CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis
Exempt Facility Project Pool
July 19, 2006 Allocation

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local governmental agencies to finance primarily solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low cost financing in the form of an interest rate lower than that of a conventional loan. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve in meeting their mandated requirements to protect and enhance the environment. Exempt facility projects also benefit the communities by creating new jobs. Under the leadership of State Treasurer Philip Angelides, the Committee has redirected the award of allocation to smaller companies in order to assist their communities in meeting their environmental mandates.

The California Debt Limit Allocation Committee ("Committee") is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2006, California's State ceiling is $2.891 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools", including the Exempt Facility Project Pool. For calendar year 2006, the Committee reserved $421 million, or 14.5%, of the State ceiling for the Exempt Facility Project Pool. The $421 million of bond authority will be allocated in five allocation meetings during calendar year 2006. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business[1] under Regulatory Mandate[2], 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

The Committee awarded a total of $102,400,000 for exempt facilities on July 19, 2006. This represents 24% of the $421 million Exempt Facility Project Pool and 3.5% of the 2006 $2.891 billion State ceiling. The entire July 19, 2006 allocation was awarded to two issuers, the California Pollution Control Financing Authority and the California Statewide Communities Development Authority for two exempt facility projects located in California. One of the projects is a First Tier Project under Regulatory Mandate and the second is a First Tier Project not under Regulatory Mandate. The projects are solid waste disposal and/or recycling facilities, which includes the construction of new facilities or the expansion of existing facilities, and the purchase of more efficient and cleaner fuel burning equipment. In addition, two projects are expected to create over 30 full time jobs as a result of these allocations.

July 19, 2006 Allocation Benefit of Exempt Facility Program

Allocation Amount Round 3	First Tier Project Under Regulatory Mandate	First Tier Project Not Under Regulatory Mandate	Total Exempt Facility Projects
$102,400,000	1	1	2

[1] "First Tier Business" means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (CPCFA) (Title 4, California Code of Regulations, Sections 8001-8083).

[2] "Regulatory Mandate" means a local, state or federal government mandate such as the California Public Resources Code, Section 40000 et seq. ("AB 939"), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.

July 19, 2006 Allocation
Public Benefit Analysis

First Tier ProjecsUnder Regulatory Mandate	Allocation Amount	Description of Project and Benefits
Arakelian Enterprises, Inc., dba Athens Services, Inc.	$22,400,000	According to the application, Arakelian Enterprises, Inc. dba Athens Services, Inc. has provided solid waste collection and disposal services in portions of Los Angeles and Riverside Counties for more than 47 years. Specifically, the company provides residential and commercial solid waste, collection, hauling and disposal services to 16 communities in the San Gabriel Valley pursuant to long-term exclusive franchise agreements and to approximately 15 additional communities pursuant to non-exclusive contracts, licenses or permits. The local governmental entities served by the Borrower pursuant to franchise agreements are the Cities of Azusa, Covina, Glendora, Montebello, Monterey Park, San Gabriel, San Marino, South El Monte, South Pasadena, Temple City, West Hollywood, Monrovia, Sierra Madre, Irwindale and West Covina in Los Angeles County and the City of Riverside in Riverside County. Pursuant to the many waste hauling and processing arrangements referred to above, the company proposes to finance a combination of ongoing and current capital requirements. The capital needs anticipated can best be described as continuing capital costs for equipment replacement and additions to companywide operations such as trucks and containers as well as long term capital investment such as the expansion and improvement of its material recovery facility (MRF) and various corporate yard locations. The company's MRF will be expanded to create operating efficiencies and improve throughput and material recovery necessitating an additional 100,000 square foot building expansion, various processing equipment, paving, fencing, and customary site improvements. In the process, the company's current maintenance facility will be consumed by the MRF expansion and must be relocated on nearby parcels. Also, the company anticipates having to implement traffic mitigation measures in the project vicinity as a condition of its permit. The recycling of commodities and green waste will be enhanced through the implementation of the project. The equipment obtained through this financing is designed to provide for the diversion of approximately 150,000 additional tons per year of recyclable material. The proposed Project will create approximately 15 full-time jobs. The Project Sponsor has certified that the proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB939.

July 19, 2006 Allocation
Public Benefit Analysis

First Tier Project Not Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
EnerTech Environmental California, LLC	$80,000,000	According to the application, the proposed Project involves the construction of a facility on approximately 6.2 acres adjacent to the City of Rialto's Waste Water Treatment Plant that will process municipal sewage sludge ("biosolids") generated by the City of Rialto Waste Water Treatment Plant and municipalities of the southern California region into a high-grade fuel known as renewable E-fuel. The Project will include three structures which would include the main process structure which would house most of the process equipment including pumps, heat exchangers, centrifuges, and process heater. The second structure would be the location of the administration building and laboratory. The third structure would be a maintenance building for the facility. This facility will provide a long-term solution to the problems of biosolids waste disposal encountered by municipalities in the southern California region while simultaneously creating a renewable energy source that serves as a replacement for fossil fuel. The proposed Project will have a design capacity to process approximately 625 wet tons per day of biosolids (on approximately 25% solids content) and will produce approximately 100 tons per day of renewable E-fuel pellets. This renewable E-fuel would be transported and utilized off-site to various cement kiln operators or other industrial users in the area. E-fuel is a renewable fuel and would partially replace fossil fuels currently being used at these plants. The Project Sponsor is contracting with HDR Design Build, Inc. to design and construct the biosolids facility that will use the Project Sponsor's patented SlurryCarb Process to convert waste to energy. Similarly, the Project Sponsor has entered into an operations and maintenance agreement with North American Energy Services (NAES) to assist the Project Sponsor regarding the operations of the regional facility pursuant to a long-term contract with the Project Sponsor. The Project Sponsor will oversee the daily operations of NAES, and the Project Sponsor will have ultimate responsibility and obligation to ensure that the proposed Project meets all operating requirements and complies in all material respects with the terms of the bond financing. All permits, contracts, leases, etc. will be in the name of the Project Sponsor and not in the name of the operator.