

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 6, 2007
Executive Summary
REQUEST FOR INITIAL and FINAL RESOLUTION APPROVAL
and ASSISTANCE FROM THE SMALL BUSINESS ASSISTANCE FUND**

Prepared by: Doreen Carle

| | | | |
|-------------------|--|--------------------------|-------------|
| Applicant: | Tri-City Economic Development Corporation, doing business as Tri-CED Community Recycling | Amount Requested: | \$5,595,937 |
| Location: | Union City and Hayward (Alameda County) CA | Application No.: | 793(SB) |
| | | IR No.: | 07-01 |
| | | FR No.: | 463 |

Type of Business: Tri-City Economic Development Corporation, doing business as Tri-CED Community Recycling (the “Company”), is a tax-exempt, nonprofit corporation that provides community recycling, education, job training and economic development.

Project Description: The Company recently renewed its contract to provide recycling services for the City of Hayward; it intends to use note proceeds to pay for qualified costs to make improvements to its current facility and to purchase new equipment and vehicles to fulfill the commitment under the renewed contract. The proceeds also will be used to pay certain costs of issuance and capitalized interest. The improvements and purchases will assist the Company to expand its facility’s capacity to better service the community it serves. The proposed Project includes the acquisition of ten Compressed Natural Gas (CNG) residential recycling trucks, the acquisition and installation of a Model 2R200 Excel Baler, and the acquisition of 30,150 curbside collection totes.

The Company also proposes the acquisition and installation of a facility surveillance system, the purchase of five computer workstations to replace outdated computers, and an upgrade to the restroom facilities within the Intermediate Processing Center. The Authority received letters in support of the Project from Assemblymembers Mary Hayashi and Alberto O. Torrico and Senator Ellen M. Corbett (see Attachments A, B and C).

Public Benefits: The Company represents that the Project is designed to generate the following public benefits:

Waste Diversion. Conversion to a single stream collection system implemented with the acquisition of new vehicles and equipment will increase the annual volume of waste diversion as follows:

- 22,958 tons of additional recycled materials will be diverted.
- 17,790 gallons of additional motor oil will be recycled.
- 3,340 additional oil filters will be recycled.

Pollution Control: The Company represents that the Project is designed to provide the environmental benefits described below.

Air Quality. The new low-emission, California Air Resources Board (CARB) compliant diesel trucks will emit less particulate matter, which will in turn reduce the amount of air pollution created by the vehicles.

Energy Efficiency. The improved fuel efficiency of the new trucks will result in less fuel consumed and lower pollutants emitted.

SBAF Assistance: The Company is a small business eligible for Small Business Assistance Fund (SBAF) assistance in an amount not to exceed \$219,535.

Permits & Environmental Approvals: The Company has provided copies of the municipal and environmental permits required to operate a recycling facility at this site.

Financing Details: This proposed financing is a private placement with a Qualified Institutional Buyer (QIBs as defined in SEC Rule 144 under the Securities Act of 1933) in which the State Treasurer, acting on behalf of the Authority, will sell the Authority's promissory note (the "Authority Note") directly (instead of through an underwriter) to Fremont Bank (the "Bank" and the "Lender"), as the purchaser of the Authority Note and the initial holder and owner of the Authority Note. Proceeds of the Authority Note will then be loaned by the Authority to Tri-City Economic Development Corporation (the "Borrower"). The Borrower's obligation to repay this loan will be evidenced by the Borrower's promissory note (the "Borrower's Promissory Note"). The Authority's obligation to repay the Authority Note will be a special, limited obligation of the Authority, payable from payments to be made by the Borrower under the Borrower Note.

Simultaneously with the closing of this financing, the Lender will execute an Investor Letter of Representation in which it will acknowledge, among other matters, that it has sufficient knowledge and expertise in financial and business matters to evaluate the risks and merits of the investment in the Authority Note and that it otherwise understands the nature of this financing. Future transfers of the Authority Note by the Lender would be limited to wholly-owned affiliates of the Lender or other QIBs, each of which would also be required to execute and deliver to the Authority a similar Investor Letter of Representation prior to any transfer of the Authority Note. The Note will also incorporate the Authority's bond issuance guidelines and marketing restrictions for the lowest possible investment grade rated transaction (see the attached term sheet).

Since the Lender (1) is a sophisticated investor; (2) is purchasing the Authority Note for investment for its own account and not with present plans to resell or distribute the Note; and (3) has directly negotiated the terms for its purchase of the Authority Note with the Borrower, the Lender is not requiring that the Authority Note have credit support (e.g., a letter of credit or note insurance). Consequently, no rating from a rating agency can be obtained since the Borrower is not rated by the rating agencies.

The main difference between this financing structure and the private placement structures used by the Authority in the past is that there is no independent, third party trustee to enforce remedies. Note proceeds to be used to finance the Project will be deposited with the Bank, in its capacity as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement among the Authority, the Borrower, the Bank and the Escrow Agent. The Escrow Agent will be required to hold these proceeds in trust and not disburse these proceeds until moneys have been requisitioned by the Borrower, as approved by the Bank. One role played by an independent, third party trustee is to enforce remedies on behalf of bondholders; but in this financing, the Bank, as holder and owner of the Authority Note, will be entitled to enforce its own remedies (subject to the Authority maintaining certain of its own rights to enforce, including its rights to be paid expenses and to receive indemnification).

Authority staff and counsel to the Authority will be reviewing the various documents for this financing to confirm that they contain the standard, material provisions contained in the Authority's model bond documents used in its small business financings (which were developed and approved

by Authority staff, several bond counsel and the Attorney General's Office) and that they comply with the Authority's bond issuance guidelines for debt rated a minimum of BBB--/BBB-/Baa3 (even though the Authority Note will be unrated). Bond counsel and counsel to the Authority on this transaction will deliver their standard opinions in connection with the closing of this financing.

Financing Team:

Bond Counsel: Kutak Rock LLP
Private Placement Bond Purchaser: Fremont Bank
Financial Advisors: Devine and Gong, Inc.
Kensington Capital Advisors
Issuer's Counsel: Law Office of Leslie M. Lava

Legal Questionnaire: Staff has reviewed the Company's responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Staff Recommendation: Staff recommends approval of Initial Resolution No. 07-01 and Final Resolution No. 463 in an amount not to exceed \$5,595,937 and a SBAF Resolution for an amount not to exceed \$219,535 for Tri-City Economic Development Corporation, doing business as Tri-CED Community Recycling.

**TRI-City Economic Development
Corporation, doing business as Tri-CED
Community Recycling**
Bond Amount: \$5,595,937
Union City and Hayward (Alameda County)
Application No.793 (SB)
February 6, 2007

STAFF SUMMARY - CPCFA
Prepared by: *Doreen Carle*

ISSUE:

TRI-City Economic Development Corporation, doing business as Tri-CED Community Recycling, requests approval of Initial Resolution No. 07-01 and Final Resolution No. 463 in an amount not to exceed \$5,595,937 in tax-exempt funds to finance improvements to its current facility, to purchase new equipment and vehicles, to pay certain capitalized interest and to pay certain costs of issuance.

CDLAC Allocation. The Company is a nonprofit 501(c)(3) corporation, and therefore CDLAC allocation is not required in order to issue tax-exempt notes.

SBAF. The Company is a small business eligible for SBAF assistance in an amount not to exceed \$219,535.

BORROWER:

The Company, a small business that employs 68 individuals, is a nonprofit 501(c)(3) corporation with no stockholders. It was organized in California on January 3, 1980, for the purpose of collecting curbside wastes in the cities of Union City and Hayward. Its business activities include recycling and recycling collection, community education regarding recycling, and economic development.

The Company's key officials are listed below:

Frank Roesch, Board Chair
Richard Valle, President and CEO
Michael Mahoney, Secretary/Treasurer

Legal Questionnaire. Staff has reviewed the Company's responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Financing. The Company's prior CPCFA financings are shown on the following page. All the required principal and interest payments on these financings have been made in a timely manner.

| <u>ISSUE</u> | <u>ISSUE DATE</u> | <u>AMOUNT ISSUED</u> | <u>BONDS CURRENTLY HELD BY INVESTORS</u> |
|---|-------------------|----------------------|--|
| Tri-CED Community Recycling | 04/01/98 | \$ 2,455,000 | \$ 0 |
| Tri-City Economic Development Corporation | 10/18/05 | <u>6,065,000</u> | <u>5,413,725</u> |
| | TOTAL | \$8,520,000 | \$5,413,725 |

PROJECT DESCRIPTION:

The Company recently renewed its contract to provide recycling services for the City of Hayward; it intends to use note proceeds to pay for qualified costs to make improvements to its current facility and to purchase new equipment and vehicles to fulfill the commitment under the renewed contract. The proceeds also will be used to pay certain costs of issuance and capitalized interest. The improvements and purchases will assist the Company to expand its facility’s capacity to better service the community it serves. The proposed Project includes the acquisition of ten Compressed Natural Gas (CNG) residential recycling trucks, the acquisition and installation of a Model 2R200 Excel Baler, and the acquisition of 30,150 curbside collection toters.

The Company also proposes the acquisition and installation of a facility surveillance system, the purchase of five computer workstations to replace outdated computers, and an upgrade to the restroom facilities within the Intermediate Processing Center. The Authority received letters in support of the Project from Assemblymembers Mary Hayashi and Alberto O. Torrico and Senator Ellen M. Corbett (see Attachments A, B and C).

Costs associated with the Project include:

| | |
|------------------------------------|--------------------|
| Improvement of Existing Buildings: | \$ 45,000 |
| New Equipment | 2,098,154 |
| Rolling Stock | 3,301,744 |
| Computer Workstations (5) | 13,471 |
| Surveillance System | 25,685 |
| Bond Issuance Expenses | <u>111,883</u> |
| TOTAL | \$5,595,937 |

PUBLIC BENEFITS:

The Company represents that the Project is designed to generate the following public benefits:

Waste Diversion. Conversion to a single stream collection system implemented with the acquisition of new vehicles and equipment will increase the annual volume of waste diversion as follows:

- 22,958 tons of additional recycled materials will be diverted.
- 17,790 gallons of additional motor oil will be recycled.
- 3,340 additional oil filters will be recycled.

POLLUTION CONTROL:

The Company represents that the Project is designed to provide the environmental benefits described below:

Air Quality. The new low-emission, California Air Resources Board (CARB) compliant diesel trucks will emit less particulate matter, which will in turn reduce the amount of air pollution created by the vehicles.

Energy Efficiency. The improved fuel efficiency of the new trucks will result in less fuel consumed and lower pollutants emitted.

PERMITS & ENVIRONMENTAL APPROVALS:

The Company has provided copies of the municipal and environmental permits required to operate a recycling facility at this site.

ANTICIPATED TIMELINE:

The Company anticipates beginning renovation in May 2007 with an expected completion date in July 2007. Equipment purchases commenced in December 2006 and are scheduled to be completed in July 2007.

FINANCING DETAILS:

This proposed financing is a private placement with a Qualified Institutional Buyer (QIBs as defined in SEC Rule 144 under the Securities Act of 1933) in which the State Treasurer, acting on behalf of the Authority, will sell the Authority's promissory note (the "Authority Note") directly (instead of through an underwriter) to Fremont Bank (the "Bank" and the "Lender"), as the purchaser of the Authority Note and the initial holder and owner of the Authority Note. Proceeds of the Authority Note will then be loaned by the Authority to Tri-City Economic Development Corporation (the "Borrower"). The Borrower's obligation to repay this loan will be evidenced by the Borrower's promissory note (the "Borrower's Promissory Note"). The Authority's obligation to repay the Authority Note will be a special, limited obligation of the Authority, payable from payments to be made by the Borrower under the Borrower Note.

Simultaneously with the closing of this financing, the Lender will execute an Investor Letter of Representation in which it will acknowledge, among other matters, that it has sufficient knowledge and expertise in financial and business matters to evaluate the risks and merits of the investment in the Authority Note and that it otherwise understands the nature of this financing. Future transfers of the Authority Note by the Lender would be limited to wholly-owned affiliates of the Lender or other QIBs, each of which would also be required to execute and deliver to the Authority a similar Investor Letter of Representation prior to any transfer of the Authority Note. The Note will also incorporate the Authority's bond issuance guidelines and marketing restrictions for the lowest possible investment grade rated transaction (see the attached term sheet).

Since the Lender (1) is a sophisticated investor; (2) is purchasing the Authority Note for investment for its own account and not with present plans to resell or distribute the Note; and (3) has directly negotiated the terms for its purchase of the Authority Note with the Borrower, the Lender is not requiring that the Authority Note have credit support (e.g., a letter of credit or note insurance). Consequently, no rating from a rating agency can be obtained since the Borrower is not rated by the rating agencies.

The main difference between this financing structure and the private placement structures used by the Authority in the past is that there is no independent, third party trustee to enforce

Agenda Item – 5.B.1.

remedies. Note proceeds to be used to finance the Project will be deposited with the Bank, in its capacity as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement among the Authority, the Borrower, the Bank and the Escrow Agent. The Escrow Agent will be required to hold these proceeds in trust and not disburse these proceeds until moneys have been requisitioned by the Borrower, as approved by the Bank. One role played by an independent, third party trustee is to enforce remedies on behalf of bondholders; but in this financing, the Bank, as holder and owner of the Authority Note, will be entitled to enforce its own remedies (subject to the Authority maintaining certain of its own rights to enforce, including its rights to be paid expenses and to receive indemnification).

Authority staff and counsel to the Authority will be reviewing the various documents for this financing to confirm that they contain the standard, material provisions contained in the Authority's model bond documents used in its small business financings (which were developed and approved by Authority staff, several bond counsel and the Attorney General's Office) and that they comply with the Authority's bond issuance guidelines for debt rated a minimum of BBB--/BBB-/Baa3 (even though the Authority Note will be unrated). Bond counsel and counsel to the Authority on this transaction will deliver their standard opinions in connection with the closing of this financing.

FINANCING TEAM:

Bond Counsel: Kutak Rock LLP
Private Placement Bond Purchaser: Fremont Bank
Financial Advisor: Devine and Gong, Inc.
Kensington Capital Advisors
Issuer's Counsel: Law Office of Leslie M. Lava

RECOMMENDATION:

Staff recommends approval of Initial Resolution No 07-01 and Final Resolution No. 463 in an amount not to exceed \$5,595,937 and a SBAF Resolution for an amount not to exceed \$219,535 for Tri-City Economic Development Corporation, doing business as Tri-CED Community Recycling.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS
OR OTHER INDEBTEDNESS TO FINANCE A
POLLUTION CONTROL FACILITY CONSISTING OF
CERTAIN IMPROVEMENTS TO A MATERIALS
RECOVERY FACILITY AND THE ACQUISITION AND
INSTALLATION OF MATERIALS RECOVERY
EQUIPMENT FOR TRI-CITY ECONOMIC
DEVELOPMENT CORPORATION**

February 6, 2007

WHEREAS, the California Pollution Control Financing Authority ("Authority"), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act ("Act") to issue bonds or other debt obligations and enter into loan agreements for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, Tri-City Economic Development Corporation (the "Corporation") has requested that the Authority assist in (1) financing the cost of certain equipment and improvements including, but not limited to, (a) acquiring ten Compressed Natural Gas (CNG) Residential Recycling Trucks; (b) acquiring and installing a Model 2R200 Excel Baler; (c) acquiring and installing a facility surveillance system; (d) acquiring and installing five computer workstations; (e) acquiring approximately 30,150 collection totes, and (f) upgrading bathroom facilities at the Corporation's facilities located at 33377 Western Avenue, Union City, California 94587 (collectively, the "Facilities");

WHEREAS, the Corporation has presented an estimate of the maximum cost of such Facilities as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority desires to encourage the Corporation to provide the Facilities which will serve the public of the State of California; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Corporation requires satisfactory assurances from the Authority that the proceeds of the sale of bonds or other debt obligations of the Authority will be made available to finance the Facilities; and

WHEREAS, the Corporation expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of bonds or other indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$5,595,937 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Corporation for its prior expenditures for the Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$5,595,937 principal amount of bonds or other indebtedness

of the Authority for the Facilities; including for the purpose of reimbursing to the Corporation costs incurred for the Facilities prior to the issuance of the bonds or other indebtedness.

Section 3. The bonds or other debt obligations will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Corporation in connection with the Facilities. Each bond or other debt obligation shall contain a statement to the following effect:

"Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond."

Section 4. The bonds or other debt obligations shall be issued subject to the conditions that (i) the Authority and the Corporation shall have first agreed to mutually acceptable terms for the bonds or other debt obligations and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; and (iii) a Final Resolution shall have been received from the Authority.

Section 5. The Executive Director or Deputy Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Corporation by defraying the cost of the Facilities, and to advise the Corporation that, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute "some other similar official action" towards the issuance of bonds or other debt obligations within the meaning of

Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on February 6, 2010 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Corporation, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

EXHIBIT A

NUMBER: 793 (SB)

LOCATION: 33377 Western Avenue, Union City, California 94587

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$5,595,937

**FINAL RESOLUTION OF THE CALIFORNIA
POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING FOR SOLID WASTE
DISPOSAL FACILITIES FOR TRI-CITY
ECONOMIC DEVELOPMENT CORPORATION,
DOING BUSINESS AS TRI-CED COMMUNITY
RECYCLING**

February 6, 2007

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has received the application of Tri-City Economic Development Corporation, a nonprofit corporation, doing business as Tri-CED Community Recycling (or any successor, thereto, the “Borrower”), requesting financial assistance in an aggregate principal amount not to exceed \$5,595,937 to (1) finance the cost of certain equipment and improvements including, but not limited to, (a) acquiring ten Compressed Natural Gas (CNG) Residential Recycling Trucks; (b) acquiring and installing a Model 2R200 Excel Baler; (c) acquiring and installing a facility surveillance system; (d) acquiring and installing five computer workstations; (e) acquiring approximately 30,150 collection totes, and (f) upgrading bathroom facilities at the Borrower’s facilities located at 33377 Western Avenue, Union City, California 94587 (collectively, the “Facilities”), (2) paying capitalized interest during the acquisition, improving and equipping of the Facilities, if any and (3) paying certain costs of issuance in connection with the financing (collectively, the “Project”); and has authorized the issuance of a revenue note to provide such financial assistance; and

WHEREAS, the Borrower has represented to the Authority that it is a 501(c)(3) organization under the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue note in an amount not to exceed \$5,595,937 to assist in the financing of the Project; and

WHEREAS, the proceeds of such revenue note will be loaned to the Borrower under a loan agreement with the Authority; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, final approval of the terms of such revenue note and certain documents relating to such revenue note is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act.

Section 2. Pursuant to the Act, a revenue obligation of the Authority, designated as the “California Pollution Control Financing Authority Solid Waste Disposal Revenue Note (Tri-City Economic Development Corporation Project) Series 2007” (the “Note”), or such alternate designation as may be approved by the Executive Director or the Deputy Executive Director, in an aggregate principal amount not to exceed \$5,595,937, is hereby authorized to be issued; provided that the Authority’s bond issuance guidelines for debt rated a minimum of BBB-/BBB-/Baa3 are met.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Note to Fremont Bank (the “Bank”), at any time prior to June 30, 2007, by negotiated sale, at such price and at such interest rate or rates as he may determine.

Section 4. The proposed form of a generic Loan Agreement relating to the Note (the “Loan Agreement”), among the Authority, the Borrower and the Bank, as lender, as filed with the Authority prior to this meeting or as provided in Section 10, is hereby approved. The Chairman (or any of his Deputies) and the Executive Director or the Deputy Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Borrower the Loan Agreement in substantially the form filed with the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the Attorney General of the State of California or such other counsel to the Authority as the Authority shall select with the approval of the Attorney General (the “Authority’s Counsel”), may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof.

Section 5. The proposed form of a generic Escrow Agreement (the “Escrow Agreement”), among the Authority, the Borrower, the Bank, as lender, and the financial institution named in the Term Sheet as escrow agent, as filed with the Authority prior to this meeting or as provided in Section 10, is hereby approved. The Chairman (or any of his Deputies) and the Executive Director or the Deputy Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Borrower the Escrow Agreement in substantially the form filed with the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the

Authority's Counsel, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof.

Section 6. The proposed form of a generic Note, to be executed by the Authority and delivered to the Bank, as filed with the Authority prior to this meeting or as provided in Section 10, is hereby approved. The Chairman (or any of his Deputies) and the Executive Director or the Deputy Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Bank, as lender, the Note in substantially the form filed with the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the Authority's Counsel, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof.

Section 7. The proposed form of a generic Borrower Note (the "Borrower Note"), executed by the Borrower and assigned by the Authority to the Bank, as filed with the Authority prior to this meeting or as provided in Section 10, is hereby approved. The Chairman (or any of his Deputies) and the Executive Director or the Deputy Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Bank, the assignment of the Borrower Note in substantially the form filed with the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the Authority's Counsel, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof.

Section 8. The proposed form of a generic Tax Regulatory Agreement (the “Tax Agreement”), between the Authority and the Borrower, as filed with the Authority prior to this meeting or as provided in Section 10, is hereby approved. The Chairman (or any of his Deputies) or the Executive Director or the Deputy Executive Director of the Authority is hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Borrower the Tax Agreement in substantially the form filed with the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the Authority’s Counsel, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof.

Section 9. The proposed form of a generic Note Purchase Contract (the “Purchase Contract”), among Bank, the Treasurer and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authority hereby authorizes and approves the execution and delivery of the Purchase Contract, in substantially the form filed with the Authority, by the Executive Director or the Deputy Executive Director of the Authority, for and on behalf and in the name of the Authority, with such insertions, deletions or changes therein as the officer executing the same, with the advice of the Authority’s Counsel, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. The forms of the Loan Agreement, the Escrow Agreement, the Note, the Borrower Note, the Tax Agreement and the Purchase Contract described in Sections 4, 5, 6, 7, 8 and 9 hereof, respectively, shall, if not on file with the Authority, be substantially similar to the Loan Agreement, Indenture, the Escrow Agreement, the Note, the Borrower Note, the Tax

Agreement and the Purchase Contract executed in connection with the issuance of the California Pollution Control Financing Authority Solid Waste Disposal Revenue Note (Tri-City Economic Development Corporation Project) Series 2005A with particular information inserted therein in conformance with the Term Sheet.

Section 11. As requested by the Borrower, the Authority hereby waives the requirement for an in-furtherance certificate relating to the solid waste disposal facilities portion of the Project pursuant to Section 44533(b) of the Act.

Section 12. The Executive Director and Deputy Executive Director of the Authority are each hereby authorized and directed, acting alone, to do any and all ministerial acts, including (without limitation) to execute and deliver any and all documents and certificates that they may deem necessary or advisable in order to consummate the issuance, sale or delivery or remarketing of the Note, and otherwise to effectuate the purpose of this resolution. The Treasurer (or any of his Deputies) is hereby requested and authorized to take any and all acts within his or her authority as agent for sale that he or she may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Note, and otherwise effectuate the purposes of this resolution.

Section 13. This resolution shall take effect immediately on its passage. The adoption by the Authority of this final resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

TERM SHEET

Issue: \$5,595,937
California Pollution Control Financing Authority
Solid Waste Disposal Revenue Note
(Tri-City Economic Development Corporation Project) Series 2007

Borrower: Tri-City Economic Development Corporation

User: Tri-City Economic Development Corporation, d/b/a Tri-CED Community Recycling

Use of Proceeds: Proceeds of the Borrower Loan will be used to (1) finance the cost of certain equipment and improvements including, but not limited to, (a) acquiring ten Compressed Natural Gas (CNG) Residential Recycling Trucks; (b) acquiring and installing a Model 2R200 Excel Baler; (c) acquiring and installing a facility surveillance system; (d) acquiring and installing five computer workstations; (e) acquiring approximately 30,150 collection totes, and (f) upgrading bathroom facilities at the Borrower’s facilities located at 33377 Western Avenue, Union City, California 94587 (collectively, the “Facilities”), (2) paying capitalized interest during the acquisition, construction and equipping of the Facilities, if any and (3) paying certain costs of issuance in connection with the financing (collectively, the “Project”).

Lender: Fremont Bank

Escrow Agent: Fremont Bank or another financial institution approved by the Executive Director or Deputy Executive Director of the Authority

Contact: Michael Wallace
Fremont Bank
39150 Fremont Blvd
Fremont, California 94538
Telephone: (510) 795-5715
Facsimile: (510) 505-5225

AMT: No

Denomination: Single Denomination of \$5,595,937

Maturity Schedule: 10 year term, with sinking fund payments

Interest Rate Mode: Rates are reset monthly based on a spread over a percentage of LIBOR.

Prepayments: The Borrower Loan is subject to mandatory and optional prepayment pursuant to the terms of the Loan Agreement.

Maximum Interest Rate: 12%

Type of Sale: Private Placement

Financing Team: Bond Counsel: Kutak Rock LLP
Bank Counsel: Chris Chenoweth, Esq. and/or such other counsel as may be appointed by the Lender

Anticipated Bond Rating: Unrated

Tax-Exemption: The interest component of the Note is excludable from gross income for federal income tax purposes, is exempt from State of California personal income taxes and is not subject to A.M.T.

Security: The obligation of the Authority to repay the Note is a special, limited obligation of the Authority payable solely from payments made by the Borrower pursuant to the Borrower Note. Repayment of the Borrower Loan is secured by a lien on the assets financed with the proceeds of the Note.

**RESOLUTION OF THE CALIFORNIA POLLUTION
CONTROL FINANCING AUTHORITY RELATING
TO ASSISTANCE FROM THE SMALL BUSINESS
ASSISTANCE FUND FOR TRI-CITY ECONOMIC
DEVELOPMENT CORPORATION, DOING
BUSINESS AS TRI-CED COMMUNITY
RECYCLING**

February 6, 2007

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has heretofore approved the application of Tri-City Economic Development Corporation, a nonprofit corporation, doing business as Tri-CED Community Recycling (or any successor, thereto, the “Borrower”), in an aggregate principal amount not to exceed \$5,595,937 to (1) finance the cost of certain equipment and improvements including, but not limited to (a) acquiring ten Compressed Natural Gas (CNG) Residential Recycling Trucks; (b) acquiring and installing a Model 2R200 Excel Baler; (c) acquiring and installing a facility surveillance system; (d) acquiring and installing five computer workstations; (e) acquiring approximately 30,150 collection toters, and (f) upgrading bathroom facilities at the Corporation’s facilities located at 33377 Western Avenue, Union City, California 94587 (collectively, the “Facilities”), (2) paying capitalized interest during the acquisition, construction and equipping of the Facilities, if any and (3) paying certain costs of issuance in connection with the financing (collectively, the “Project”); and has authorized the issuance of a revenue note to provide such financial assistance; and

WHEREAS, the Authority has established the Small Business Assistance Fund (the “Fund”) to assist small businesses to obtain pollution control financing through the issuance of tax-exempt revenue bonds or notes (the “Note”); and

WHEREAS, the Authority has received and accepted an application from the Borrower for assistance from the Fund; and

WHEREAS, the Borrower has demonstrated a financial capability to make loan payments to the satisfaction of Fremont Bank (“Fremont Bank”), as the purchaser of the Note; and

WHEREAS, the authorization of assistance from the Fund is now sought.

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Borrower is a “Small Business” as classified pursuant to Title 13 Code of Federal Regulations, Part 121, Subpart A (1-1-94 Edition) or has 500 employees or less, and is otherwise eligible for assistance from the Fund.

Section 2. The Project constitutes a “project” within the meaning of the California Pollution Control Financing Authority Act.

Section 3. The Authority hereby authorizes and approves up to \$219,535 of assistance from the Fund to the Borrower to be used for payment of certain costs of issuance of the Note, including certain commitment fees owed to Fremont Bank. The actual amount of assistance shall be determined by the Executive Director or the Deputy Executive Director of the Authority, in his or her discretion, based upon the final terms of the sale of the Note.

Section 4. The Executive Director or the Deputy Executive Director of the Authority is hereby authorized and directed, jointly and severally, to do any and all ministerial acts and to execute and deliver a contract for financial assistance with the Borrower in conformance with the terms of this resolution, which he or she may deem necessary or advisable in order to provide the assistance from the Fund and otherwise to effect the purposes of this resolution.

Section 5. This resolution shall take effect immediately upon adoption hereof.

The adoption by the Authority of this resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.