

**FITCH AFFIRMS CALIFORNIA INFRASTRUCTURE &  
ECONOMIC DEVELOPMENT BANK'S CLEAN WATER BONDS, SER 2002  
AT 'AAA'**

Fitch Ratings-Chicago-22 September 2009: In the course of routine surveillance, Fitch Ratings affirms the 'AAA' rating on the State Water Resources Control Board's (SWRCB) \$187 million in outstanding California Infrastructure and Economic Development Bank, clean water state revolving fund revenue bonds, series 2002. The Rating Outlook is Stable.

The 'AAA' rating on SWRCB's clean water state revolving fund (CWSRF) program reflects significant coverage of 6.6 times (x) debt service from loan repayments - the primary security source - as well as pledged reserves which would allow the bonds to perform, even given loan defaults of up to 86.5% during the next four years. This default tolerance is well in excess of what Fitch would expect in an 'AAA' stress scenario for a pool of this size and credit quality.

The series 2002 bonds, which were structured using excess cash flow as the form of credit enhancement, have been the only bonds issued under the program. However future series of bonds may be enhanced using either excess cash flow or reserve funds, per each series bond indenture. The SWRCB anticipates issuing additional CWSRF bonds in 2011.

The pledged loan pool consists of 46 borrowers, representing \$453.8 million in total outstanding loan principal. The City and County of San Francisco is the largest borrower, comprising 16.6% of pledged loan principal. The 10 largest borrowers account for 62.8% of the total pledged par outstanding. Fitch has public ratings on 12 of the pool's borrowers, representing approximately 31% of total pledged par; all these ratings are 'A' or higher. Approximately 94% of pledged loan par are secured by wastewater revenues. To date, there have been no delinquencies or defaults on any of the pledged loans.

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