Sanitation District	1,905,787	0.11		November 2031
Sonoma Valley County Sanitation District	4,599,416	0.26	0.5	November 2027
South San Francisco, City of	6,416,640	0.36		July 2028
South San Francisco, City of	13,339,412	0.76		April 2026
South San Francisco, City of	20,705,346*	1.17	2.3	August 2022
Tahoe-Truckee Sanitation Agency	33,111,258	1.88	1.9	October 2027
Vacaville, City of	67,666,165	3.84		June 2035
Vacaville, City of	30,528,656	1.73		August 2033
Vacaville, City of	41,607,947	2.36	7.9	July 2025
Yucaipa Valley Water District	8,758,614	0.50		December 2032
Yucaipa Valley Water District	<u>32,320,674</u>	<u>1.83</u>	<u>2.3</u>	September 2028
Total	<u>\$1,764,098,548</u>	<u>100.0%</u>	<u>100.0%</u>	

* The indicated Project Obligations are Legacy Project Obligations. See “THE RECIPIENTS — Project Obligations — Legacy Project Obligations.”

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE CLEAN WATER STATE
REVOLVING FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX C
SUMMARY OF THE MASTER TRUST INDENTURE, THE SERIES 2016 INDENTURE
AND THE MASTER PAYMENT AND PLEDGE AGREEMENT

Following is a summary of certain provisions of the Master Trust Indenture, the Series 2016 Indenture and the Master Payment and Pledge Agreement. The summary makes use of terms defined in the Master Trust Indenture, the Series 2016 Indenture and the Master Payment and Pledge Agreement, certain of which definitions are summarized below. The summary does not purport to be comprehensive and is subject to all of the terms and provisions of the Master Trust Indenture, the Series 2016 Indenture and the Master Payment and Pledge Agreement, to which reference is hereby made and copies of which are available from the IBank or the Trustee.

DEFINITIONS

The following are definitions in summary form of certain terms contained in the Master Trust Indenture, the Series 2016 Indenture and the Master Payment and Pledge Agreement and used in this Official Statement:

Additional Bonds Test means, as of any date of calculation, (A) Pledged Revenues are not less than 105% of Debt Service for each year ending on October 1 in which the Bonds are scheduled to be Outstanding, and (B) the Debt Service Reserve Fund Requirement is satisfied.

Additional Payments means all payments made by a Recipient under a Pledged Project Obligation except Pledged Revenues and Prepayments thereof.

Administrative Costs means costs of the Board incurred in the general administration of the CWSRF, including overhead costs of the Board.

Amount Payable means the portion of principal of or interest on a Series due on the next succeeding Bond Payment Date when either interest or principal and interest is due pursuant to the provisions of the Master Trust Indenture described under the caption "Master Trust Indenture – Payment Requirements" for payment on a Board Payment Date.

Authorized Board Officer means the Deputy Director, Division of Financial Assistance of the Board or his or her designee or any other officer of the Board designated to act as an Authorized Board Officer under the Master Trust Indenture.

Beneficial Owner means with respect to any book-entry bond, the beneficial Owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for the Bonds.

Board Officer Certificate means a certificate signed by an Authorized Board Officer.

Board Payment Date means March 15, June 15, September 15 and December 15 of each year or, if such date is not a Business Day, the next succeeding Business Day, or such other date as may be set forth in the Related Series Indenture.

Board Reserved Rights means rights of the Board to Additional Payments, notices, opinions and indemnification under a Pledged Project Obligation.

Bond or Bonds means any or all, as the context may require, bond or bonds or note or notes of all Series of the IBank executed, authenticated and delivered under the Master Trust Indenture.

Bond Expenses means any and all such amounts as are necessary to pay or reimburse a Party for certain fees and costs or expenses directly related to one or more Series, provided that Bond Expenses shall not include Administrative Costs.

Bond Funded Project Obligation means a Project Obligation financed in whole or in part from the proceeds of any Series.

Bond Payment Date means each date the principal of, redemption price of or interest on any Series is due, whether by regular scheduled payment or earlier redemption.

Bond Register means the bond register specified in the Master Trust Indenture.

Bond Year means the period of twelve consecutive months ending on October 1 in any year in which the Bonds are Outstanding, except that with respect to each Series of Bonds the first Bond Year shall commence on the date of issuance and delivery of such Series of Bonds and end on the following October 1.

Business Day means any day other than (a) a Saturday or Sunday, (b) a day on which the Board, the IBank or State offices are required by law to close, (c) a day on which banks located in the city of the principal office of the Trustee is located are required by law to close or (d) the New York Stock Exchange is closed.

Capitalization Grant means an amount provided to the Board under one or more agreements between the Board and the United States of America acting by and through the United States Environmental Protection Agency to be applied in accordance with the Clean Water Act.

Clean Water Act means Title VI of the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1987 (33 U.S.C. §1251 et seq.) and the rules and regulations promulgated thereunder.

Costs of Issuance means any and all items of expense payable or reimbursable directly or indirectly by the IBank and related to the authorization, sale and issuance of Bonds, which items of expense shall include but not be limited to printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, the costs of any Credit Provider, legal fees and costs, professional consultants' fees, fees of the Board, fees of verification agents, costs of credit ratings, fees and costs for execution, transportation and safekeeping of Bonds, underwriter discount or placement fees, costs and expenses of refunding any Bonds being refunded, and other costs, charges and fees in connection with the original issuance of Bonds and any costs incurred by the Board in connection with the administration of the CWSRF to be paid with the proceeds of a Series.

Coverage Test means, as of any date of calculation, (A) Pledged Assets are not less than 105% of Debt Service for each Bond Year in which the Bonds are scheduled to be Outstanding, and (B) the Debt Service Reserve Fund Requirement is satisfied.

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a Credit Provider which provides for payment for all or a portion of the principal, redemption price or purchase price of and interest on any Series.

Credit Provider means the bank, insurance company or other financial institution which provides a Credit Facility.

Debt Service means, as of any date, with respect to the Bonds then Outstanding, and, in the case of the Additional Bonds Test and the Coverage Test, to be Outstanding, the aggregate amount of principal and interest scheduled to become due (either at maturity or by mandatory redemption), as calculated by the Board in accordance with this definition. For purposes of calculating Debt Service, the following assumptions are to be used to calculate the principal and interest becoming due in any Bond Year:

- (i) in determining the principal amount due in each Bond Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such principal, including any minimum sinking fund account payments;
- (ii) if 20% or more of the principal of a Series is not due until the final stated maturity of such Bonds, principal and interest on such Series may, at the option of the Board and the IBank, be treated as if such principal and interest were due based upon an amortization of such principal and interest as provided in the respective Series Indenture;
- (iii) if a Series is supported by a Credit Facility in the form of a line of credit or a letter of credit, principal may, at the option of the Board and the IBank, be treated as if it were due based upon an amortization of such principal as provided in the respective Series Indenture;
- (iv) if a Series is variable interest rate Bonds and is not subject to a Swap Agreement, the interest rate on such variable interest rate Bonds shall be assumed to be (i) if such variable interest rate Bonds have been or are to be issued as obligations exempt from federal income taxation, the monthly average Municipal Index during the 3 years (i.e. most recent 36 complete months) preceding the date of such calculation, or (ii) if such variable interest rate Bonds have been or are to be issued as obligations subject to federal income taxation, the monthly average LIBOR during the 3 years (36 complete months) preceding the date of such calculation;
- (v) if a Series is variable interest rate Bonds and is subject to a Swap Agreement, the interest on such variable interest rate Bonds shall be assumed to be the fixed swap rate or cap "strike rate," as appropriate, if the IBank's variable rate liability on all or a portion of any variable interest rate Bonds has been swapped to a fixed rate liability or capped pursuant to an interest rate cap agreement or similar agreement, and if a Series are fixed rate Bonds with respect to which all or a portion of any Bonds has been swapped to a variable rate liability, interest on such Bonds shall be assumed to be as provided in (iv) above; and
- (vi) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid from amounts then currently on deposit with the Trustee or other fiduciary in escrow specifically therefor and restricted to Defeasance Obligations and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Bonds held by the Trustee

or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary.

Debt Service Reserve Fund Deficiency as of any date means the amount, if any, by which the Debt Service Reserve Fund Requirement is greater than the amount held in the Debt Service Reserve Fund.

Debt Service Reserve Fund Requirement means the Debt Service Reserve Fund Requirement established pursuant to a Series Indenture.

Defeasance Obligations means (i) non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, all direct or fully guaranteed U.S. Treasury obligations, Farmers Home Administration Certificates of beneficial ownership, General Services Administration Participation certificates, U.S. Maritime Administration Guaranteed Title XI financing, Small Business Administration - Guaranteed participation certificates and Guaranteed pool certificates, Government National Mortgage Association ("GNMA") - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U. S. Department of Housing and Urban Development Local authority bonds, Washington Metropolitan Area Transit Authority Guaranteed transit bonds, and State and Local Government Series; (ii) non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U. S. Government, including, but not limited to, Federal Home Loan Mortgage Corp. ("FHLMC") Debt Obligations, Farm Credit System (formerly Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives) Consolidated Systemwide bonds and notes, Federal Home Loan Banks ("FHL Banks") Consolidated debt obligations, Federal National Mortgage Association ("FNMA") Debt Obligations, and Resolution Funding Corp. ("REFCORP") Debt obligations; (iii) certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U. S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e., CATs, TIGERS, unit investment trusts and mutual funds; and (iv) tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of cash or U.S. Treasury obligations and which are then rated in the highest rating category by each Rating Agency.

DTC means The Depository Trust Company and its successors and assigns.

Eligible Project means a project eligible for financing pursuant to the Clean Water Act and the CWSRF Act.

Event of Default means any event of default described under the caption "Master Trust Indenture – Defaults and Remedies".

Excluded Pledged Project Obligations means each Pledged Project Obligation which has been released from the lien of the Master Trust Indenture pursuant to the provisions of the Master Trust Indenture.

Fitch means Fitch Ratings and its successors and assigns and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the IBank by notice to the Trustee.

IBank Officer Certificate means a certificate signed by an Authorized IBank Officer.

IBank Reserved Rights means the rights of the IBank to Bond Expenses Payments, notices, opinions and indemnification under the Master Payment and Pledge Agreement.

Interest Payment Date means the date on which any installment of interest on a Series is due other than by reason of redemption.

Investment Obligations means, as and to the extent permitted by law:

- (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest;
- (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States;
- (iii) bonds of the State or bonds for which the faith and credit of the State are pledged for the payment of principal and interest;
- (iv) bonds or warrants, including but not limited to revenue warrants, of any county, city, metropolitan water district, State water district, State water storage district, irrigation district in the State, municipal utility district or school district of the State which are rated within the two highest rating categories by a Rating Agency;
- (v) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by general land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation, and bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended;
- (vi) commercial paper rated in the highest rating category by a Rating Agency that is issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of \$500,000,000 and (3) approved by the Pooled Money Investment Board; provided however, that eligible commercial paper may not exceed 180 days' maturity, represent more than 10 percent of the outstanding paper of an issuing corporation nor exceed 30 percent of the resources of an investment program, and if requested by the State Treasurer, such investment shall be additionally secured by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least 10 percent in excess of the amount of the investment;
- (vii) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the two highest rating categories by

a Rating Agency, otherwise known as banker's acceptances, which are eligible for purchase by the Federal Reserve System;

- (viii) negotiable certificates of deposit issued by a nationally or state- chartered bank including the Trustee and its affiliates or savings and loan association or by a state-licensed branch of a foreign bank which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated in one of the two highest rating categories by a Rating Agency;
- (ix) bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the highest two rating categories by a Rating Agency;
- (x) deposits in the Surplus Money Investment Fund referred to in Section 16471 of the California Government Code;
- (xi) repurchase agreements or reverse repurchase agreements, as such terms are defined in and pursuant to the terms of Section 16480.4 of the California Government Code, which are secured by a perfected security interest in any one or more of the securities described in clauses (i) or (ii) hereof and which have an aggregate market value (determined at least weekly) at least equal to the amount invested;
- (xii) collateralized or uncollateralized investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated within the top two rating categories by each Rating Agency that has assigned a rating to such long-term debt;
- (xiii) forward purchase agreements collateralized with obligations described in (i) through (vi) above with corporations, financial institutions or national associations within the United States, provided that the senior long term debt of such corporations, institutions or associations is rated within the highest two rating categories by a Rating Agency;
- (xiv) money market funds that (a) invest solely in obligations described in clauses (i), (ii), (iii), (iv) or (xi), or any combination thereof, of this definition, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services or (b) are rated in the highest rating category by each Rating Agency; or
- (xv) such other investments as may be authorized by a Supplemental Indenture or Series Indenture, provided that each Rating Agency then rating the Bonds has confirmed that the use of such additional investments will not result in the reduction or withdrawal of any rating on any Outstanding Bonds.

Moody's means Moody's Investors Service, Inc. and its successors and assigns and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating

agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the IBank by notice to the Trustee.

Municipal Index means the SIFMA Municipal Swap Index or successor index announced by Municipal Market Data and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, Inc. which meet specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Municipal Swap Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days' notice, the interest on which under the Code, is excludable from gross income for federal income tax purposes. The SIFMA Municipal Swap Index shall not include any bonds the interest on which is subject to any personal "alternative minimum tax" or similar tax unless all tax exempt bonds are subject to such tax. In the event the SIFMA Municipal Swap Index or a successor index is no longer produced by Municipal Market Data, Inc. or its successor, "Municipal Index" shall mean such other reasonably comparable index selected by the Board.

Nominee means Cede & Co., as nominee of DTC, the initial Securities Depository for the Bonds, and any successor nominee of DTC and, if another Securities Depository replaces DTC as Securities Depository under the Master Trust Indenture, any nominee of such substitute Securities Depository.

Outstanding, when used with reference to Series, means, as of any particular date, the aggregate of all Bonds of such Series authenticated and delivered under the Master Trust Indenture, except:

(a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) Bonds for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Owners of such Bonds, provided that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Master Trust Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Bonds paid or Bonds deemed to be paid as provided in the Master Trust Indenture; and

(d) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Master Trust Indenture.

Owner means a person or persons in whose name or names a particular Bond shall be registered on the Bond Register.

Parity Reimbursement Obligation means a Reimbursement Obligation the payment of which is secured by a pledge of and a lien on collateral and revenues securing a Series.

Participant means each DTC Participant and if there is a Securities Depository for the Bonds other than DTC, each broker-dealer, bank and other financial institution from time to time for which such other Securities Depository holds Bonds as securities depository.

Party means the IBank, the Board or the Trustee, as applicable.

Paying Agent means the Trustee and/or any other bank or trust company designated by the IBank as paying agent for the Bonds.

Pledged Assets means all of IBank's right, title and interest in and to the Master Payment and Pledge Agreement (other than Board Reserved Rights and IBank Reserved Rights), the Pledged Revenues, and the funds and accounts established under the Master Trust Indenture (except amounts on deposit in the Rebate Fund).

Pledged Project Obligation means a Project Obligation which is assigned and pledged as security for the benefit of the Bonds.

Pledged Revenues means (i) repayments of principal of and interest on Pledged Project Obligations and Prepayments thereon, (ii) the principal and investment earnings on Investment Obligations, (iii) payments received from the United States or the State related to Bonds issued under the Master Trust Indenture and as designated in a Series Indenture, and (iv) and any other amounts held under the Master Trust Indenture and designated as Pledged Revenues.

Pooled Money Investment Board means the State entity created pursuant to Government Code Section 16480.1.

Prepayment means any payment of principal on a Pledged Project Obligation in advance of its stated due date as designated by a Recipient on a Pledged Project Obligation.

Project Obligation means any loan contract, installment sale agreement and any and all other agreements, resolutions and other related documents entered into by a Recipient evidencing amounts owed to the Board in connection with the financing of an Eligible Project.

Qualified Swap Agreement means a contract or agreement wherein the payments required thereunder (other than payments of fees and expenses and termination payments which shall in all cases be payable on a subordinate basis) are payable from Pledged Revenues on a parity with the payment of a Series, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the IBank and the counterparty to the Qualified Swap Agreement, provided that in each case (i) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Series or portion thereof or the amount of such investments, as applicable, and (ii) the IBank shall have received a Rating Confirmation with respect to the Bonds.

Rating Agency means, each or collectively, Fitch, Moody's and S&P.

Recipient means each municipality (as defined in the Clean Water Act and the CWSRF Act) which may receive financial assistance under a Project Obligation.

Refunding Bonds means any Bonds issued under the Master Trust Indenture, the proceeds of which are to be used to pay the principal of, premium, if any, or interest on any Outstanding Bonds.

Reimbursement Obligation means an obligation of the IBank described as such in the Master Trust Indenture to reimburse directly the Credit Provider for amounts paid pursuant to a Credit Facility.

Related, as the context may require, means (i) when used with respect to any Costs of Issuance Fund, Bond Proceeds Fund, Rebate Fund, or any account within any such fund, the fund, account or subaccount so designated and established by the Series Indenture authorizing a particular Series, (ii) when used with respect to a Series Indenture, the Series Indenture authorizing a particular Series, (iii) when used with respect to a Series, the Series issued under the Related Series Indenture, (iv) when used with respect to a Credit Provider, Credit Facility or Parity Reimbursement Obligation, the Credit Provider providing the Credit Facility for a particular Series, the Credit Facility securing or supporting such Series and the Parity Reimbursement Obligation entered into in connection therewith, respectively, and (v) when used with respect to a Tax Certificate, the Tax Certificate entered into in connection with a particular Series.

S&P means Standard & Poor's Credit Markets Services and its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the IBank by notice to the Trustee.

Securities Depositories means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, or no such depositories, as designated in a IBank Officer Certificate.

Series means all of the Bonds of a particular Series authenticated and delivered pursuant to a Series Indenture, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II of the Master Trust Indenture.

Series Indenture means a series indenture providing for the issuance of a Series, as amended and supplemented in accordance with the terms thereof by a Supplemental Indenture.

Series 2016 Tax Certificate means the Series 2016 Tax Certificate, dated the date of initial delivery of the Bonds, of the Board and the IBank, as amended and supplemented in accordance with its terms.

State Match Portion means that portion of a Series of Bonds which are to be used to provide amounts necessary to fund a State Matching Grant designated as such in the Related Series Indenture.

State Matching Grant means the matching grant required pursuant to any Capitalization Grant.

State Treasurer means the Treasurer of the State of California and his or her duly authorized representative.

Supplemental Indenture means any indenture supplementary to or amendatory of the Master Trust Indenture or a Series Indenture executed and delivered pursuant to Article XI of the Master Trust Indenture.

Swap means any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the IBank and the counterparty to the Swap, which is not a Qualified Swap Agreement.

Tax Certificate means the tax certificate or other similar document setting forth provisions to assure compliance by the IBank and the Board with requirements of the Code as conditions to the exclusion of interest on any Tax-Exempt Bonds, as the same may be amended or supplemented, all as may be more particularly described in the Related Series Indenture.

Tax-Exempt Bonds means Bonds the interest on which is intended on their date of issuance to be excludable from gross income of the Owners thereof for federal income tax purposes and designated as such in the Related Series Indenture.

Trustee means, in its capacity as trustee under the Master Trust Indenture, the State Treasurer, any agent of the State Treasurer or any successor Trustee as provided in the Master Trust Indenture.

Trust Office means the office of the Trustee at which at any particular time its trust business shall be principally administered, which office at the date hereof is located in Sacramento, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its trust agency business shall be conducted.

MASTER TRUST INDENTURE AND SERIES 2016 INDENTURE

Pledge and Assignment Effected by Master Trust Indenture

All Bonds of each and every Series issued and to be issued under the Master Trust Indenture are, and are to be, to the extent provided in the Master Trust Indenture, equally and ratably secured by the Master Trust Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Bonds of such Series or any of them, so that all Bonds and any Related Parity Reimbursement Obligation at any time Outstanding thereunder shall have the same right, lien and preference under and by virtue of the Master Trust Indenture and shall all be equally and ratably secured with like effect as if they had all been executed, authenticated and delivered simultaneously on the date thereof; provided that moneys representing the repayment of principal of Pledged Project Obligations shall not be pledged to or used for the payments of the State Match Portion of Bonds; and provided further, that Bonds may be issued as subordinated debt, as designated as such under a Series Indenture. The aggregate principal amount of Bonds which may be executed and delivered by the IBank and authenticated by the Trustee and secured by the Master Trust Indenture is not limited except as is or may hereafter be provided in the Master Trust Indenture or as may be limited by law.

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Master Trust Indenture by those who shall hold or own the same from time to time, the Master Trust Indenture and each Series Indenture shall be deemed to be and shall constitute a contract among the IBank, the Trustee, the Owners from time to time of the Bonds and the beneficiaries of any Parity Reimbursement Obligations, and the pledge and assignment made therein and the covenants and agreements set forth to be performed by or on behalf of the IBank shall be for the equal and ratable

benefit, protection and security of the Owners of any and all of the Bonds and the beneficiaries of any Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds over any other Bonds, except as expressly provided therein or permitted by the Master Trust Indenture or by the Series Indenture.

Subject only to the provisions of the Master Trust Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein and, subject to the rights of the Owners, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Trust Indenture, the Pledged Assets, subject to the provisions thereof. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

Creation and Custody of Funds and Accounts

Initially, and as long as the State Treasurer is the Trustee, all such funds and Related accounts that may be established for each Related Series shall be within the State Treasury.

There shall be established, maintained and held in trust the following funds:

- (1) Costs of Issuance Fund;
- (2) Bond Proceeds Fund;
- (3) Restricted Assets Fund;
- (4) Debt Service Fund;
- (5) Debt Service Reserve Fund; and
- (6) Prepayment Fund.

In addition, there may be established, maintained and held in trust for each Series a Related Account in the Cost of Issuance Fund and the Bond Proceeds Fund and in each other fund as may be further provided for pursuant to the Master Trust Indenture and the Related Series Indenture. The IBank, the State Treasurer, as Trustee, and the Board may, by Series Indenture, by IBank Officer Certificate or Board Officer Certificate, as applicable, establish one or more additional funds, accounts or subaccounts as may be determined to be necessary or useful in administering the funds and accounts established under the Master Trust Indenture.

The Trustee shall control the Costs of Issuance Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund, each of which shall be disbursed and applied as provided in the Master Trust Indenture and in each Related Series Indenture.

The Board shall control the Bond Proceeds Fund, the Restricted Assets Fund and the Prepayment Fund, each of which shall be disbursed and applied as provided in the Master Trust Indenture and may be provided in a Related Series Indenture.

At such time as the Board shall determine that amounts are required to be deposited into a rebate fund in accordance with a Tax Certificate, it shall notify the Trustee and the Trustee shall establish

and maintain or cause to be established and maintained in trust a Rebate Fund. The Trustee shall control the Rebate Fund.

For purposes of compliance with the Clean Water Act or the CWSRF Act or regulations and policies promulgated thereunder restricting the use of moneys within the CWSRF, moneys in each of the funds and accounts established under the Master Trust Indenture shall be deemed to be within the CWSRF (except the Costs of Issuance Fund, which shall be segregated from the other funds and accounts under the Master Trust Indenture).

After all of the Bonds and any other amounts owing under the Master Trust Indenture have been paid in full, then all of the funds and accounts created under the Master Trust Indenture shall be closed by the Trustee and the Board, as applicable, and any amounts remaining on deposit in such closed funds and accounts shall be applied by the Trustee in accordance with a Board Officer Certificate.

Bond Proceeds Accounts

There shall be deposited into the Related Bond Proceeds Account (i) the proceeds of a Series as provided in the Related Series Indenture, (ii) amounts transferred from a Related Costs of Issuance Account, and (iii) any other amounts deposited therein by the Board.

Amounts deposited in a Bond Proceeds Account shall be applied by the Board to (i) fund Bond Funded Project Obligations, (ii) refund bonds and other obligations, (iii) pay Debt Service on a Series, (iv) pay Bond Expenses, (v) satisfy the Related Rebate Requirement (as provided in the Related Tax Certificate) and (vi) such other purpose as provided for a Series of Bonds each as may be provided in the Related Series Indenture. Upon receipt of a Board Officer Certificate that no further amounts are to be expended from the Bond Proceeds Account, the Trustee shall transfer amounts remaining on deposit therein to the Board for deposit to the Debt Service Fund. Investment earnings on amounts in the Bond Proceeds Account shall be transferred when received to the Debt Service Fund.

Costs of Issuance Accounts

There shall be deposited into the Related Costs of Issuance Account the proceeds of a Series and any other amounts deposited therein by the Board, as may be provided in the Related Series Indenture.

Amounts held in a Costs of Issuance Account shall be applied to the payment of Costs of Issuance upon receipt by the Trustee of an IBank Officer Certificate. Upon receipt of an IBank Officer Certificate that no further Costs of Issuance are to be paid from the Related Costs of Issuance Account, the Trustee shall transfer any other amounts remaining on deposit therein as directed by the Board in a Board Officer Certificate either to the Debt Service Fund or to the Related Bond Proceeds Account. Investment earnings on amounts in a Costs of Issuance Account shall be transferred when received to the Debt Service Fund.

Restricted Assets Fund

There shall be deposited into the Restricted Assets Fund all amounts received as principal of or interest on the Pledged Project Obligations and any Prepayments transferred from the Prepayment Fund as provided under "MASTER TRUST INDENTURE AND SERIES 2016 INDENTURE-Prepayment Fund" to the Restricted Assets Fund. Investment earnings on amounts in the Restricted Assets Fund shall be transferred when received to the Debt Service Fund.

Amounts deposited into the Restricted Assets Fund shall be applied to pay or reimburse the Board and the IBank for any Bond Expenses reasonably incurred in connection with an Event of Default and thereafter shall be transferred to the funds and accounts established under the Master Trust Indenture to pay amounts due from the Board as required by the second paragraph under the caption "MASTER TRUST INDENTURE AND SERIES 2016 INDENTURE–Payment Requirements." After the transfers to the Trustee of the amounts required to be paid under the caption "MASTER TRUST INDENTURE AND SERIES 2016 INDENTURE–Payment Requirements" and the receipt by the Trustee of all amounts due from the Board in accordance therewith, amounts held from the Board in the Restricted Assets Fund may be applied at the discretion of the Board (i) to pay for Administrative Costs, (ii) to acquire a Pledged Project Obligation, (iii) to the redemption or purchase of Bonds as provided in the Master Trust Indenture and a Related Series Indenture, (iv) to make payments to the Trustee and the IBank required by the Master Payment and Pledge Agreement, or (v) subject to the payment of any amounts necessary to satisfy the Related Rebate Requirement (as provided in the Related Tax Certificate) and, upon the filing of a Board Officer Certificate with the Trustee and the IBank which demonstrates that the Coverage Test is satisfied in each year the Bonds are scheduled to be Outstanding, released from the lien of the Master Trust Indenture and the Master Payment and Pledge Agreement and transferred to the CWSRF free and clear of such liens and applied by the Board for any lawful purpose.

Prepayment Fund

There shall be deposited into the Prepayment Fund Prepayments received on Pledged Project Obligations. Amounts in the Prepayment Fund shall be transferred to the Restricted Assets Fund at any time but in no event not less than once each calendar year upon direction of the Board. Investment earnings on amounts in the Prepayment Fund shall be transferred when received to the Debt Service Fund.

Debt Service Fund

There shall be deposited into the Debt Service Fund the amounts due on each Related Board Payment Date and investment earnings on amounts in the Bond Proceeds Accounts, the Restricted Assets Fund pursuant and the Prepayment Fund. Interest earnings on amounts held in the Debt Service Fund shall be credited and held in the Debt Service Fund. Amounts to be deposited into the Debt Service Fund shall be transferred in the following priorities from the funds and accounts established under the Master Trust Indenture all pursuant to the provisions of the Article concerning Funds and Accounts therein; provided, however, that if an Event of Default shall have occurred and be continuing, prior to any transfers by the Board of amounts into the Debt Service Fund, the Board may first retain from amounts in the Restricted Assets Fund such amounts as are necessary to pay or reimburse the Board and the IBank for any Bond Expenses reasonably incurred in connection with such Event of Default; and provided further, that the State Match Portion of a Series of Bonds may not be paid from principal repayments received on Pledged Project Obligations in accordance with the Related Series Indenture:

- (i) Amounts designated to be used from proceeds of a Series and transferred to pay Debt Service on the Series, each as provided in the Related Series Indenture;
- (ii) Amounts transferred from the Debt Service Reserve Fund, constituting certain amounts in excess of the Debt Service Reserve Fund Requirement, as and to the extent required under the Master Trust Indenture;
- (iii) Investment earnings on amounts held in the Debt Service Reserve Fund;
- (iv) Amounts transferred from the Prepayment Fund;

- (v) Amounts transferred from the Restricted Assets Fund to pay the principal and interest portion of the Amount Payable;
- (vi) Amounts transferred from the Restricted Assets Fund to pay any amount that remains due and unpaid;
- (vii) Amounts transferred from the Debt Service Reserve Fund; and
- (viii) Any other amounts deposited therein by the Board.

Amounts held in the Debt Service Fund shall be applied by the Trustee on each Related Bond Payment Date to pay Debt Service on the Bonds. Thereafter, any amounts in excess of the amounts required to pay interest on a Series on the next succeeding Bond Payment Date when interest is due and payable and principal on a Series on the next succeeding Bond Payment Date when principal is due and payable in the Debt Service Fund may be applied to pay Bond Expenses or, at the direction of the Board set forth in a Board Officer Certificate, released from the lien of the Master Trust Indenture and the Master Payment and Pledge Agreement and applied by the Board for any lawful purpose.

Debt Service Reserve Fund

There shall be deposited into a Debt Service Reserve Fund (i) amounts deposited from proceeds of a Series as provided in the Related Series Indenture, and (ii) amounts transferred by the Board from available money, including draws on Capitalization Grants and State Matching Grants identified to the Trustee.

On or after each Related Bond Payment Date, investment earnings shall be transferred from the Debt Service Reserve Fund to the Debt Service Fund.

Amounts on deposit in the Debt Service Reserve Fund shall be applied by the Trustee to the extent that amounts available in accordance with the Master Trust Indenture are insufficient therefor in accordance with the Master Trust Indenture.

On the Business Day following each Related Bond Payment Date on which principal of a Series is due and payable, the Trustee shall transfer from the Debt Service Reserve Fund, at the direction of the Board pursuant to a Board Officer Certificate, amounts in excess of the Debt Service Reserve Fund Requirement to the Related Rebate Account at the direction of the Board an amount equal to the any Rebate Requirement (as provided in each Tax Certificate). Thereafter, any amounts in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Fund and applied to pay Debt Service on the Bonds, and otherwise may be applied at the direction of the Board as set forth in a Board Officer Certificate to pay Bond Expenses or released from the lien of the Master Trust Indenture and the Master Payment and Pledge Agreement and applied by the Board for any lawful purpose.

Rebate Accounts

There shall be deposited into a Rebate Account such amounts as are required pursuant to the Related Tax Certificate. Amounts in a Related Rebate Account shall be applied as set forth in the Related Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Board's calculations made pursuant to the Related Tax Certificate.

Payment Requirements

The amount due and payable on a Board Payment Date shall be determined as follows and in the following order:

- (i) The amount necessary to pay the interest portion of the Amount Payable due on a Series on the next succeeding Related Bond Payment Date on which interest is due less amounts to be used to pay interest on the Related Series as provided in the Master Trust Indenture under the caption "Master Trust Indenture – Debt Service Fund", provided that the Board may include in its calculation of the amounts paid to the Trustee any investment earnings transferred from the Debt Service Reserve Fund to the Debt Service Fund pursuant to the Master Trust Indenture as described under the caption "Master Trust Indenture – Debt Service Reserve Funds";
- (ii) The amount necessary to pay the principal portion of the Amount Payable due on a Series on the next succeeding Related Bond Payment Date on which principal is due;
- (iii) The amount necessary to pay any other amounts that remain due and unpaid;
- (iv) The amount necessary to pay the Related Rebate Requirement as provided in any Tax Certificate at the direction of the Board; and
- (v) The amount necessary to pay for Related Bond Expenses as directed by the Board and the IBank.

In the event that 30 days prior to each Board Payment Date there are insufficient funds available to pay all the amounts set forth above due on the next Board Payment Date, the Trustee shall deliver to the Board an invoice setting forth by Series any unpaid amounts due and owing on such Board Payment Date.

Investment of, and Payment of Interest on, Moneys; Valuation of Investments

Moneys on deposit in each fund and account created and maintained under the Master Trust Indenture and any Series Indenture by the Trustee shall, pursuant to a Board Officer Certificate, be invested by the Trustee in Investment Obligations. Absent instructions from the Board, the Trustee shall invest in Investment Obligations of the type described in paragraph (xiv) of the definition thereof, except when the State Treasurer is the Trustee, investments shall, absent instructions from the Board, be only of the type described in paragraph (x) of the definition thereof. Moneys on deposit in each fund and account created and maintained under the Master Trust Indenture and any Series Indenture by the Board shall be invested by the Board in Investment Obligations of the type described in paragraph (x) of the definition thereof. Investments of moneys on deposit in any fund or account established under the Master Trust Indenture or a Series Indenture shall have maturity dates, or shall be subject to redemption or tender at the option of the Trustee or the Board, as applicable, which dates shall be on or prior to the respective dates on which the moneys invested therein are payable for the purposes of such funds. The securities purchased with the moneys in each such fund shall be held by or under the control of the Trustee or the Board, as applicable, and shall be deemed a part of such fund. The interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund shall be deposited to the credit of such funds and accounts as provided in Article VI of the Master Trust Indenture. Losses, if any, realized on securities held in any fund or account shall be debited to such fund or account.

The Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as therein authorized. If at any time it shall become necessary that some or all of the securities purchased with the moneys in any such fund or account be redeemed or sold in order to raise the moneys necessary to comply with the provisions of the Master Trust Indenture or Series Indenture, the Trustee shall effect such redemption or sale, employing in the case of a sale any commercially reasonable method of effecting such sale.

Unless otherwise specified in a Series Indenture, for the purpose of determining the amount in any such fund or account, all Investment Obligations credited to any fund or account established under the Master Trust Indenture shall be valued at cost.

Payment of Principal of and Interest and Premium on Bonds

The IBank will promptly pay, but solely from the Pledged Revenues and other funds held by the Trustee and available therefor, the principal of, and the interest on, every Bond issued under and secured by the Master Trust Indenture and any sinking fund payments provided in the Master Trust Indenture and any premium required to be paid for the retirement of said Bonds by redemption, at the places, on the dates and in the manner specified in any Series Indenture and in said Bonds according to the true intent and meaning thereof.

The IBank shall not create a pledge, lien or charge upon the Pledged Assets other than as provided in the Master Trust Indenture, except, with the prior written consent of the Board, a pledge, lien or charge subject and subordinate to the pledge and lien created pursuant to the Master Trust Indenture.

Tax Covenants

To the extent within its control, the IBank shall not use or permit the use of any proceeds of the Bonds to acquire any securities or obligations that would cause the interest on Tax-Exempt Bonds to become subject to federal income taxation, and, to the extent within its control, shall not take or permit to be taken any other action or actions, which would cause any such Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The IBank covenants to comply with the provisions and procedures of each Tax Certificate.

Notwithstanding any provisions of the Master Trust Indenture concerning Tax Covenants or any Tax Certificate, if the IBank shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under the provisions of the Master Trust Indenture concerning Tax Covenants is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Master Trust Indenture concerning Tax Covenants, and, notwithstanding any other provision of the Master Trust Indenture or any Tax Certificate, the covenants thereunder shall be deemed to be modified to that extent.

Release of Pledged Project Obligations from the Lien of the Master Trust Indenture; Pledge of Additional Pledged Project Obligations

The Board may release Pledged Project Obligations from the lien of the Master Payment and Pledge Agreement so as to become Excluded Pledged Project Obligations or substitute and add Project Obligations to the lien of the Master Payment and Pledge Agreement by providing and filing with the Trustee, the IBank and each Rating Agency then rating the Bonds, (1) a revised Schedule to the

Master Payment and Pledge Agreement, describing the Pledged Project Obligations to be released and, if applicable, substituted therefor or added thereto, and (2) a Board Officer Certificate which demonstrates that the Coverage Test is satisfied in each year the Bonds are scheduled to be Outstanding.

The IBank and the Trustee shall execute a release and such other instruments as the Board or the IBank may reasonably request in order to evidence the release from the lien of the Master Trust Indenture and the Master Payment and Pledge Agreement of the Excluded Pledged Project Obligations and related rights of payment thereon.

State Match Portion of the Bonds

The State Match Portion of the Bonds may not be payable from principal repayments received on Pledged Project Obligations.

Events of Default

The occurrence and continuances of one or more of the following events shall constitute an Event of Default for purposes of the Master Trust Indenture:

- (a) default in the payment of any installment of interest in respect of any Bond as the same shall become due and payable;
- (b) default in the payment of the principal of or premium, if any, in respect of any Bond as the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise;
- (c) default in the payment of any sinking fund installment in respect of any Bond as the same shall become due and payable;
- (d) default in the observance or performance of any other covenant or agreement of the IBank or the Board contained in the Master Trust Indenture and the continuance thereof for a period of sixty (60) days after written notice thereof to the IBank and the Board given by the Trustee; or
- (e) any Master Payment and Pledge Agreement Default on the part of the Board under the Master Payment and Pledge Agreement shall occur and be continuing for a period of sixty (60) days after written notice thereof to the IBank and the Board given by the Trustee.

Remedies

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall and, upon receipt of indemnity reasonably satisfactory to it: (a) by suit, action or special proceeding, enforce all rights of the Owners of the Bonds and require the Board or the IBank to perform its duties and enforce its rights under the Act, the CWSRF Act, a Series Indenture, the Pledged Project Obligations and the Master Payment and Pledge Agreement (except for the rights of the Board to Board Reserved Rights and the IBank to IBank Reserved Rights); (b) bring suit pursuant to the Bonds in default; (c) by action or suit in equity require the Board to account as if it were the trustee of an express trust for the Owners of the Bonds; (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (e) to the extent permitted by law, transfer all amounts then held and thereafter to be held

in Restricted Assets Fund, the Prepayment Fund or the Bond Proceeds Fund to the Trustee to be held for the benefit of the Owners of the Bonds and applied as provided in the Master Trust Indenture.

Limitation on Actions by Owners

No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Master Trust Indenture, or any other remedy thereunder or under the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Master Trust Indenture and unless also the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Trust Indenture, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Master Trust Indenture or for any other remedy under the Master Trust Indenture; it being understood and intended that no one or more Owners of the Bonds of any Series secured by the Master Trust Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Trust Indenture, or to enforce any right thereunder or under the Bonds of any Series, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of Outstanding Bonds. Nothing in the Master Trust Indenture or in the Bonds of any Series contained shall affect or impair the right of action, which is also absolute and unconditional, of any Owner of any Bond to enforce payment of the principal of and premium, if any, and interest on his Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

Trustee's and Paying Agent's Fees, Charges, Expenses and Indemnification

The Board shall (1) pay to the Trustee from time to time reasonable compensation for all services rendered by each under the Master Trust Indenture; (2) except as otherwise expressly provided therein, reimburse the Trustee and any Paying Agent upon their respective request for all reasonable expenses, disbursements and advances incurred or made by the Trustee and any Paying Agent in accordance with any provision of the Master Trust Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and (3) to indemnify the Trustee and any Paying Agent for, and to hold each of them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on its part, arising directly out of or in connection with acts or omissions by the Board, including the finally sustained costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Master Trust Indenture; provided, however, that the obligations of the Board to make such payments and reimbursements and to indemnify the Trustee in such manner shall be limited to any amounts held and available under the Master Trust Indenture or any Series Indenture permitted to be used for such purpose.

Trustee's Right to Rely

The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, fax, request, consent, waiver, certificate, statement, legal opinion,

affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the Master Trust Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Trustee upon the request or consent of any Person who at the time of making such request or giving such consent is the Owner of any Bond shall be conclusive and binding upon all subsequent Owners of such Bond or any Bond issued on registration of transfer thereof.

Resignation by Trustee

The Trustee may at any time and for any reason resign and be discharged of the trusts created by the Master Trust Indenture by filing a written instrument resigning such trusts and specifying the date when such resignation shall take effect with the Board and the IBank not less than ninety (90) days before the date specified in such instrument when such resignation shall take effect, and by giving notice of such resignation to Owners by mail in the manner provided in the Master Trust Indenture not less than twenty-one (21) days prior to the date specified in such notice when such resignation shall take effect; provided however, that no such resignation shall become effective until the acceptance of appointment by a successor Trustee in accordance with the provisions of the Master Trust Indenture described under the caption "Master Trust Indenture – Acceptance of Appointment by, and Transfer of Trust Estate to, Successor Trustee."

Removal of Trustee

The Trustee at any time and for any reason may be removed from the trusts created by the Master Trust Indenture by an instrument in writing, appointing a successor, filed with the Trustee so removed and executed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the provisions of the Master Trust Indenture described under the caption "Master Trust Indenture – Acceptance of Appointment by, and Transfer of Trust Estate to, Successor Trustee" and provided, further, that no such removal shall apply to the State Treasurer in its capacity as Trustee under the Master Trust Indenture.

The Trustee at any time other than during the continuance of an Event of Default and for any reason may be removed from the trusts created by the Master Trust Indenture by a IBank Officer Certificate, appointing a successor, filed with the Trustee so removed; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the provisions of the Master Trust Indenture described under the caption "Master Trust Indenture – Acceptance of Appointment by, and Transfer of Trust Estate to, Successor Trustee" and provided, further, that no such removal shall apply to the State Treasurer in its capacity as Trustee under the Master Trust Indenture.

Appointment of Successor Trustee by Owners or Bank

In case at any time the Trustee shall resign, or shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, a vacancy shall forthwith and ipso facto exist in the office of the Trustee, then, upon approval by the State Treasurer, a successor may be appointed by either the IBank with the approval of the Board or the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the IBank, signed by such Owners or by their attorneys-in-fact duly authorized.

Until a successor Trustee shall be appointed by the Owners as therein authorized, the IBank with the approval of the Board, shall appoint a Trustee to fill such vacancy. After any appointment by the IBank, it shall cause notice of such appointment to be mailed to each Owner in the manner provided in the Master Trust Indenture. Any new Trustee so appointed by the IBank shall immediately and without further act be superseded by a Trustee appointed by the Owners in the manner above provided.

Acceptance of Appointment by, and Transfer of Trust Estate to, Successor Trustee

Any successor Trustee appointed under the Master Trust Indenture shall execute, acknowledge and deliver to the IBank an instrument accepting such appointment under the Master Trust Indenture, and thereupon the resignation or removal of the withdrawing Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust under the Master Trust Indenture, with like effect as if originally named Trustee in the Master Trust Indenture and shall give notice thereof to each Recipient. Upon request of such Trustee, the Trustee ceasing to act and the IBank shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts under the Master Trust Indenture of the Trustee so ceasing to act, and the Trustee so ceasing to act shall pay over to the successor Trustee all moneys and other assets.

Liability of the Trustee

No provision of the Master Trust Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to such an Event of Default and after the curing of all such Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined by the express provisions of the Master Trust Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Master Trust Indenture, and no implied covenants or obligations shall be read into the Master Trust Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of the Master Trust Indenture; but in the case of any such certificate or opinion which by any provision of the Master Trust Indenture is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to read such certificate or opinion to determine if such document states the matters required by the Master Trust Indenture to be stated therein; provided, that the Trustee shall not be liable for any such determinations made in error in the absence of bad faith; and

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by an authorized representative of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the owners of not less than a majority in aggregate principal amount of all the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Master Trust Indenture.

None of the provisions contained in the Master Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Supplemental Indentures Not Requiring Consent of Owners

Subject to the conditions and restrictions therein contained, the IBank and the Trustee may, with the prior written consent of the Board and without the consent of or notice to the Owners, enter into one or more Supplemental Indentures:

(a) To cure any ambiguity or to correct or supplement any provision contained therein or in any Series Indenture which may be defective or inconsistent with any other provision contained therein or in any Series Indenture, or to make such other provisions in regard to matters or questions arising under the Master Trust Indenture or any Series Indenture as the IBank may deem necessary or desirable and which shall not be inconsistent with the provisions of the Master Trust Indenture or any Series Indenture and which shall not impair the security of the same;

(b) To grant to or confer upon the Trustee for the benefit of the Owners of any Series any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Bonds or the Trustee or either of them;

(c) To subject to the provisions of the Master Trust Indenture additional assets, revenues, properties or collateral;

(d) To provide for the issuance of a Series;

(e) To establish one or more additional funds, accounts or subaccounts;

(f) To provide for any change in the Master Trust Indenture which, in the opinion of the Trustee, does not materially adversely affect or diminish the rights or interests of the Trustee or the Owners, provided that in making such determination the Trustee shall be entitled to rely on an opinion of counsel, in accordance with the provisions of the Master Trust Indenture;

(g) To add to the covenants and agreements of the IBank in the Master Trust Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the IBank or to or upon any successor;

(h) To evidence the succession or successive successions of any other department, agency, body or corporation to the IBank and the assumption by such successor of the covenants, agreements and obligations of the IBank in the Bonds secured by the Master Trust Indenture and in the Master Trust Indenture contained or the succession removal or appointment of any trustee under the Master Trust Indenture;

(i) To modify, eliminate and/or add to the provisions of the Master Trust Indenture to such extent as shall be necessary to effect the qualification of the Master Trust Indenture under the Master Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Master Trust Indenture such other provisions as may be expressly permitted by said Master Trust Indenture Act of 1939;

(j) To provide for the enforcement, modification, or, subject to the Master Trust Indenture as described under the caption "Master Trust Indenture – Release of Pledged Project Obligations From the Lien of the Master Trust Indenture; Pledge of Additional Pledged Project Obligations," sale or other disposition of any Pledged Project Obligations held or to be pledged to the IBank or any investments of moneys of the Board or the Trustee which the Board or the Trustee, respectively, determines is necessary or desirable in the best interests of the Owners;

(k) To comply with any provision of the Code relating to Tax-Exempt Bonds;

(l) To amend the terms thereof in a manner applicable only to Bonds issued subsequent to such amendment and not affecting Bonds previously issued and Outstanding;

(m) To provide for Refunding Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith;

(n) To make changes or modifications necessary to provide a Credit Facility for a Series, including without limitation the creation, or modification of rights for the Related Credit Provider in accordance with the Master Trust Indenture, provided that such change or modification does not materially adversely affect or diminish the rights or interests of the Trustee or the Owners of any other Bonds, provided that in making such determination the Trustee shall be entitled to rely on an opinion of counsel;

(o) To make changes or modifications necessary to provide for the issuance of a Series of Bonds with a State Match Portion not inconsistent with the terms contained in the Master Trust Indenture;

(p) To make changes or modifications necessary to finance such additional programs from time to time of either the Board or another State agency under the Clean Water Act or the Safe Drinking Water Act of 1974 (42 U.S.C. § 300 et seq.), or any other similar state or federally supported financing program as approved by the United States Environmental Protection Agency, provided that such change or modification does not materially adversely affect or diminish the rights or interests of the Trustee or the Owners of any other Bonds, provided that in making such determination the Trustee shall be entitled to rely on an opinion of counsel; and

(q) To make any other changes or modifications which do not adversely affect the existing ratings on the Bonds from each Rating Agency then rating the Bonds.

Supplemental Indentures Requiring Consent of Owners

Except as otherwise provided in the provisions of the Master Trust Indenture described under the caption "Master Trust Indenture – Supplemental Indentures Not Requiring Consent of Owners," any modification or amendment of the Master Trust Indenture may be made only with the consent of the Board and the Owners of more than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding; provided that, if in the opinion of the Trustee, any such modification or amendment does not materially adversely affect or diminish the rights or interests of the Trustee or the Owners of any Series of

Bonds, such Owners of only the Series of Bonds affected by such modification or amendment shall be required to provide the required consent; and provided further, that in making the determination that such modification or amendment does not materially adversely affect or diminish the rights or interest of the Owners of a Series of Bonds, the Trustee shall be entitled to rely on an opinion of counsel. No such modification or amendment shall be made which will reduce the percentages of aggregate principal amount of Bonds, the consent of the Owners of which is required for any such modification or amendment, or permit the creation by the IBank of any lien prior to or on a parity with, the lien of the Master Trust Indenture upon the rights and interest pledged to the Bonds under the Master Trust Indenture, or which will affect the times, amounts and currency of payment of the principal (including sinking fund payments, if any) of premium, if any, and interest on the Bonds without the consent of the Owners of all Bonds then Outstanding and affected thereby.

If at any time the IBank shall request the consent of Owners to the execution of any such Supplemental Indenture for any of the purposes of the Master Trust Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to Owners in the manner provided in the Master Trust Indenture. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the IBank following the giving of such notice, the required consent and approval of Owners is obtained, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the IBank or the Trustee from executing the same or restrain the IBank or the Trustee from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided, the Master Trust Indenture shall be and be deemed to be modified and amended in accordance therewith.

Defeasance

(a) If at any time: (i) there shall have been delivered to the Trustee for cancellation any or all of a Series (other than any Bonds which have been mutilated, lost, stolen or destroyed and which shall have been replaced or paid as provided in the Master Trust Indenture), or (ii) with respect to any or all of a Series not theretofore delivered to the Trustee for cancellation, the whole amount of the principal and the interest and the premium, if any, due and payable or to become due and payable on such Bond or Bonds then Outstanding shall be paid or deemed to be paid as set forth below, and provision shall also be made for paying all other sums payable under the Master Trust Indenture, including the IBank's, the Board's, the Trustee's and any Paying Agent's fees and expenses with respect to such Series, then the Trustee, in such case, on demand of the IBank, shall release the lien of the Master Trust Indenture with respect to such Bond or Bonds and turn over to or at the direction of the IBank any balances remaining in any fund created under the Master Trust Indenture, other than moneys and Defeasance Obligations retained for the redemption or payment of Bonds; otherwise, the Master Trust Indenture shall be, continue and remain in full force and effect.

(b) Bonds shall be deemed to be paid whenever there shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) either moneys in an amount which shall be sufficient, or Defeasance Obligations certified by an independent accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without the necessity of further investment or reinvestment of either the principal amount thereof or interest therefrom, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, and premium, if any, and interest due and to become due on all such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if redeemed prior to maturity an irrevocable instruction to mail the redemption notice as

provided in the Master Trust Indenture has been given, and the Trustee shall have given notice to the Owners of such Bonds in the manner provided in the provisions of the Master Trust Indenture concerning Notices that a deposit meeting the requirements of this paragraph has been made and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on, such Bonds; provided, however, that neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any Defeasance Obligations shall be withdrawn, or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on such Bonds.

(c) Any Series Indenture may provide for additional or different defeasance provisions including, but not limited to, such provisions as may be required in connection with a Credit Facility or provisions relating to variable interest rates or optional or mandatory tender provisions.

(d) Notwithstanding any provisions of the Master Trust Indenture, any moneys held by the Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Master Trust Indenture), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after the date when all of the Bonds became due and payable, shall, upon receipt of a Board Officer Certificate, be repaid to the Board free and clear from the pledge and lien of the Master Trust Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease.

MASTER PAYMENT AND PLEDGE AGREEMENT

Pledge and Assignment

Under the Master Payment and Pledge Agreement, the Board pledges, assigns and transfers to the IBank, in consideration of the receipt of the proceeds of each Series of Bonds in accordance with the provisions of the Master Trust Indenture, all of the Board's right, title and interest in and to the Pledged Project Obligations, including all amounts received from time to time thereon, excluding Board Reserved Rights, and amounts held in the funds and accounts established under Master Trust Indenture controlled by Board, including without limitation the Restricted Assets Fund, the Bond Proceeds Fund and the Prepayment Fund, subject to application in accordance with the Master Trust Indenture. The IBank accepts the above pledge, assignment and transfer.

Under the Master Payment and Pledge Agreement, the Board may release Pledged Project Obligations from the lien of the Master Payment and Pledge Agreement so as to become Excluded Pledged Project Obligations and substitute and add Project Obligations to the lien of the Master Payment and Pledge Agreement, all to the extent provided in the Master Trust Indenture.

As security for the payment of the Bonds, the IBank has assigned to the Trustee the Pledged Assets for the benefit of the Owners of the Bonds. The IBank directs the Board to make the payments required to be made under the Master Payment and Pledge Agreement directly to the Trustee as more fully set forth in the Master Trust Indenture. The Board agrees to such assignment and agrees to make such payments directly to the Trustee. The payments derived from the Pledged Project Obligations shall be applied and the rights so assigned shall be exercised by the IBank and the Trustee as provided in the Master Trust Indenture.

The IBank shall not create a pledge, lien or charge upon the Pledged Assets except, with the prior written consent of the Board, a pledge, lien or charge subject and subordinate to the pledge and lien created pursuant to the Master Trust Indenture.

The Trustee in performing any duties as provided in the Indenture and in the Master Payment and Pledge Agreement shall have the rights and immunities including, but not limited to, exculpations and indemnifications, of the Trustee as set forth in the Master Trust Indenture to the same extent and as fully for all intents and purposes as though such rights and immunities had been set forth in the Master Payment and Pledge Agreement.

Payments to Trustee

The Board shall pay to the Trustee, as assignee of the IBank, solely from available amounts derived from Pledged Assets such amounts as shall be due and payable to the Trustee for amounts payable on the Bonds and as further provided in the provisions of the Master Trust Indenture. The Board shall pay to the IBank amounts due to the IBank in accordance with a schedule attached to, which schedule may be amended as provided in, the Master Payment and Pledge Agreement.

Deposit and Transfer of Prepayments

At such time as the Board receives an initial prepayment under any Pledged Project Obligations it shall deposit such Prepayment into the Prepayment Fund.

Financial Statements; Annual Certifications

The Board covenants and agrees at all times to keep, or cause to be kept, proper books of records and accounts, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the funding of Project Obligations acquired in whole or in part with the proceeds of Bonds, and Pledged Project Obligations pledged and assigned to the IBank under the Master Payment and Pledge Agreement. Such books of record and account shall be available for inspection by the IBank or the Trustee, and the duly authorized agents of either of them, at reasonable hours and under reasonable circumstances.

The Board shall provide to the Trustee and IBank by no later than February 1 of each year with respect to the Board's prior fiscal year (which fiscal year as of the date hereof ends June 30), an annual financial statement with respect to the Board prepared in accordance with generally accepted accounting principles audited by an independent certified public accountant, covering the operations of the CWSRF for the preceding fiscal year; provided however, that if the Board's fiscal year ends on a date other than June 30, the due date for delivery of the Board's annual financial statements to the Trustee and IBank shall be no later than 215 days after the end of such fiscal year. The Trustee shall not be responsible for reviewing such financial statements.

Tax Covenants

The Board agrees to comply with each Related Tax Certificate in order that interest on the Bonds is and remains tax-exempt. The Board shall take, and shall require each Recipient to take, the actions required for the interest on Tax-Exempt Bonds to be and remain excluded from gross income of the Series 2016 Bond Owners for federal income tax purposes and shall not take, or knowingly permit any Recipient to take, any action that would cause interest on any Tax-Exempt Bonds to be included in gross income of the Related Series of Bond Owners thereof for federal income tax purposes or would cause the Related Series of Bonds to be or become "private activity bonds" within the meaning of Section 141 of the Code. The Board shall comply with all the rebate requirements imposed under Section 148(f) of the Code that are necessary to preserve the exclusion of interest on any Tax-Exempt Bonds from gross income of the Related Series of Bond Owners thereof for federal income tax purposes, including (as

applicable) the requirement to make periodic calculations of the rebate amount as provided in the Related Tax Certificate and the requirement to make all required rebate payments to the United States. The Board shall not make any investment of funds or take, or knowingly permit it or any Recipient to take, any action that would cause any Tax-Exempt Series of Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code.

Enforcement of the Pledged Project Obligations

The Board agrees to monitor each Recipient's performance under the Pledged Project Obligations and to exercise all rights and remedies under any statute, rule, or Master Payment and Pledge Agreement to ensure the timely performance by the Recipient and the timely payment of all amounts due under the Pledged Project Obligations. The Board shall promptly notify the IBank and the Trustee if and to the extent that any payments due on Pledged Project Obligations shall either be delinquent or be less than the full amounts due thereunder. The Board shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Pledged Project Obligations. In furtherance of the pledge granted by the Board of the Pledged Project Obligations, the Board agrees to provide access to the IBank and the Trustee to the Pledged Project Obligations upon reasonable notice at the office of the Board during normal business hours.

Termination of Payment and Pledge

After (a) payment in full of the principal of, premium, if any, and interest on, the Bonds, or provision for such payment, shall have been made as provided in the Master Trust Indenture, (b) payment, or provision for payment satisfactory to the Trustee and the IBank, of the fees, charges and expenses of the Trustee and the IBank in accordance with the Master Trust Indenture, and (c) payment, or provision for payment satisfactory to the affected parties, of all other amounts required to be paid under the Master Payment and Pledge Agreement and the Master Trust Indenture by the Board, the Master Payment and Pledge Agreement and the pledge and assignment of the Pledged Project Obligations contained therein shall terminate.

Events of Default

Each of the following events shall constitute and is referred to in the Master Payment and Pledge Agreement as an "Event of Default":

(i) the pledge and assignment created by the Master Payment and Pledge Agreement shall at any time and for any reason cease to be or fail to constitute a valid pledge under the Master Payment and Pledge Agreement;

(ii) the Master Payment and Pledge Agreement shall at any time after its execution and delivery and for any reason cease to be in full force and effect, or shall be declared to be null and void;

(iii) a failure by the Board to make any of the payments, to the extent that amounts are available in the Restricted Assets Fund established under the Master Trust Indenture to make such payments when due as required pursuant to the Master Payment and Pledge Agreement; or

(iv) a failure by the Board to observe and perform any covenant, condition, agreement or provision contained in the Master Payment and Pledge Agreement on the part of the Board to be observed or performed, which failure shall continue for a period of 60 days after written notice,

specifying such failure and requesting that it be remedied, shall have been given to the Board by the Trustee or the IBank.

Remedies

Upon the happening and continuance of any Event of Default, the IBank and the Trustee, as assignee, may enforce payment or other performance by the Board by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the IBank or the Trustee, respectively, shall deem effectual in support of its rights or duties under the Master Payment and Pledge Agreement, including to direct transfer of all amounts then and thereafter to be held in the Restricted Assets Fund to the Trustee to be held for the benefit of the Owners of the Bonds and applied as provided in the Master Trust Indenture and any Series Indenture. No delay or omission of the IBank or the Trustee to exercise any right or power arising from any default or acquiescence therein, and every power and remedy given by this section may be exercised from time to time and as often as shall be deemed expedient.

Expenses

The Board covenants and agrees to pay, and to indemnify the IBank and the Trustee against, all costs and charges, including reasonable fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with the Master Payment and Pledge Agreement, the Bonds and the Master Trust Indenture.

Indemnification

To the extent permitted by law, the Board releases the IBank and the Trustee from, and covenants and agrees that neither the IBank nor the Trustee shall be liable for, and covenants and agrees to indemnify and hold harmless the IBank and the Trustee and their members, past, present and future directors, officers, employees and agents and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (collectively, the "Indemnified Parties") from and against any and all judgments, losses, claims, damages, liabilities, joint or several, or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from, or in any way connected with (a) a Pledged Project Obligation, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of, a Pledged Project Obligation or any part thereof; (b) the issuance of the Bonds or any certifications or representations made in connection therewith by the Board and the carrying out of any of the transactions contemplated by the Bonds, the Master Trust Indenture or the Master Payment and Pledge Agreement; (c) the Trustee's acceptance or administration of the trusts under the Master Trust Indenture, or the exercise or performance of any of its powers or duties under the Master Trust Indenture; or (d) any untrue statement or alleged untrue statement of a material fact contained in an Official Statement (except for any information provided by the IBank or the underwriters for such Series of Bonds) or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to the information contained therein (except as aforesaid) utilized by any underwriter in connection with the sale or offering of such Series of Bonds; provided that in each case such indemnity shall not be required for damages that result from the willful misconduct or negligence on the part of the party seeking such indemnity; and, provided, further that, the Board shall not be liable to any Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any information furnished by such Indemnified Person specifically for inclusion in the Official Statement, subject to the Board's acknowledgement that none of the IBank, its officers, agents or employees has provided any information for the Official Statement except as aforesaid and none of the Treasurer, its

officers, agents or employees has provided any information for the Official Statement. The Board further covenants and agrees to pay or to reimburse Indemnified Parties for any and all costs, attorneys' fees, liabilities or expenses reasonably incurred in connection with investigating, defending or preparing to defend against or otherwise in connection with investigating, any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the willful misconduct or negligence of the party claiming such payment or reimbursement. The provisions of this section shall survive the payment and retirement of Bonds, the termination of the Master Payment and Pledge Agreement and the resignation or removal of the Trustee.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of _____, 2016 by and between the State Water Resources Control Board (the “Board”) and the Treasurer of the State of California, as dissemination agent hereunder (the “Dissemination Agent”) and as trustee (the “Trustee”) under a Master Trust Indenture dated as of November 1, 2012 (the “Master Trust Indenture”), as supplemented by the Series Indenture dated as of _____, 2016 and as may be further supplemented from time to time by series indenture or supplemental indenture in accordance with the Master Trust Indenture (the “Trust Indenture”), is executed and delivered in connection with the issuance of California Infrastructure and Economic Development Bank (the “IBank”) \$_____ principal amount Clean Water State Revolving Fund Revenue Bonds, Series 2016 (Green Bonds) (the “Bonds”).

ARTICLE I **Definitions**

Section 1.1 Definitions. Terms used and not defined herein shall have the meanings ascribed to such terms in the Trust Indenture. The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means the (i) financial information or operating data with respect to the CWSRF for each fiscal year of the Board, including (a) financial information and operating data concerning the CWSRF program of the type appearing under the caption “CASH FLOW SCHEDULE” to the Official Statement, (b) the number of Recipients under the Pledged Project Obligations, the number and outstanding aggregate principal amount of the Pledged Project Obligations, and whether there has been any change in the identity of the Significant Borrowers with respect to the Series 2016 Bonds and financial information and operating data of the type appearing in the Official Statement in APPENDIX A – “PLEDGED PROJECT OBLIGATIONS,” and (c) with respect to any future Bonds, such financial information and operating data as may be identified in the written certificate of an Authorized Board Officer evidencing the Board’s election that owners of Additional Bonds be entitled to the benefit of this Agreement; (ii) financial information with respect to each Significant Borrower as further described in this Section 1.1(13) hereof; and (iii) the information regarding amendments to this Agreement required pursuant to Sections 4.2(c) and (d) of this Agreement. Annual Financial Information shall also include Audited Financial Statements, if then available, or Unaudited Financial Statements.

The descriptions contained in clauses (i) and (ii) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the State Water Board relating to the CWSRF and any Significant Borrower, as the case may be, audited by such auditor as shall then be required or permitted by State law. In the case of the CWSRF or any Significant Borrower, Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that the State Water Board or any Significant Borrower may, from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared; provided further, however, that in the case of any Significant Borrower, Audited Financial

Statements may be prepared in accordance with such other accounting principles as shall be specified in the initial filing of Annual Financial Information of such Significant Borrower by the State Water Board or such Significant Borrower or in the initial official statement or other disclosure document of the State Water Board setting forth the financial and operating data of such Significant Borrower. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the State Water Board or any Significant Borrower, as applicable, to the MSRB.

(3) “Counsel” means Hawkins Delafield & Wood LLP or any other nationally recognized bond counsel or counsel expert in federal securities laws as they relate to municipal securities selected by the State Water Board.

(4) “Dissemination Agent” means the Trustee acting in such capacity hereunder, or any successor Dissemination Agent designated in writing by the State Water Board and which has filed with the State Water Board a written acceptance of such designation.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(7) “Notice Event” means any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Benefited Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series 2016 Bonds, if material;
- (xi) rating changes;

- (xii) bankruptcy, insolvency, receivership or similar event of the State Water Board;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State Water Board, in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the State Water Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State Water Board;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the State Water Board, or the sale of all or substantially all of the assets of the State Water Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(8) “Official Statement” means the “final official statement,” as defined in paragraph (f)(3) of the Rule, relating to a Series of Bonds.

(9) “Pledged Project Obligation” means a loan contract, an installment sales agreement, another financing agreement, or a separate agreement, if any, of a Recipient committing a Recipient to make Installment Payments, Additional Payments or other payments or to provide continuing disclosure relating to certain financial and operating data relating to its affairs which is assigned and pledged as security for the benefit of a Series of Bonds.

(10) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) “SEC” means the United States Securities and Exchange Commission.

(12) “Significant Borrower” means a Recipient under Pledged Project Obligations that have an aggregate unpaid principal amount equal to or greater than twenty percent (20%) of the aggregate unpaid principal amount of all Pledged Project Obligations.

(13) “Significant Borrower Annual Financial Information” means financial information and operating data of the type necessary, in the opinion of Counsel, to comply with the Rule (whether expressly set forth therein or incorporated by reference therein). Significant Borrower Annual Financial Information shall include Audited Financial Statements of the Significant Borrower, if then available, or Unaudited Financial Statements of the Significant Borrower.

(14) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE II **The Undertaking**

Section 2.1 Purpose. This Agreement shall constitute a written undertaking by the State Water Board for the benefit of the Owners of the Series 2016 Bonds and, to the extent that the State Water Board elects in accordance with the following sentence, other Bonds, and is being executed and delivered solely to assist the underwriters of any Bonds in complying with subsection (b)(5) of the Rule. This Agreement initially benefits only the Owners of the Series 2016 Bonds and, at the option of the State Water Board, shall benefit Owners from time to time of additional Series of Bonds hereafter issued under the Trust Indenture (the “Additional Bonds”) to the extent the Board shall deliver a written certificate of an Authorized Board Officer to the Trustee evidencing the State Water Board’s election that the Owners of such Additional Bonds are to be entitled to the benefit of this Agreement. In such event, these undertakings also shall be for the benefit of the Owners of such Additional Bonds.

Section 2.2. Appointment of Dissemination Agent. The State Water Board hereby appoints the Treasurer of the State of California, as Dissemination Agent under this Agreement.

Section 2.3 Annual Financial Information. (a) The State Water Board shall provide to the Dissemination Agent Annual Financial Information with respect to each fiscal year of the State Water Board and each Significant Borrower, by no later than February 1 of each year (the “Due Date”), with respect to the State Water Board’s prior fiscal year (which fiscal year as of the date hereof ends June 30), commencing with the fiscal year ended June 30, 2012, and to provide notices of the occurrence of certain Notice Events as hereinafter provided; provided, however, that if the State Water Board’s fiscal year ends on a date other than June 30, the Due Date shall be no later than 215 days after the end of such fiscal year. The Dissemination Agent shall disseminate the Annual Financial Information by no later than 230 days after the end of the State Water Board’s fiscal year to the MSRB. The Dissemination Agent shall have no duty or obligation to review such Annual Financial Information. If by the Due Date of each year, the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall notify the Board and the IBank of such failure to receive such information.

(b) The State Water Board shall not be required to undertake any responsibility with respect to any Annual Financial Information required by or provided pursuant to any Pledged Project Obligation, and neither the State Water Board, its directors, officers, nor employees have any responsibility or liability to any person, including any Owner of the Bonds, with respect to any such Annual Financial Information or for the performance or enforcement of any Pledged Project Obligation, except as provided in a Pledged Project Obligation or other undertaking of a Significant Borrower and except as provided in the final sentence of this Section 2.3(b). The State Water Board hereby assigns to the Trustee for the benefit of the Owners of the Bonds all of its right, title and interest in the obligations of the Significant Borrowers set forth in the Pledged Project Obligations to provide Annual Financial Information to the State Water Board or otherwise in connection with the Bonds, subject to a right of the State Water Board to independently enforce such obligations and to a right of the State Water Board to consent to an amendment of such obligations on the same basis and subject to the same conditions applicable to an amendment of this Agreement pursuant to Section 4.2 hereof. The State Water Board covenants to exercise and enforce any and all rights to the full extent permitted by law, and to fully cooperate with the Trustee in so exercising and enforcing any and all of the Trustee’s rights as assignee to obtain Annual Financial Information of any Significant Borrower under a Pledged Project Obligation, including without limitation seeking mandate or specific performance by court order to cause any Significant Borrower to provide Annual Financial Information.

(c) The State Water Board shall provide to the Dissemination Agent, in a timely manner, notice of any of its failures to provide the Annual Financial Information by the date specified in subsection (a) above which Dissemination Agent shall then provide notice to the MSRB.

Section 2.4. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 2.3(a) hereof, the State Water Board and any Significant Borrower, as applicable, shall provide to the Dissemination Agent the Audited Financial Statements, when and if available, to the MSRB.

Section 2.5. Notice Events. (a) If a Notice Event occurs, the State Water Board shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB, (ii) the Trustee and (iii) the IBank.

(b) Any notice of a defeasance of Bonds shall state whether the Series 2016 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 2.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the State Water Board or any Significant Borrower from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of a Notice Event, in addition to that which is required by this Agreement. If the State Water Board chooses to include any information in any Annual Financial Information or notice of a Notice Event in addition to that which is specifically required by this Agreement, the State Water Board shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or notice of a Notice Event.

Section 2.7. Additional Disclosure Obligations. The State Water Board acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the State Water Board and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the State Water Board under such laws.

Section 2.8. No Previous Noncompliance. The State Water Board represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III **Operating Rules**

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Sections 2.2 and 2.5 hereof if the State Water Board provides Annual Financial Information or Significant Borrower Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The State Water Board shall clearly identify each other such document so included by reference. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 2.5 hereof.

Section 3.2. Submission of Information. Annual Financial Information and Significant Borrower Annual Financial Information may each be provided in one document or multiple

documents, and at one time or in part from time to time, and may be provided by delivery of an official statement which includes such information.

Section 3.3. Notice Events. Each notice of Notice Event shall be so captioned and shall prominently state the title, date and Series of the Bonds.

Section 3.4. Transmission of Information and Notices. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 3.5. Annual Financial Information. Annual Financial Information is to be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE IV **Termination, Amendment and Enforcement**

Section 4.1 Termination. (a) The State Water Board's, the Dissemination Agent's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to Article XII of the Master Trust Indenture, prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the State Water Board (1) delivers to the Trustee and the IBank an opinion Counsel, addressed to the Trustee and the Dissemination Agent, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the Dissemination Agent for delivery the MSRB within ten (10) business days from the execution thereof.

Section 4.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the Owners of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the State Water Board or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the State Water Board shall have delivered to the Trustee and the IBank an opinion Counsel, addressed to the State Water Board and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the State Water Board shall have delivered to the Trustee and the IBank an opinion Counsel addressed to the State Water Board and the Trustee, to the effect that the amendment does not materially impair the interests of the Owners of the Bonds, or the Trustee shall have independently determined that the amendment does not materially impair such interests, or (ii) the Owners of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Trust Indenture with consent of Owners of Bonds pursuant to Section 11.02 of the Trust Indenture as in effect on the date of this Agreement, and (5) the State Water

Board shall have delivered copies of any such opinion(s) and amendment, as applicable, to the Dissemination Agent for delivery to the MSRB within ten (10) business days from the execution thereof.

(b) In addition to subsection (a) above, this Agreement may be amended and any provision of this Agreement may be waived, by written agreement of the parties, without the consent of the Owners of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the State Water Board shall have delivered to the Trustee and the IBank an opinion Counsel, addressed to the State Water Board, the Dissemination Agent and the Trustee, to the effect that performance by the State Water Board and the Trustee under this Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule, and (3) the State Water Board shall have delivered copies of such opinion and amendment to the Dissemination Agent for delivery to the MSRB within ten (10) business days from the execution thereof.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter by the State Water Board shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of such change shall be provided by the State Water Board to the Dissemination Agent for delivery to the MSRB.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the Owners from time to time of the Bonds, except that, if the Bonds are book-entry-only Bonds within the meaning of Section 2.06 of the Master Trust Indenture, beneficial owners of Bonds as shown on the records of the Securities Depository or its participants shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any person or entity. The obligation of the State Water Board to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any Owner of Outstanding Bonds, or by the Trustee on behalf of the Owners of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Owners of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. Neither the State Water Board, its directors, officers nor employees shall have any liability hereunder for any act or failure to act hereunder; the Owners' and Trustee's sole remedy with respect to enforcement of the provisions of this Agreement shall be a right, by action in mandamus or for specific performance, to compel performance of the State Water Board's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Owners of Bonds for purposes of this subsection (b).

(c) Any failure by the State Water Board to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Trust Indenture, and the rights and remedies provided by the Trust Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State of California, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the County of Sacramento, State of California; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE V **Miscellaneous**

Section 5.1. Duties, Immunities and Liabilities of Dissemination Agent and Trustee. Article X of the Master Trust Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Master Trust Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Master Trust Indenture. Without limiting the generality of the foregoing, the Trustee and the Dissemination Agent shall have only those duties hereunder which are specifically set forth in this Agreement whether or not a default has occurred hereunder. The State Water Board agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, shall be held harmless against any loss, expense or liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct in the performance of its duties hereunder, to the same extent and from the same sources as shall be available to the Dissemination Agent or the Trustee and such persons in connection with actions taken under the Trust Indenture. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The obligation of the State Water Board under this Section shall survive the termination of this Agreement, the payment of the Bonds and the resignation or removal of the Dissemination Agent or Trustee.

The Dissemination Agent or the Trustee shall have no liability, duty or obligation under this Agreement for, with respect to or arising out of: (i) the selection of Counsel or the determination whether such counsel is a recognized expert in federal securities law; (ii) the adequacy, completeness or sufficiency, for any purpose, of the Annual Financial Information; (iii) the determination of whether a Material Event has occurred or communicating to any party or persons whether a Material Event has occurred; and (iv) the providing of Annual Financial Information to any party or persons.

Section 5.2. Compensation of Dissemination Agent. The Dissemination Agent shall be paid reasonable compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent, the IBank and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the State Water Board, the Owners or any other party.

Section 5.3. Removal, Replacement or Resignation of Dissemination Agent. The State Water Board may from time to time, appoint or engage a Dissemination Agent other than the

original Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days written notice to the State Water Board, the IBank and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared hereunder. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for the failure to file any report on a timely basis where the failure to meet any deadline is caused by the failure of the State Water Board to provide information to the Dissemination Agent on a timely basis.

Section 5.4. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

STATE WATER RESOURCES CONTROL BOARD

By: _____

TREASURER OF THE STATE OF CALIFORNIA,
as Dissemination Agent and as Trustee

By: _____

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2016 Bonds, Hawkins Delafield & Wood LLP proposes to deliver its approving opinion in substantially the following form:

California Infrastructure and Economic
Development Bank
1102 Q Street, Suite 6000
Sacramento, CA 95814

Re: California Infrastructure and Economic Development Bank
Clean Water State Revolving Fund Revenue Bonds, Series 2016 (Green Bonds)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$_____ in aggregate principal amount of the California Infrastructure and Economic Development Bank Clean Water State Revolving Fund Revenue Bonds, Series 2016 (Green Bonds) (the "Series 2016 Bonds"). The Series 2016 Bonds are issued under the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at Section 63000 thereof) (the "Act"), and pursuant to a Master Trust Indenture, dated as of November 1, 2012, by and between the California Infrastructure and Economic Development Bank (the "IBank") and the Treasurer of the State of California, as Trustee (the "Trustee") (the "Master Trust Indenture") and a Series 2016 Indenture, dated as of _____, 2016, by and between the IBank and the Trustee (the "Series Indenture" and, together with the Master Trust Indenture, the "Indenture"). The payment of principal, premium, if any, and interest on the Series 2016 Bonds are secured by payments made under the Master Payment and Pledge Agreement, dated as of November 1, 2012, by and between the State Water Resources Control Board (the "State Water Board") and the IBank (the "Master Payment and Pledge Agreement"). All terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture.

The Series 2016 Bonds are dated, mature on the dates in the principal amounts and bear interest, all as provided in the Indenture.

On the basis of the foregoing examination, we are of the opinion that:

- (i) The IBank is a public instrumentality and political subdivision of the State of California, duly organized and validly existing pursuant to the Act.
- (ii) The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the parties thereto.
- (iii) The Master Payment and Pledge Agreement has been duly authorized, executed and delivered by the IBank, is a valid and binding agreement of the IBank and, assuming due authorization, execution and delivery by the State Water Board, is enforceable against the IBank in accordance with its terms.
- (iv) The Series 2016 Bonds are valid and legally binding obligations of the IBank, secured by the Indenture to the extent provided therein, and are payable as to principal, premium, if any, and interest on a parity with all Bonds heretofore or hereafter issued under the Indenture from, and are secured equally and ratably with said Bonds by a valid lien on and pledge of, the Pledged Project Obligations and the payments by the Recipients of amounts due on the Pledged Project

Obligations (except for State Water Board Reserved Rights and IBank Reserved Rights, as provided in the Master Payment and Pledge Agreement) pursuant to the Master Payment and Pledge Agreement and other moneys controlled by the Trustee under the Indenture and pledged and available therefor under the terms of the Indenture, all in the manner provided in the Indenture. The Series 2016 Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Act and the Indenture. All conditions precedent to the delivery of the Series 2016 Bonds have been fulfilled.

(v) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Series 2016 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

(vi) Under existing statutes, interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of California.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds in order that, for Federal income tax purposes, interest on the Series 2016 Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2016 Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2016 Bonds, the IBank and the State Water Board will execute a Tax Regulatory Agreement (the “Tax Regulatory Agreement”) containing provisions and procedures pursuant to which such requirements can be satisfied. In the Tax Regulatory Agreement, the IBank and the State Water Board covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2016 Bonds will, for the purpose of Federal income taxation, be excluded from gross income.

In rendering the opinion in paragraph (v) hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Series 2016 Bonds, and (ii) compliance by the IBank, the State Water Board and the Recipients with the procedures and covenants set forth in the Tax Regulatory Agreement and other documents as to such tax matters.

Except as stated in paragraphs (v) and (vi) above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Series 2016 Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Series 2016 Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Master Trust Indenture, and the Master Payment and Pledge Agreement may be limited by bankruptcy,

moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

APPENDIX F BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX F CONCERNING DTC (DEFINED HEREIN) AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE INFRASTRUCTURE BANK AND THE STATE WATER BOARD BELIEVE TO BE RELIABLE, BUT NEITHER THE INFRASTRUCTURE BANK NOR THE STATE WATER BOARD TAKES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT DTC WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company "DTC", New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may

be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2016 Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds of a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the IBank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and redemption proceeds on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the IBank or the trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the IBank or the State Water Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest and redemption proceeds on each Series 2016 Bond to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the IBank or the trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered. The IBank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered. To DTC and the requirements of the Indenture with respect to certificated Series 2016 Bonds will apply.

THE IBANK AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2016 BONDS (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE

SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE IBANK NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.

APPENDIX G
LETTERS SUBMITTED BY UNDERWRITERS

Morgan Stanley

February 11, 2016

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, CA 95814

RE: California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2016 (Green Bonds)

Dear Mr. Fowler:

Morgan Stanley & Co. LLC is providing the following language for inclusion in the Official Statement.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Morgan Stanley & Co. LLC

cc: Teveia R. Barnes, Executive Director
California Infrastructure and Economic Development Bank

APPENDIX H

SERIES 2016 (GREEN BONDS) PROJECT DESCRIPTIONS

Project Number	Party	CWSRF Financing Amount ¹	Project Description	Anticipated Amount to be Reimbursed from Series 2016 Bonds	Anticipated Future Disbursements from Series 2016 Bonds	Anticipated Percentage of Series 2016 Bonds Disbursed at Closing	Construction Completion Date
4806-110	Victor Valley Wastewater Reclamation Authority	\$27,072,759.00	The Project will address wastewater flow and water supply issues by strategically locating a subregional wastewater reclamation plant in the sewer shed. This will reduce the load on the Authority's collection system by diverting wastewater, a valuable commodity, to a recycled wastewater scalping plant and reduce recycled wastewater pumping costs. The scope of work includes repurposing 10,600 feet of existing sewer main into a reuse pipeline, construction of 4,600 feet of new reuse main, construction of percolation basins for groundwater recharge, and 9,700 feet of sewer main to convey waste activated sludge from the new plant to an existing sewer interceptor that runs to the Authority's regional treatment plant for further processing.	\$2,582,617.00	\$11,657,928.49	18%	6/30/2017
4807-110	Victor Valley Wastewater Reclamation Authority	\$40,549,955.00	The Project will address wastewater flow and water supply issues by strategically locating a subregional wastewater reclamation plant in the sewer shed. This will reduce the load on the Authority's collection system by diverting wastewater, a valuable commodity, to a recycled wastewater scalping plant and reduce recycled wastewater pumping costs. The scope of work includes 730 feet of gravity sewer line, a new lift station, and 2,265 feet of force main to convey wastewater from the existing collection system to the new scalping plant, 3,000 feet of force main from the plant to an existing interceptor to convey waste activated back to the Authority's regional treatment plant for further processing, and percolation basins for groundwater recharge.	\$10,796,017.00	\$12,754,029.76	46%	6/30/2017
5069-110	San Diego, City of	\$7,553,500.00	The Project will add two new chemical storage silos identical to its existing eight storage silos at its Metropolitan Biosolids Center. Each silo has a capacity of approximately 7,000 cubic feet. The new silos will provide additional storage capacity to accommodate projected increased loadings and to facilitate major rehabilitation of the existing silos.	\$6,415,764.00	\$1,137,736.00	85%	4/30/2015

Project Number	Party	CWSRF Financing Amount ¹	Project Description	Anticipated Amount to be Reimbursed from Series 2016 Bonds	Anticipated Future Disbursements from Series 2016 Bonds	Anticipated Percentage of Series 2016 Bonds Disbursed at Closing	Construction Completion Date
5175-210	Modesto, City of	\$128,161,776.00 ²	This is the second phase of a five phase Project to construct a 27.5 million gallon per day (mgd) tertiary wastewater treatment system. The second phase will bring the tertiary treatment capacity to 12.6 mgd. The Project consists of three aeration basins, six membrane bioreactors, ultraviolet disinfection systems, pump stations, structures, and auxiliary equipment. Completion of the Project will allow the City to discharge tertiary treated effluent to the San Joaquin River year round.	\$3,189,762.03	\$9,647,922.00	25%	12/1/2015
5223-110	Union Sanitary District	\$12,200,000.00	The piping and related electrical and control equipment in the District's Thickener Control Building has reached the end of its useful life. The District will replace the outdated systems and equipment as part of the Project. The District will also make other changes to improve the reliability of the gravity sludge thickening process, and add additional metering equipment and pipelines to facilitate automated, precise, and reliable control of the thickened sludge feed rate and density to each digester. The greater reliability and control will increase the District's sludge handling and digestion efficiency, thereby improving the efficiency and reliability of the entire treatment plant.	\$2,268,454.00	\$2,202,880.31	51%	9/27/2016
5295-110	Hi-Desert Water District	\$142,349,314.00	The purpose of the project is to move the Town of Yucca Valley from its current wastewater discharge method, individual septic tanks, to a community sewer collection and treatment system. The facilities will be constructed in three phases. Phase 1 of the District's Project will include installation of approximately 77 miles of sewer pipeline in the central portion of the Town, a wastewater treatment facility (WWTF), and water reclamation (groundwater) recharge ponds. The WWTF system will convey an annual average flow of one million gallons per day (mgd) of wastewater to the proposed WWTF. This first phase of the project will provide the core infrastructure for expansion of the collection, treatment, and disposal system needed for Phases 2 and 3.	\$0.00	\$12,560,419.11	0%	6/30/2019
5402-110	Hillsborough, Town of	\$12,000,000.00	The Project includes upsizing approximately 10,000 feet of existing trunk sewer on Crystal Springs Road and El Cerrito Ave. Increasing the size of the trunk sewer will eliminate sewage overflows in this area.	\$1,701,065.00	\$4,252,955.79	29%	6/15/2016

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7215-110	Visalia, City of	\$117,490,000.00	Water demands in the area have increased and resulted in significant overdraft of the groundwater table. The objective of the Project is to upgrade the Visalia wastewater treatment plant to produce recycled water that will lessen current groundwater demands. To mitigate the project's increased power consumption, a 1 MW solar photovoltaic facility will be installed onsite. Additional work and associated support facilities will also be completed as part of the Project to ensure that the City can reliably meet its overall wastewater recycling objective.	\$0.00	\$29,283,843.57	0%	9/30/2016
7613-110	Fallbrook Public Utilities District	\$28,723,000.00	The Project includes rehabilitation of the District's facilities to ensure that it can reliably meet its wastewater discharge requirements. This includes rehabilitating the equalization basin, the operations center (lab, bathrooms, and work areas), and the reclamation facilities (flocculation and filtration); repurposing a primary clarifier and an existing emergency storage holding tank; and construction of an additional secondary clarifier.	\$2,161,183.00	\$2,390,447.94	47%	3/31/2016
7617-110	San Diego, City of	\$12,425,000.00	The Project will replace six of the eight existing sludge centrifuges. The new centrifuge units, each with a processing capacity of 400 gallons per minute, have approximately twice the capacity of the existing units, and are more energy efficient. Operation of the new units requires the same power as that of the existing units.	\$3,597,370.00	\$8,827,630.00	29%	8/11/2017
7694-110	Los Angeles County Sanitation District No. 2	\$41,510,796.00	The Long Beach Main Pumping Plant was constructed in 1947, and has been modified several times since then. The facility is near the end of its useful life. USEPA issued a compliance order in September 2003, requiring the District to reduce sanitary sewer overflows, and the District's Project is needed to bring it into compliance. The proposed Project involves building a new pumping plant on adjacent land and rehabilitating a 54 inch concrete force main. The new pumping plant will include a 78 inch inlet and cross connections between two existing inlets, a wet well, dry well, two buildings, headers, six pumps, and an emergency generator.	\$3,866,448.00	\$8,419,962.93	31%	7/31/2016
7834-110	Corona, City of	\$14,997,145.00	The City is required to come into compliance with a Regional Water Board enforcement order. The Project will improve overall treatment efficiency by improving the headwork's screening process and adding tertiary treatment of wastewater to the facility. The Project will include construction of on-site piping, site grading, storm drain improvements, reinforced concrete structures, pumping equipment, flow meters, manual and motor-operated valves,	\$7,866,290.00	\$2,343,781.55	77%	5/31/2016

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			above-ground piping, chemical storage and pumping equipment, electrical equipment, and controls.				
7845-110	Western Municipal Water District	\$24,000,000.00	The Project will expand the desalter program to increase the flow rate to 40,000 acre-feet per year. The Project is expected to achieve hydraulic control to help reduce salt loading to the upper Santa Ana River from the Chino Groundwater Basin. Phase 3 includes expansion of desalter capacity, construction and operation of new groundwater wells, and new pipelines to convey water both to and from the desalters.	\$275,110.00	\$4,417,770.20	6%	7/31/2018
7847-110	Vista, City of	\$21,991,869.00	The Project will upgrade the Vista/Carlsbad Sewer Interceptor System, jointly owned by the cities of Vista and Carlsbad. The affected segments are part of a regional sewage collection system located in North San Diego County. The Project includes replacing a bridge to support a 54-inch replacement sewer pipe, replacing a sewer lift station and 30 inch force main, and installing a new 54 inch gravity sewer. The improvements are necessary because the existing sewer line and lift station are under-sized, outdated, and nearing the end of their useful lives. The current infrastructure also has insufficient capacity for future wastewater flows.	\$0.00	\$5,917,158.23	0%	6/30/2017
7857-110	Santa Barbara, City of	\$20,000,000.00	The Project will upgrade the aeration and secondary clarification systems at the City's El Estero Wastewater Treatment Plant.	\$0.00	\$6,841,714.36	0%	6/1/2017
7871-110	Galt, City of	\$26,369,200.00	The objective of the Project is to expand and improve the existing oxidation ditch system and construction of a new (third) secondary clarifier.	\$4,103,335.00	\$5,157,497.17	44%	6/30/2016
7873-110	Woodland-Davis Clean Water Agency	\$95,461,000.00	The Cities of Woodland and Davis are subject to Cease and Desist Orders and Time Schedule Orders from the Regional Water Board to bring their respective wastewater treatment plants into compliance with selenium discharge limits. Replacing the current groundwater source with water from the Sacramento River will allow both cities to meet their permit limits. The Project involves construction of an intake on the Sacramento River, a new regional water treatment facility, pipelines from the intake to the treatment facility, and pipelines to the cities' distribution systems.	\$49,340,099.00	\$11,171,593.48	82%	9/30/2016

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7876-130	West County Wastewater District	\$10,829,156.00	The objective of the District's Project is to rehabilitate aging facilities to avoid equipment failure, eliminate unsafe working conditions, and avoid wastewater discharge permit violations. The scope of work includes replacing the 12 kV main switchgear and seven motor control centers, performing seismic retrofits of various buildings and process structures, rehabilitating and replacing various components at the plant including the chlorine contact tank, the effluent flow meter, and the effluent chlorine analyzers, and rehabilitating or replacing the primary clarifier sludge collector drives and associated components.	\$298,686.00	\$4,001,979.30	7%	6/30/2017
7885-110	Inland Empire Utilities Agency	\$17,100,000.00 ²	The Project will construct a one-story, approximately 16,000 square-foot regional laboratory at the Agency's Regional Water Recycling Plant No. 5 in Chino, California. The building will also include office spaces, a visitor's center, and rooms for electrical, mechanical, telecommunication equipment, and storage. The Project replaces the Agency's outdated 2,200 square-foot laboratory facility, which will be renovated for use by plant operations staff.	\$0.00	\$6,497,534.67	0%	6/29/2017
7893-110	Fresno, City of	\$33,138,638.00	The Project will increase tertiary treatment and ultraviolet disinfection capacity to 5 million gallons per day, and add a solar photovoltaic facility to provide electricity at the wastewater treatment plant.	\$9,112,366.00	\$9,871,617.87	48%	7/12/2016
7894-110	Western Riverside County Regional Wastewater Authority	\$72,620,000.00 ²	The Authority's wastewater plant has a tertiary treatment capacity of 8 million gallons per day (mgd). Due to high demand, the plant will be expanded from 8 mgd to 13.50 mgd. The upgrades will include improvements to the headworks, equalization tanks, biological treatment, tertiary treatment and solids handling processes.	\$15,733,143.00	\$17,568,389.08	47%	6/30/2017
7899-110	Carlsbad Municipal Water District	\$29,500,000.00	The Project will expand the District's recycled water system to the north area of Carlsbad and the neighboring water service areas. The project expands the wastewater recycling capacity from 4 million gallons per day to 6 million gallons per day, installs 85,000 feet of pipe, and relocates or constructs new recycled wastewater storage capacity.	\$223,155.00	\$7,772,730.78	3%	6/30/2017
8001-120	Dixon, City of	\$28,500,000.00	The Project will upgrade and replace aged facilities with more reliable and efficient wastewater treatment systems. The current pond treatment method will be replaced with an activated sludge process, including construction of a new influent pump station and a new headworks with mechanical screening and flow measurement. Piping and pumping upgrades, an equalization basin, and disposal area will also be constructed as part of the proposed project.	\$6,137,345.00	\$6,277,315.23	49%	12/1/2016

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8002-110	Woodland, City of	\$21,397,336.00 ²	The City will complete various improvements to improve energy use and plant performance. The Project will convert the existing oxidation ditch system to a nitrifying and denitrifying bioreactor. The improvements are expected to reduce power usage by 30 percent, increase process capacity, and reduce operations costs. An alkalinity feed facility and a new blower building will also be constructed.	\$9,141,240.00	\$3,094,320.46	75%	8/4/2016
8010-110	Davis, City of	\$81,057,000.00	The City will replace the existing ponds and overland flow fields with a conventional activated sludge process with tertiary treatment. The Project will also upgrade ancillary facilities such as electrical, maintenance, disinfection, and solids handling.	\$14,432,304.00	\$32,156,569.05	31%	10/1/2018
8019-110	Davis, City of	\$35,500,000.00	The City's Project is a critical part of the Woodland-Davis Clean Water Agency's Water Supply Project (7873-110) to replace groundwater with surface water from the Sacramento River. The Project will tie the new water system to the existing distribution pipelines within the City. Changing the drinking water source from groundwater to surface water will help the City meet its wastewater discharge requirements.	\$0.00	\$4,657,587.04	0%	6/30/2018
8024-110	Pleasanton, City of	\$11,317,177.00	The City's Project includes a recycled water distribution system with 13 miles of new pipelines in existing developed areas, as well as adding treatment capacity at the Dublin-San Ramon Services District wastewater treatment facility. The Project is estimated to replace 1,303 acre-feet per year of potable water demand with recycled water.	\$0.00	\$5,205,293.03	0%	10/31/2016
8025-110	Sacramento Regional County Sanitation District	\$43,949,856.00	The Project is the first phase of the District's EchoWater Project. The EchoWater Project will upgrade the Sacramento Regional Wastewater Treatment Plant to comply with the NPDES permit requirement to remove ammonia from its discharge to protect the Sacramento-San Joaquin Delta downstream. The plant is the largest wastewater discharger to the Delta, and the Delta is a significant source of California's water and an critical ecosystem. The Project will also substantially increase water recycling opportunities for agricultural and landscape irrigation and industrial process water by producing highly treated water that meets wastewater reuse standards. Use of recycled water helps preserve scarce water supplies, especially during drought conditions. The Project scope includes temporary and permanent infrastructure, demolition of existing buildings and infrastructure, and construction of new facilities to support construction activities associated with the Project.	\$0.00	\$29,144,211.03	0%	9/15/2016

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8025-120	Sacramento Regional County Sanitation District	\$138,672,372.00	The Project is the second phase of the District's EchoWater Project. The scope of this phase includes deepening and lining of the emergency storage basins (ESB). The ESB currently store partially or fully treated wastewater under a variety of circumstances. The proposed improvements and modifications to the ESB will ensure continued operational flexibility and permit compliance.	\$0.00	\$36,621,606.60	0%	4/13/2018
8025-130	Sacramento Regional County Sanitation District	\$11,381,965.00	The Project is the third phase of the District's EchoWater Project. This phase of the Project will expand the existing 12 kV electrical switchgear to include new sections with circuit breakers to feed power to the EchoWater Project. The existing transformer has adequate capacity, but new switchgear will be installed into the existing substation in space that was prepared as part of the original substation expansion in the late 1990s.	\$0.00	\$9,682,708.36	0%	7/5/2016
8025-140	Sacramento Regional County Sanitation District	\$30,746,434.00	The Project is the fourth phase of the District's EchoWater Project. This phase will improve the disinfection facilities at the plant to meet stricter discharge limits. The District is converting the existing chlorine gas system to a liquid system, and will upgrade the disinfection contact basin as part of its tertiary treatment efforts.	\$0.00	\$16,653,671.46	0%	9/22/2016
8034-110	Mckinleyville Community Services District	\$19,598,527.00	The District will improve its wastewater treatment facility to ensure reliable operation through the year 2030. The major improvements include a new headworks facility, aeration basins, a blower/electrical/maintenance building, two new secondary clarifiers, including return activated sludge/waste activated sludge pumping, and a biosolids storage basin.	\$0.00	\$4,067,136.89	0%	9/8/2017
8043-110	West County Wastewater District	\$21,100,763.00	The Project will improve the District's secondary treatment process to increase the reliability of its recycled wastewater deliveries.	\$0.00	\$5,361,116.38	0%	5/21/2017
8061-110	Fresno, City of	\$52,475,049.00	The Project includes construction of a pipeline and booster pump station to convey tertiary treated recycled wastewater from the City's treatment plant to landscape irrigation sites in the City's Southwest Quadrant.	\$0.00	\$9,139,188.85	0%	5/30/2017
Total Grand Total				\$153,241,753	\$346,758,247		
					\$500,000,000		

¹The CWSRF financing amount includes anticipated Series 2016 Bond proceeds and CWSRF equity funds.

²Loan Amount includes Principal Forgiveness (PF). PF will not be reimbursed/dispursed with Series 2016 Bond proceeds.