

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: March 20, 2007
Executive Summary
Request for Final Resolution Approval and Assistance
From the Small Business Assistance Fund

Prepared by: *Doreen Carle*

Applicant: California Waste Solutions, Inc. and/or its Affiliates	Amount Requested: \$25,905,000
Project	Application No.: 788(SB)
Location: City of San Jose (County of Santa Clara) and City of Oakland (Alameda County)	Final Resolution No.: 462
	Prior Actions: IR 06-10 approved 10/24/06

Type of Business: California Waste Solutions, Inc. and/or its Affiliates (the “Company”), provides residential recycling services for the City of San Jose and, the City of Oakland.

Project Description: The Company was recently awarded a new contract with the City of San Jose to provide services to collect, sort and process residential recyclables. The Company also may collect and process commercial recyclable material throughout the City of San Jose.

The Company anticipates using bond proceeds to finance project components located in the cities of San Jose and Oakland as described below.

1005 Timothy Drive, San Jose – new sort line equipment in its Materials Recovery Facility (MRF).

1655 Berryessa, San Jose – acquisition of land, acquisition and renovation of buildings to house offices, a facility for truck maintenance, washing and storage, and possibly future recycling operations.

1819-1820 Tenth Street, Oakland and/or 3300 Wood Street, Oakland – sort line improvements to one or both of these existing MRFs.

The Company plans the acquisition of equipment, rolling stock and collection vehicles to be located at each site. Additionally, the Company plans to acquire drop boxes, bins, carts and containers to be located with customers in the City of San Jose and various other incorporated and unincorporated areas of Santa Clara County.

The Authority has received a letter in support of the Project from Larry Reid, a City of Oakland Council Member (Attachment A).

The Company also requests approval of a Small Business Assistance Fund (SBAF) resolution in an amount not to exceed \$250,000.

Public Benefits: The Company represents that the Project is designed to generate the public benefits described below.

Waste Diversion. The Company represents, based on past collection data, that there may be approximately 80% diversion of the residual recyclable waste material collected.

Pollution Control: The Company represents the Project will generate the pollution control benefits described below.

Air Quality. The new California Air Resources Board (CARB) compliant vehicles will emit much less nitrogen oxide (NOx) and particulate matter when compared to conventional, diesel-powered collection vehicles currently in use. The efficiencies of automated collection vehicles also will result in the use of fewer trucks and fewer collection trips.

Water Quality. The Company’s MRF operates on concrete or asphalt paved surfaces. Use of paved surfaces will inhibit ground water contamination.

Energy Efficiency. Fuel consumption will be reduced due to the reduced number of trucks and collection trips.

SBAF Assistance: The Company is a small business eligible for Small Business Assistance Fund (SBAF) assistance in an amount not to exceed \$250,000.

Permits: The Company provided staff with copies of its discretionary permit for its Timothy Street MRF site and represents that land acquired will be appropriately zoned and utilized for truck storage, maintenance and possible recycling operations. The Company also represents that other equipment purchases and equipment upgrades will not require discretionary permit or environmental approvals.

Anticipated Financing Details: The Company anticipates a public offering of a 7-day variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from East West Bank, and confirmed by California State Teachers’ Retirement System, that is rated “AAA/F1+“ or better by Fitch Ratings.

Financing Team:

- Underwriter:** Westhoff, Cone & Holmstedt
- Bond Counsel:** Law Offices of Leslie M. Lava
- Financial Advisor:** Andrew S. Rose
- Issuer’s Counsel:** Hawkins Delafield & Wood LLP

Legal Questionnaire: Attached is the current legal analysis prepared for this Final Resolution request as Attachment B. Also attached is the original legal review memorandum prepared for the Initial Resolution request held at the Authority’s October 24, 2006 meeting as Attachment C.

The Company disclosed solid waste permit, air quality permit and OSHA issues in its legal questionnaire. As staff discussed at the Initial Resolution stage, the permit issues have been resolved, but the OSHA issue remains outstanding. The Company has taken significant steps since the original incident to ensure workers’ safety. As follow-up to the legal review documented in Attachment C, staff again contacted CalOSHA and the Alameda County District Attorney’s office. Staff found that the CalOSHA citation and CWS’ appeal of the citation, and the criminal investigation are still outstanding. Additionally, staff contacted representatives from the USEPA, Region 9; in summary, the USEPA representatives said that CWS is making an effort to comply with both the December 2006 and February 2007 orders. They said that the investigations are still open and penalties may be assessed in the future. The USEPA’s concern does not involve a particular incident but rather involves CWS’ overall practices. At the time the

orders were issued, it was found that the Company did not properly train its staff on general “housekeeping” and controls over its outside activities, and it is its outside activities which led to improper discharges into the stormwater systems at both facilities. The USEPA representatives do not anticipate that the Company will have difficulty complying with the order at its San Jose facility. When asked if the CalOSHA matter and/or the criminal matter, with any of the possible outcomes (including losing the appeal of the CalOSHA matter and being prosecuted for the criminal matter by Alameda County), will have a negative impact on CWS' ongoing financial viability, CWS' counsel responded that it does not believe the OSHA matter will have a material adverse effect.

Staff Recommendation: Given (1) that the Company represents that the outcome of the CalOSHA appeal and the criminal investigation will not have an adverse effect on the Company's ongoing financial viability, (2) the Company's efforts to address the safety and permit issues at its facilities, and (3) the apparent ongoing attention and oversight the Company's facilities and activities are receiving from legal and regulatory authorities, there is no indication that these issues threaten the ongoing financial liability of the Company. Therefore, staff recommends approval of Final Resolution No. 462 in an amount not to exceed \$25,905,000 and the SBAF Resolution in an amount not to exceed \$250,000.

**CALIFORNIA WASTE SOLUTIONS,
INC. AND/OR ITS AFFILIATES**

Bond Amount: \$25,905,000

San Jose (Santa Clara County), CA

Oakland (Alameda County)

Application No. 786(SB)

March 20, 2007

STAFF SUMMARY – CPCFA

Prepared by: *Doreen Carle*

ISSUE:

California Waste Solutions, Inc. and/or its Affiliates requests approval of (1) Final Resolution No. 462 for an amount not to exceed \$25,905,000 to finance equipment purchases, the acquisition of land, buildings and renovation and (2) a Small Business Assistance Fund (SBAF) Resolution in an amount not to exceed \$250,000.

CDLAC Allocation. The Company has applied to the California Debt Limit Allocation Committee for allocation at its scheduled March 21, 2007 meeting.

TEFRA. A TEFRA hearing was held on November 28, 2006. A second TEFRA hearing was held on February 16, 2007 to include a new Project address. No comments were received in support of or in opposition to the financing.

SBAF. The Company is a small business eligible for SBAF assistance in an amount not to exceed \$250,000.

BORROWER:

The Company incorporated in California on January 27, 1992, and provides residential solid waste collection services. The Company represents that it employs approximately 250 employees and currently processes recycling material in the City of San Jose in Santa Clara County. Under its new contract with the City of San Jose, the Company will be responsible for both collection and processing of residential recyclables. In addition, the Company recently entered into a contract in the country of Vietnam to operate the country's first solid waste treatment complex to be located in the outlying district of Ho Chi Minh City. The Company will operate under the name Vietnam Waste Solutions and is expected to become operational in March 2007.

The principal shareholders for California Waste Solutions, Inc. are as follows:

David Duong	42.0%
Linda Duong	32.5%
Victor Duong	<u>25.5%</u>
Total	100.0%

Legal Questionnaire. Attached is the current legal analysis prepared for this Final Resolution request as Attachment B. Also attached is the original legal review memorandum prepared for the Initial Resolution request held at the Authority's October 24, 2006 meeting as Attachment C.

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The Company disclosed solid waste permit, air quality permit and OSHA issues in its legal questionnaire. As staff discussed at the Initial Resolution stage, the permit issues have been resolved, but the OSHA issue remains outstanding. The Company has taken significant steps since the original incident to ensure workers' safety. As follow-up to the legal review documented in Attachment C, staff again contacted CalOSHA and the Alameda County District Attorney's office. Staff found that the CalOSHA citation and CWS' appeal of the citation, and the criminal investigation are still outstanding. Additionally, staff contacted representatives from the USEPA, Region 9; in summary, the USEPA representatives said that CWS is making an effort to comply with both the December 2006 and February 2007 orders. They said that the investigations are still open and penalties may be assessed in the future. The USEPA's concern does not involve a particular incident but rather involves CWS' overall practices. At the time the orders were issued, it was found that the Company did not properly train its staff on general "housekeeping" and controls over its outside activities, and it is its outside activities which led to improper discharges into the stormwater systems at both facilities. The USEPA representatives do not anticipate that the Company will have difficulty complying with the order at its San Jose facility. When asked if the CalOSHA matter and/or the criminal matter, with any of the possible outcomes (including losing the appeal of the CalOSHA matter and being prosecuted for the criminal matter by Alameda County), will have a negative impact on CWS' ongoing financial viability, CWS' counsel responded that it does not believe the OSHA matter will have a material adverse effect.

Prior Actions. Initial Resolution No. 06-10 was approved on October 24, 2006 in the amount of \$25,905,000.

Prior Financings. Prior CPCFA financings are listed below.

<u>ISSUE</u>	<u>ISSUE DATE</u>	<u>AMOUNT ISSUED</u>	<u>BONDS CURRENTLY HELD BY INVESTORS</u>
California Waste Solutions, Inc.	05/30/02	\$11,275,000	\$10,110,000
California Waste Solutions, Inc.	08/05/04	<u>8,350,000</u>	<u>8,350,000</u>
Total		<u>\$19,625,000</u>	<u>\$18,460,000</u>

PROJECT DESCRIPTION:

The Company was recently awarded a new contract with the City of San Jose to provide services to collect, sort and process residential recyclables. The Company also may collect and process commercial recyclable material throughout the City of San Jose.

The Company anticipates using bond proceeds to finance project components located in the cities of San Jose and Oakland, as described below.

1005 Timothy Drive, San Jose. The Company plans to add new sort line equipment to its Materials Recovery Facility (MRF).

1655 Berryessa, San Jose. The Company anticipates the purchase of land from Berryessa Properties, the acquisition and renovation of buildings to house offices, a facility for truck maintenance, washing and storage, and possibly future recycling operations.

1819-1820 Tenth Street, Oakland and/or 3300 Wood Street, Oakland. The Company plans sort line improvements to one or both of these existing MRFs.

The Company plans the acquisition of equipment, rolling stock and collection vehicles to be located at each site. Additionally, the Company plans to acquire drop boxes, bins, carts and containers to be located with customers in the City of San Jose and various other incorporated and unincorporated areas of Santa Clara County.

Costs associated with the Project include:

Collection Trucks (42)	\$11,033,400
Carts, bins & containers	472,697
Other Rolling Stock	193,000
Sort Line Equipment & Expansion	6,000,000
Land	6,000,000
Site Preparation & Improvements	450,000
Bond Issuance Expenses	<u>1,755,903</u>
Total:	<u>\$25,905,000</u>

Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, determination by bond counsel that certain costs do not qualify for tax-exempt financing, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax-exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

PUBLIC BENEFITS:

Waste Diversion. The Company represents, based on past collection data, that there may be approximately 80% diversion of the residual recyclable waste material collected.

POLLUTION CONTROL:

The Company represents the Project will generate the pollution control benefits described below.

Air Quality. The new California Air Resources Board (CARB) compliant vehicles will emit much less nitrogen oxide (NOx) and particulate matter when compared to conventional, diesel-powered collection vehicles currently in use. The efficiencies of automated collection vehicles also will result in the use of fewer trucks and fewer collection trips.

Water Quality. The Company’s MRF operates on concrete or asphalt paved surfaces. Use of paved surfaces will inhibit ground water contamination.

Energy Efficiency. Fuel consumption will be reduced due to the reduced number of trucks and collection trips.

PERMITTING & ENVIRONMENTAL APPROVALS:

The Company provided staff with copies of its discretionary permit for its Timothy Street MRF site. Land acquired will be appropriately zoned and utilized for truck storage, maintenance and

possible recycling operations. Other equipment purchases and equipment upgrades do not require discretionary permit or environmental approvals.

ANTICIPATED TIMELINE:

The Company began equipment purchases in October 2006 with an anticipated completion date of December 2007. Renovation is anticipated to begin in January 2007 and be completed in July 2007.

FINANCING DETAILS:

The Company anticipates a public offering of a 7-day variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit from East West Bank, and confirmed by California State Teachers' Retirement System, that is rated "AAA/F1+" or better by Fitch Ratings.

FINANCING TEAM:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose
Issuer's Counsel: Hawkins Delafield & Wood LLP

RECOMMENDATION:

Given (1) that the Company represents that the outcome of the CalOSHA appeal and the criminal investigation will not have an adverse effect on the Company's ongoing financial viability, (2) the Company's efforts to address the safety and permit issues at its facilities, and (3) the apparent ongoing attention and oversight the Company's facilities and activities are receiving from legal and regulatory authorities, there is no indication that these issues threaten the ongoing financial liability of the Company. Therefore, staff recommends approval of Final Resolution No. 462 in an amount not to exceed \$25,905,000 and the SBAF Resolution in an amount not to exceed \$250,000.

**Attachment B
Legal Analysis for Final Resolution**

California Waste Solutions, Inc. (“CWS” of “the Company”)

LEGAL DISCLOSURE

See Attachment C, the original legal review memorandum.

As follow-up to the legal review documented in Attachment I, staff again contacted CalOSHA and the Alameda County District Attorney’s office. Staff found that the CalOSHA citation, and CWS’ appeal of the citation, and the criminal investigation are still outstanding.

In its Legal Questionnaire, the Company made the following representation concerning the above matters:

“Applicant is committed to the safety of its employees in all of its facilities, and management and its counsel are confident that Cal/OSHA’s citations will not stand. Yet while Applicant strongly disagrees with Cal/OSHA’s conclusions, the Applicant retained outside safety consultants and together with those consultants, has undertaken a review of its safety programs company-wide, including the matters identified in the citation and especially those relating to “lock out/tag out.” This process included “stand-downs” to assess hazards and provide additional instruction to its employees. As a result, additional safety procedures and rules are in place now to ensure to the extent possible that this or any similar tragedy never occurs again in any of its facilities.”

On February 19, 2007, CWS’ finance team provided the following information as part of its update on the legal status questionnaire:

“...the OSHA appeal is Cal Waste’s and they have chosen to postpone active prosecution of the appeal at least for a while while awaiting any word on the required criminal review...while the law requires that any death or serious injury be referred to the local district attorney, there is no requirement that the district attorney do anything with it. That means that the DA does not even have to tell a company that it does not plan to act. It has now been two years since the accident but Cal Waste hopes that at some point, the DA will in fact inform them that he will not pursue any action...”

ADDITIONAL FINDINGS

CPCFA staff found that, on December 5, 2006, the USEPA, Region 9, issued an order to CWS (Oakland facility) to comply with its Clean Water Act permit. According to the USEPA press release, CWS’ Oakland facility was inspected by USEPA investigators on September 18, 2006 and was found to have inadequate stormwater pollution controls and pollution prevention plans, which are violations of its stormwater discharge permit and the Clean Water Act. The pollution discharge in the stormwater from this facility eventually makes its way into the San Francisco

Bay. CPCFA staff also found that, on February 8, 2007, the USEPA issued a similar order based upon similar violations for CWS' San Jose facility.

Staff contacted representatives from the USEPA, Region 9. In summary, the USEPA representatives said that CWS is making an effort to comply with both the December 2006 and February 2007 orders. They said that the investigations still are open, and penalties may be assessed in the future. The USEPA's concern does not involve a particular incident but rather involves CWS' overall practices. At the time the orders were issued, it was found that the Company did not properly train its staff on general "housekeeping" and controls over its outside activities, and it is its outside activities which led to improper discharges into the stormwater systems at both facilities. The USEPA representatives do not anticipate that the Company will have difficulty complying with the order at its San Jose facility.

Staff asked CWS' finance team to provide information concerning these undisclosed USEPA orders. The response was as follows:

"As to the EPA action, it revolved around the washing of a piece of equipment where the used water could flow down a storm drain. The EPA naturally publicizes such things in order to make citizens and businesses more aware of what is becoming an ever more serious problem. However, the scope of this particular incident was quite narrow and did not amount to willful dumping of contaminants or the like...once they inspected Oakland, they went to San Jose and the things that need to be fixed are pretty much the same...some pictures of various storm drains taken by the Company a day or two after...[show] both that the Company listened to the inspector and second, that no MRF or transfer station facility, especially one that handles waste paper, is going to be without litter for very long--- but as is stated and is the fact, it is required to be and is swept daily. Again, this is not about purposeful dumping of contaminants into the Bay. It is a notice to put new or different kinds of covers on storm drains (note that the inspector approved on one method the company was already using) and clean up their paperwork in order to be in full compliance."

ONGOING FINANCIAL VIABILITY OF CALIFORNIA WASTE SOLUTIONS

When asked if the CalOSHA matter and/or the criminal matter, with any of the possible outcomes (including losing the appeal of the CalOSHA matter and being prosecuted for the criminal matter by Alameda County), will have a negative impact on CWS' ongoing financial viability, CWS' counsel responded as follows:

"The Borrower does not expect that the final results of the action will have a material adverse effect on its financial viability. Moreover, the bank is aware of the issue and as you know, has committed to issuing the letter of credit which will secure the bondholders. Formally, the Borrower will execute the Bond Purchase Agreement at closing which contains, among other things, the following representation to the Authority and Underwriter:

(g) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other government authority pending or, to the knowledge of the Borrower, threatened against or

affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Purchase Contract, the Loan Agreement, the Official Statement, the Reimbursement Agreement, the Remarketing Agreement, or the financial condition, assets, properties or operations of the Borrower.

Since it does not believe the OSHA matter will have a material adverse effect, the Borrower will not be disclosing the OSHA matter in the Official Statement.

The Borrower will also make the following representation to the Bank in the Reimbursement Agreement:

1.1. Pending Litigation or Other Proceedings. There is no pending or, to the knowledge of the Borrower, threatened action, proceeding or investigation before any court, governmental agency or arbitrator against or affecting the Borrower, the Property, the Bonds, either Guarantor, DFI or any of the Borrower's other assets which, if decided adversely to the any of them, would materially and adversely affect the financial condition of the Borrower, the Property, the Bonds, either Guarantor, DFI or any of the Borrower's other assets, or would materially and adversely affect the present or future ability of the Borrower, the Guarantors or DFI to perform their obligations under the Credit Documents to which they are parties.

In addition, I will be providing my opinion on behalf of the Borrower consistent with the above representations to both you and the bank at closing.”

RECOMMENDATION

Given (1) that the Company represents that the outcome of the CalOSHA appeal and the criminal investigation will not have an adverse effect on the Company's ongoing financial viability, (2) the Company's efforts to address the safety and permit issues at its facilities, and (3) the apparent ongoing attention and oversight the Company's facilities and activities are receiving from legal and regulatory authorities, there is no indication that these issues threaten the ongoing financial liability of the Company. Therefore, staff recommends approval of the Final Resolution and the SBAF Resolution.

**Attachment C
Legal Analysis for Initial Resolution**

APPLICANT

California Waste Solutions, Inc. (or “Company”) has recently been awarded a new contract with the City of San Jose to provide collection, sorting and processing of residential recyclables. The Company may also collect and process commercial recyclable material in San Jose.

REQUEST

The Company requests approval of an initial resolution not to exceed \$22,445,000 to finance the acquisition of new trucks, bins, containers and carts; sort line equipment for three of the Company’s existing MRFs; and land for a truck storage and maintenance facility.

LEGAL STATUS QUESTIONNAIRE

The Company submitted a legal status questionnaire in which it responded affirmatively to questions 5 and 6 regarding civil and criminal proceedings and investigations currently pending or occurring within the past ten years. The Company disclosed three significant matters.

1. The Company disclosed a June 2003 cease and desist order from the local enforcement authority that resulted in a civil suit against the Company alleging that the Company was operating a solid waste facility without a permit. The Company responded that its permit failure was a result of too much non-recyclable material coming from Norcal, the primary franchisee for the City of San Jose. This civil suit against the Company was resolved by a stipulated judgment and the Company’s payment of a \$150,000 fine. The Company obtained its Solid Waste Facilities Permit in March 2005, and there have been no violations since that time. Ultimately, the Company sued Norcal for breaching its subcontract with the Company. Through an arbitration process, the Company recovered the \$150,000 fine and over \$5.2million in damages from Norcal for breaching its subcontract.
2. The Company disclosed a 2001 enforcement action against the Company by the Bay Area Air Quality Management District (BAAQMD) for failing to obtain air emission permits. The Company resolved the enforcement action informally by obtaining the requisite permits to operate and no further action has been taken by BAAQMD against the Company.
3. The Company disclosed a CalOSHA citation resulting from the February 2005 death of an employee who died after clearing a jam in the baler he was operating. CalOSHA issued the Company multiple citations, six general, one serious and two for a “Willful and Accident Related” violation. These two “Willful and Accident Related” violations were issued for failing to provide adequate employee training in the “lock out and tag-out” procedure. These two fines resulted in a total of \$140,000 (\$70K each). Prior to the incident, the Company had been required to hire a Safety Consultant by their insurance carrier. The Safety Consultant had recommended specific safety procedures and training for employees. CalOSHA found that the Company did not inform employees of the procedures and did not implement the training advised by their consultant. According to the CalOSHA Compliance Investigator interviewed by CPCFA staff, “Willful and Accident Related” citations are issued when a company knew or with

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reasonable diligence should have known the safety procedures which prevent accidents. In this situation the person responsible for running the facility was aware of the safety procedures but chose not to provide adequate training until after the incident which caused death.

The Company is appealing the CalOSHA finding. This appeal is likely to remain unresolved until the resolution of the criminal investigation by the Alameda County District Attorney's office.

While the County DA would not comment on the case because the investigation is underway, the CalOSHA Compliance Investigator indicated that he believes that a court could impose criminal fines of up to \$1.5 million and penalties could be more than 170% of this amount.

The Company responds that it believes that a fine of this magnitude is extremely unlikely; they anticipate that they will prevail in their appeal of the civil findings and that the criminal investigation will be dropped. If however, in the worst case the fine and penalties were imposed, the Company represents that it would not impact the Company's financial viability or their ability to repay these bonds.

Staff discussed its concerns about the reported violations with City of San Jose officials who recently awarded the Company its franchise agreement. The Acting Deputy Director of the City's Integrated Waste Management Division reported that she was aware of these legal issues at the time the City considered the Company's bid. The Company had strong support for its contract bid from the San Jose community. The contract was awarded by a unanimous vote of the San Jose City Council.

Staff has also received a strong letter of support from City Council member, Chuck Reed urging CDLAC to award tax-exempt bond allocation to this Project.

RECOMMENDATION

Staff is satisfied that the Company has adequately responded to the Solid Waste Permit and Air District Permit issues. The death of an employee is however a very serious matter and the Cal OSHA finding that the Company acted willfully in failing to ensure proper safety procedures and training discourages a CPCFA finding that this is a Company that provides such significant benefits to the community that it should be awarded tax exempt bond financing. However the strong City and community support for this Project argues for moving forward with this IR. While the criminal investigation and the civil appeal are outstanding, we recommend that the Board approve an initial resolution solely for the purpose of preserving the look back for tax purposes. At the time the Company returns for a final resolution, staff recommends that the Authority take a fresh and critical look at the resolution of the outstanding legal issues. This IR approval should not be taken in any way as an approval of this Company and its practices or an indication of the likelihood of the Board ultimately approving a final resolution if the Company returns to the Authority.

FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING FOR SOLID WASTE DISPOSAL FACILITIES
FOR CALIFORNIA WASTE SOLUTIONS, INC. AND/OR ITS AFFILIATES

March 20, 2007

WHEREAS, the California Pollution Control Financing Authority (the "Authority") has heretofore approved the application of California Waste Solutions, Inc., a California corporation (the "Applicant"), for financial assistance to finance acquisition, construction, rehabilitation or improvements to certain solid waste disposal facilities and acquisition of solid waste collection trucks, carts, bins, containers and other vehicles and equipment, all of which will be used to serve the Borrower's customers throughout its service territory in Santa Clara County, California, and all as more particularly described in Application No. 788(SB) of the Applicant and in the Term Sheet attached hereto as Exhibit A and incorporated herein (the "Term Sheet") (collectively, the "Project"); and

WHEREAS, the Applicant has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$25,905,000 to assist in the financing of the Project; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower (as defined in the Term Sheet) under a loan agreement with the Authority; and

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

WHEREAS, the Applicant 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, in order to enhance the marketability of the bonds, the Applicant has arranged for a financial institution, as named in the Term Sheet, to secure the bonds through the issuance of its direct-pay irrevocable letter of credit, thereby guaranteeing their repayment;

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

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

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (California Waste Solutions, Inc. Project), Series 2007A” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$25,905,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax-exempt or taxable mode.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time before December 31, 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 Bonds (the “Loan Agreement”), between the Authority and the Borrower, as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Chairman and the 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 or approved by the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the officer executing the same, with the advice of the Attorney General of the State of California (the “Attorney General”), 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. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 5. The proposed form of a generic indenture relating to the Bonds (the “Indenture”), between the Authority and a trustee named in the Term Sheet (the “Trustee”), as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Chairman and the 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 Trustee, the Indenture in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions

or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the officer executing the same, with the advice of the Attorney General, 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. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 6. The proposed form of a generic bond purchase contract (the “Purchase Contract”) among the underwriter or underwriters named in the Term Sheet (the “Underwriters”), the Treasurer and the Authority, as approved by the Borrower, as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Authority hereby authorizes and approves the execution and delivery of the Purchase Contract, in substantially the form filed with or approved by the Authority, by the Chairman or the 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 Attorney General, 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 7. The proposed form of a generic official statement (the “Official Statement”) as filed with the Authority prior to this meeting or as provided in Section 8, is hereby approved. The Chairman or the Executive Director of the Authority is hereby authorized, for and on behalf and in the name of the Authority, to execute and deliver the Official Statement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as such

officer, with the advice of the Attorney General, may approve or require, 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. The Underwriters are hereby authorized to distribute and deliver copies of the Official Statement to purchasers of the Bonds, with such changes therein as may be approved or required by the Attorney General. The distribution of copies of the Official Statement in preliminary form is hereby authorized and approved. The Chairman or the Executive Director of the Authority is hereby authorized and directed to execute and deliver any amendments or supplements to the Official Statement which include, without limitation, amendments or supplements to the Authority's disclosure set forth in the form of Official Statement filed with or approved by the Authority, which they may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds.

Section 8. The forms of the Loan Agreement, the Indenture, the Purchase Contract and the Official Statement described in Sections 4, 5, 6 and 7 hereof, respectively, shall, if not on file with the Authority, be substantially similar to the Loan Agreement, the Indenture, the Purchase Contract and the Official Statement executed in connection with the issuance of the California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Garden City Sanitation, Inc. Project) Series 2007A with particular information inserted therein in conformance with the Term Sheet.

Section 9. The Chairman of the Authority is hereby authorized and directed to execute, by manual or facsimile signature, in the name and on behalf of the Authority and under its seal, the Bonds, in one or more series, in an aggregate principal amount not to exceed \$25,905,000, in accordance with the fully executed and delivered Indenture and the form of bond set forth therein.

Section 10. The Bonds, when so executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to

authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriters in accordance with written instructions executed on behalf of the Authority by the Chairman or the Executive Director of the Authority, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Authority, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriters thereof, upon payment of the purchase price thereof.

Section 11. The Authority hereby dedicates and confirms its allocation to the Bonds issued in a tax-exempt mode (the "Tax-Exempt Bonds") of a portion of its private activity bond limit, as previously received, carried forward or to be received from the California Debt Limit Allocation Committee, in an amount up to the applicable principal amount of Tax-Exempt Bonds issued and delivered to finance certain costs of the Project, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Tax-Exempt Bonds.

Section 12. As requested by the Applicant, 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(a) of the Act.

Section 13. The Chairman or the 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, including the tax certificate, they may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Bonds, and otherwise to effectuate the purpose of this resolution. The Treasurer 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, delivery or remarketing of the Bonds, and otherwise effectuate the purposes of this resolution.

Section 14. Whenever in this resolution, an officer is authorized to make insertions, deletions or changes to a document with the advice of the Attorney General, that officer may take such actions with the advice of other counsel retained by the Authority as issuer's counsel, if the retention of such counsel has been approved by the Attorney General. Such counsel may also approve or require changes to the Official Statement pursuant to the terms of Section 7 hereof.

Section 15. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this final resolution for the Applicant 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.

EXHIBIT A

TERM SHEET

Name of Issue: California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (California Waste Solutions, Inc. Project), Series 2007A (the “Bonds”)

Maximum Amount of Issue: \$25,905,000 (tax-exempt)

Issuer: California Pollution Control Financing Authority (the “Authority”), Sacramento, CA

Applicant California Waste Solutions, Inc.

Borrower: California Waste Solutions, Inc. and/or Duong Family Investments, LLC

Affiliate “Affiliate” of the Applicant means any person or entity which meets the definition of “Participating Party” under the Act and controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Trustee: The Bank of New York Trust Company, N.A.

Senior Underwriter or Placement Agent: Westhoff, Cone & Holmstedt

Bond Counsel: Leslie M. Lava, Esq.
Sausalito, CA

Remarketing Agent: Westhoff, Cone & Holmstedt

Project: Finance (i) improvements to a materials recovery facility and the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto, all to be located at 1005 Timothy Drive, San Jose, California 95113, (ii) the acquisition of land, the acquisition and renovation of buildings thereon to house a materials recovery facility, offices and truck

maintenance, washing and storage, and the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto, all to be located at 1655 Berryessa Road, San Jose, California 95133, (iii) improvements to materials recovery facilities and the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto, all to be located at 1819 and/or 1820 Tenth Street, Oakland, California 94607 and/or 3300 Wood Street, Oakland, California 94608, and (iv) the acquisition of drop boxes, bins, carts and containers to be located with customers in the City of San Jose, California and various other incorporated and unincorporated portions of Santa Clara County, California.

Maximum Bond Term:	Not to exceed 30 years
Type of Sale:	Negotiated sale
Description of Minimum Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof while in variable rate mode
Financing Structure:	Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture
Maximum Interest Rate:	12%
Letter of Credit:	Provided by East West Bank, with a confirming letter of credit provided by California State Teachers' Retirement System, or another bank approved by the Chairman or Executive Director that is rated at least "A-".
Other Credit Enhancement:	Not applicable
Anticipated Bond Rating:	"AAA/F1+" (minimum "A-")
Type of Financing:	Solid waste disposal revenue bonds
Prepared by:	Leslie M. Lava, Esq. (415) 331-6464 February 20, 2007

RESOLUTION OF THE CALIFORNIA
POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO ASSISTANCE FROM THE SMALL
BUSINESS ASSISTANCE FUND FOR CALIFORNIA WASTE SOLUTIONS, INC.
AND/OR ITS AFFILIATES

March 20, 2007

WHEREAS, the California Pollution Control Financing Authority (the "Authority") has approved the application of California Waste Solutions, Inc. (the "Applicant"), for financial assistance to finance acquisition, construction, rehabilitation or improvements to certain solid waste disposal facilities and acquisition of solid waste collection trucks, carts, bins, containers and other vehicles and equipment, all to be located in Santa Clara County, California, as more particularly described in Application No. 788(SB) of the Applicant (the "Project") and has adopted its Resolution 462 (the "Final Resolution") authorizing the issuance of revenue bonds 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 (the "Bonds"); and

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

WHEREAS, the Applicant has demonstrated a financial capability to make loan payments to the satisfaction of the issuer of a direct pay letter of credit securing the Bonds, as named in the Final Resolution; and

WHEREAS, 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 Applicant and the Borrower (as defined in the Final Resolution) is a "Small Business" as classified pursuant to Title 13 Code of Federal Regulations, Part 121, Subpart A (1-1-94 Edition) or it 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 \$250,000 of assistance from the Fund to the Borrower to be used for payment of initial Letter of Credit fees and certain costs of issuance of the Bonds. The actual amount of assistance shall be determined by the Executive Director or the Deputy Executive Director of the Authority based upon the final terms of the sale of the Bonds.

Section 4. The Executive Director or 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 Applicant 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.