

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: September 25, 2007
Executive Summary
Request for Final Resolution and
Assistance from the Small Business Assistance Fund

Prepared by: *Michael Smith*

Applicant:	<u>Douglas E. Raisch and Raisch Company, Douglas Raisch and/or its Affiliates</u>	Amount Requested:	\$2,700,000
		Application No.:	791(SB)
Project Location:	San José, Sunnyvale (Santa Clara County) and Fremont (Alameda County), CA	Final Resolution No.:	473
		Prior Actions:	IR approved 10/24/06

Type of Business: Douglas E. Raisch (“Raisch”) and Raisch Company, dba Raisch Products, ~~Douglas Raisch and/or its Affiliates~~ (or any successor thereto, the “Company” and, together with Raisch, collectively, the “Borrowers” or “Raisch”) ~~dba Raisch Products~~, recycles waste, broken asphalt and concrete. The A.J. Raisch Paving Company is affiliated through common ownership.

Project Description: The ~~Company anticipates using bond~~ Borrowers will use note proceeds to purchase a relocatable demolition plant for recycling waste concrete and asphalt materials. The ~~Company operates~~ Borrowers operate from several sites that are leased from affiliated and unaffiliated entities where construction and demolition (C&D) waste is delivered by contractors, governmental agencies and local residents. The waste is demolished and recycled using a relocatable plant (“Plant”). The Plant includes conveyors, hoppers, crushers, sorters, screens, trailers and a generator. The ~~Company’s Borrowers’ current old~~ Plant ~~requires~~ three days to disassemble, relocate and assemble. The current request is for the purchase of a Plant that requires one day to disassemble, relocate and assemble. Because of the shorter turn around time, more waste can be recycled at each site. ~~Also, the Plant can be more efficiently located at customer sites.~~

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

Waste Diversion. This request is for equipment only. ~~h~~ However, if C&D material is not recycled it would be added to the waste stream and end up in local landfills. The Company Borrowers currently recycles more than 500,000 tons of waste concrete and asphalt annually. The Company Borrowers provides the public with a convenient and cost effective means of disposing of waste asphalt and concrete. In addition, the Company Borrowers, in cooperation with the City of San José, accepts old toilets at no charge when they are replaced by low-flow, water saving toilets.

Pollution Control: The Borrowers Company represents the Project will generate the following pollution control benefits.

Improved Air Quality. The new Plant will eliminate the need for ancillary moving equipment (crane, fork lift and loader) needed for the current Plant. ~~Fewer-Less~~ motorized equipment translates to reduced exhaust emissions.

SBAF Assistance: The Company ~~is~~ appears to be a small business eligible for assistance from the SBAF in an amount not to exceed \$173,200.

Permits: The ~~Company-Borrowers~~ did not provide staff with copies of permits but state that all permits ~~have-been~~are in place as the Project is a replacement for older equipment.

Anticipated Timeline: ~~RaischThe-Company~~ purchased the new Plant~~equipment~~ and placed it in service in July 2007. The target date for financing is between October and November, 2007.

Local Government Support: The ~~Company-Borrowers~~ provided letters of support from San José City Council members Judy Chirco, Pete Constant, Madison P. Nguyen and also Linda J. LeZotte, a former member of the San José City Council. The ~~Company-Borrowers~~ also provided a letter of support from the Construction Materials Recycling Association of which it is a long-time member (see Attachment A).

Financing Details: ~~The-Company-anticipates-a-tax-exempt, fixed-rate, private placement bond issue with a term not to exceed 10 years for the qualifying portion of the project. A tri-party loan agreement between CPCFA, Heritage Bank of Commerce, and Raisch will support the financing. 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). The Borrowers' obligation to repay the loan of the note proceeds is a joint and several obligation.~~

Financing Team:

Private Placement Investor: Heritage Bank of Commerce

Bond Counsel: Kutak Rock, LLP

Financial Advisor: Growth Capital Associates, Inc.

Issuer's Counsel: Law Offices of Leslie M. Lava

Legal Questionnaire: Staff has reviewed the ~~Borrower~~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 ~~either~~this applicant.

Staff Recommendation: Staff recommends approval of the request for Final Resolution No. 473 for an amount not to exceed \$2,700,000 and a SBAF Resolution in an amount not to exceed \$173,200 for Raisch Company.

**DOUGLAS E. RAISCH AND
RAISCH COMPANY, DOUGLAS
RAISCH AND/OR ITS AFFILIATES**

Bond Amount: \$2,700,000

San José, Sunnyvale (Santa Clara
County) and Fremont (Alameda County)

Application No. 791(SB)

September 25, 2007

STAFF SUMMARY – CPCFA

Prepared by: *Michael Smith*

ISSUE:

Douglas E. Raisch (“Raisch”) and Raisch Company, dba Raisch Products (or any successor thereto, the “Company” and, together with Raisch, collectively, the “Borrowers”)~~Raisch Company, Douglas Raisch and/or its Affiliates (the “Company” or “Raisch”) dba Raisch Products,~~ requests approval of (i) Final Resolution No. 473 in an amount not to exceed \$2,700,000 to finance the purchase of equipment, and (ii) a resolution in an amount not to exceed \$173,200 from the Small Business Assistance Fund (SBAF) for the benefit of the company.

CDLAC Allocation. The Borrowers have~~Company has~~ applied for and anticipates being considered for CDLAC allocation at the September 26, 2007 CDLAC Board meeting.

TEFRA. The TEFRA hearings were held on September 13, 2007 and September 18, 2007. There were no comments received in support of or in opposition to this Project.

SBAF Assistance. The Company is appears to be a small business eligible for assistance from the SBAF in an amount not to exceed \$173,200.

BORROWERS:

The Borrowers~~Company~~ recycles waste, broken asphalt and concrete. The Company was incorporated in California in March 1988. The principal stockholder for Raisch Company is ~~Douglas~~ Raisch with 100% ownership.

Legal Questionnaire. Staff has reviewed the Borrowers’~~Company’s~~ responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of either~~this~~ applicant.

Prior Actions and Financings. An Initial Resolution for \$3,575,000 was approved by the Authority on October 24, 2006.

PROJECT INFORMATION:

The Borrowers~~Company~~ will use~~note anticipates using bond~~ proceeds to purchase a relocatable demolition plant for recycling waste concrete and asphalt materials. The Borrowers~~Company~~ operates from several sites that are leased from affiliated and unaffiliated entities where

construction and demolition (C&D) waste is delivered by contractors, governmental agencies and local residents. The waste is demolished and recycled using a relocatable plant (“Plant”). The Plant includes conveyors, hoppers, crushers, sorters, screens, trailers and a generator. The ~~Borrowers’ Company’s current-old~~ Plant requires ~~ds~~ three days to disassemble, relocate and assemble. The current request is for the purchase of a Plant that requires one day to disassemble, relocate and assemble. Because of the shorter turn around time more waste can be recycled at each site. Also, the Plant can be more efficiently located at customer sites. In the case that the Company loses a lease for a site, the ~~Borrowers Company~~ will move the equipment to another site. These provisions will be in the bond documents.

The anticipated Project and issuance costs to be paid from the ~~notebond~~ proceeds are listed below:

Equipment	\$2,646,000
Cost of Issuance	54,000
Total:	<u>\$2,700,000</u>

Note: The Project costs reported in the Borrowers’~~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 increased costs of certain components of the Project from original estimates, 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 Borrowers~~s~~ 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:

The ~~Borrowers Company~~ represents that the Project is designed to generate the public benefits described below.

Waste Diversion. This request is for equipment only,; ~~H~~however, if C&D material is not recycled it would be added to the waste stream and end up in local landfills. The ~~Borrowers Company~~ currently recycles more than 500,000 tons of waste concrete and asphalt annually. The ~~Borrowers Company~~ provides the public with a convenient and cost effective means of disposing of waste asphalt and concrete. In addition, the ~~Borrowers Company~~, in cooperation with the City of San José, accepts old toilets at no charge when they are replaced by low-flow, water saving toilets.

POLLUTION CONTROL:

The ~~Borrowers Company~~ represents that the Project will generate the following pollution control benefits.

Air Quality. The new Plant will eliminate the need for ancillary moving equipment (crane, fork lift and loader) needed for the current Plant. ~~Fewer-Less~~ motorized equipment translates to reduced exhaust emissions.

PERMITTING & ENVIRONMENTAL APPROVALS:

The ~~BorrowersCompany~~ did not provide staff with copies of permits, but states that all permits ~~have been~~ are in place as the Project is a replacement for older equipment.

ANTICIPATED TIMELINE:

~~RaischThe Company~~ purchased the the new Plant equipment and placed it in service in July 2007. The target date for financing is between October and November, 2007.

LOCAL GOVERNMENT: The ~~BorrowersCompany~~ provided letters of support from San José City Counsel members Judy Chirco, Pete Constant, Madison P. Nguyen, and also Linda J. LeZotte, a former member of the San José City Counsel. The ~~BorrowersCompany~~ also provided a letter of support from the Construction Materials Recycling Association of which it is a long-time member (see Attachment A).

FINANCING DETAILS:

~~The Company anticipates a tax exempt, fixed rate, private placement bond issue with a term not to exceed 10 years for the qualifying portion of the project. A tri party loan agreement between CPCFA, Heritage Bank of Commerce and Raisch Products will support the financing.~~

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 Heritage Bank of Commerce (the "Bank" or 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 the Borrowers. The Borrowers' obligation to repay this loan will be a joint and several obligation, evidenced by the Borrowers' promissory note (the "Borrowers' 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 Borrowers under the Borrowers' 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 Authority 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 Borrowers, 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 neither Borrower is 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 Borrowers, 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 Borrowers, 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.

The Authority previously undertook financings for Tri-City Economic Development Corporation in 2005 and 2007 that were structured in a manner similar to this financing.

FINANCING TEAM:

Private Placement Investor: Heritage Bank of Commerce
Bond Counsel: Kutak Rock, LLP
Financial Advisor: Growth Capital Associates, Inc.
Issuer's Counsel: Law Offices of Leslie M. Lava

RECOMMENDATION:

Staff recommends approval of the request for Final Resolution No. 473 for an amount not to exceed \$2,700,000 and a SBAF Resolution in a amount not to exceed \$173,200 for Raisch Company.

FINAL RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO THE FINANCING FOR SOLID WASTE DISPOSAL FACILITIES
FOR ~~THE BENEFIT OF~~ DOUGLAS E. RAISCH AND RAISCH COMPANY,
DOING BUSINESS AS RAISCH PRODUCTS

September 25, 2007

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), has received the application of Douglas E. Raisch and Raisch Company, a California corporation, doing business as Raisch Products (or any successor thereto, the ~~“Borrower Company”~~ and, collectively, the “Borrowers”), requesting financial assistance in an aggregate principal amount not to exceed \$2,700,000 to (1) finance the cost of certain solid waste ~~recovery~~disposal equipment and machinery and improvements to the ~~Corporation’s~~ Borrowers’ facilities located at 99 Pullman Way, San José, California 95111, 55 Hillsdale Avenue, San José, California 95136, 1444 Borregas Avenue, Sunnyvale, California 94089, and 7010 Auto Mall Parkway, Fremont, California 94538, (2) fund the cost of any credit enhancement or credit commitment costs with respect to the financing, (3) pay capitalized interest with respect to the financing, (4) fund a reserve fund, if necessary, with respect to the financing and (5) pay 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~~ Borrowers have requested the Authority to issue its revenue note in an amount not to exceed \$2,700,000 to assist in the financing of the Project; and

WHEREAS, the proceeds of such revenue note will be loaned to the ~~Borrower~~ Borrowers, jointly and severally, under a loan agreement ~~with~~ among the Authority, the Borrowers and Heritage Bank of Commerce (the “Bank”); and

WHEREAS, the ~~Borrower has~~ Borrowers have 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~~ Borrowers are each 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 (Raisch Company Project) Series 2007” (the “Note”), or such alternate designation as may be approved by the Executive Director ~~or of the Deputy Executive Director~~ Authority, in an aggregate principal amount not to exceed \$2,700,000, is hereby authorized to be issued; provided that (i) the Authority’s bond issuance guidelines for debt rated a minimum of BBB-/BBB-/Baa3 are met; and (ii) the Bank, as lender, executes a sophisticated investor letter in form and substance acceptable to the Authority and the Authority’s Counsel (as herein defined).

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Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Note to ~~Heritage Bank of Commerce~~ (the “Bank”), at any time prior to November 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~~ Borrowers 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~~ Borrowers 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~~ Bank 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~~ Borrowers the Escrow Agreement in substantially the form filed with the Authority,

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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~~ Borrowers Note (the “~~Borrower~~ Borrowers Note”), executed by the ~~Borrower~~ Borrowers 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~~ Borrowers 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~~ among the Authority and the ~~Borrower~~ Borrowers, 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~~ Borrowers 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 the 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~~ Chairman 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~~ Borrowers Note, the Tax Agreement and the Purchase Contract described in Sections 4, 5,

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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 2007 with particular information inserted therein in conformance with the Term Sheet.

Section 11. As requested by the ~~Borrower~~Borrowers, 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 Chairman or the~~ Executive Director of the Authority ~~are~~is 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~~Borrowers 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: \$2,700,000
California Pollution Control Financing Authority
Solid Waste Disposal Revenue Note
(Raisch Company Project) Series 2007

Borrower: Douglas E. Raisch and ~~for~~ Raisch Company, jointly and severally

User: Raisch Company, d/b/a Raisch Products

Use of Proceeds: Proceeds of the ~~Borrower Loan~~Note will be used to (1) finance the cost of certain solid waste ~~recovery–disposal~~ equipment and machinery and improvements to the Corporation’s facilities located at 99 Pullman Way, San José, California 95111, 55 Hillsdale Avenue, San José, California 95136, 1444 Borregas Avenue, Sunnyvale, California 94089, and 7010 Auto Mall Parkway, Fremont, California 94538, (2) fund the cost of any credit enhancement or credit commitment costs with respect to the financing, (3) pay capitalized interest with respect to the financing, (4) fund a reserve fund, if necessary, with respect to the financing and (5) pay certain costs of issuance in connection with the financing (collectively, the “Project”).

Lender: Heritage Bank of Commerce

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

Contact: Roxanne Vane
Senior Vice President & Regional Manager
Heritage Bank of Commerce
150 Almaden Blvd.
San José, California 95113
Direct (408) 792-4019
Fax (408) 287-8721
roxanne.vane@herbank.com

roxanne.vane@herbank.com

AMT: ~~No~~Yes

Denomination: Single Denomination of \$2,700,000

Maturity Schedule: 10 year term, with sinking fund payments

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Interest Rate: The interest rate ~~with respect to~~ the ~~Borrower Loan~~ Note shall be determined by the Lender and the ~~Borrower Borrowers, after consultation with the Authority and the Treasurer,~~ prior to the issuance of the Note.

Prepayments: The ~~Borrower Loan is~~ Note and the Borrowers Note are 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: Counsel to 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 Borrowers~~ pursuant to the ~~Borrower Borrowers~~ 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 ~~DOUGLAS E. RAISCH AND/OR~~ RAISCH COMPANY,
DOING BUSINESS AS RAISCH PRODUCTS

September 25, 2007

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has heretofore approved the application of Douglas E. Raisch and Raisch Company, a California corporation, doing business as Raisch Products (or any successor thereto, the “~~Borrower~~Company” and, collectively, the “~~Borrowers~~”), in an aggregate principal amount not to exceed \$2,700,000 to (1) finance the cost of certain solid waste ~~recovery~~ disposal equipment and machinery and improvements to the ~~Corporation’s~~ Borrowers’ facilities located at 99 Pullman Way, San José, California 95111, 55 Hillsdale Avenue, San José, California 95136, 1444 Borregas Avenue, Sunnyvale, California 94089, and 7010 Auto Mall Parkway, Fremont, California 94538, (2) fund the cost of any credit enhancement or credit commitment costs with respect to the financing, (3) pay capitalized interest with respect to the financing, (4) fund a reserve fund, if necessary, with respect to the financing and (5) pay 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~~ Borrowers for assistance from the Fund; and

WHEREAS, the ~~Borrower has~~Borrowers have demonstrated a financial capability to make loan payments, jointly and severally, to the satisfaction of Heritage Bank of Commerce (~~“Heritage the~~ “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 Company~~ 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 \$173,200 of assistance from the Fund to the ~~Borrower Company~~ to be used for payment of certain costs of issuance of the Note, including certain commitment fees owed to ~~Heritage the~~ 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 Company~~ 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.

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Section 5. This resolution shall take effect immediately upon adoption hereof. The adoption by the Authority of this resolution for the ~~Borrower-Company~~ 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.

Attachment A



JUDY CHIRCO
COUNCIL MEMBER
DISTRICT 3

CITY OF SAN JOSÉ, CALIFORNIA

200 E. SANTA CLARA STREET
COUNCIL OFFICE, 18TH FLOOR
SAN JOSE, CA 95113
(408) 535-4809
FAX (408) 292-6471
judy.chirco@sanjoseca.gov

July 26, 2007

To Whom It May Concern:

It is my pleasure to write this letter of support on behalf of Raisch Products. They have been a model company in San Jose, with a rich history in both community involvement, as well as recycling. The track record of Raisch in San Jose is outstanding. They have:

- Recycled over 350,000 tons of construction and demolition waste in San Jose annually
- Been recognized within the City as a corporate partner, and an active member of the community with a commitment to charity work and fundraising.
- They have taken a leadership role with respect to valuable community work including, but not limited to: education, public safety, and emergency preparedness (offered their sites for training).

As an elected official serving nearly one million people in the City of San Jose, I am pleased to support Raisch Products, and acknowledge their exemplary work with respect to the recycling of C&D waste, and their thoughtful and consistent commitment to San Jose.

Sincerely,

A handwritten signature in cursive script that reads "Judy Chirco".

Councilmember Judy Chirco



P.02/16

JUL-27-2007 09:22

Attachment A



CITY OF SAN JOSÉ, CALIFORNIA

200 E. SANTA CLARA ST., 18TH FLOOR
SAN JOSÉ, CA 95113-1905
(408) 535-4901
(408) 292-6448 FAX
pete.constant@sanjoseca.gov
www.sanjoseca.gov/district1/

PETE CONSTANT
COUNCILMEMBER
DISTRICT 1

July 26, 2007

To Whom it May Concern:

Raisch Products is a valued member of the San Jose business community. The corporation sets a high standard for community involvement and environmentally responsible operation. Raisch assisted the City of San Jose in developing the City's Green Building Policy and leads by example through recycling construction and demolition waste. This commitment to environmentally responsible operation assists the City in achieving the mandates set forth in AB 939.

As a business that gives back, Raisch has supported a number of non-profit organizations that provide integral services to our community. Raisch's commitment to public safety, education and community development is evident in their numerous sponsorships of organizations such as the Silicon Valley Crime Stoppers, The Sheriff's Advisory Board and the Youth Science Institute. Furthermore, when the City of San Jose needed assistance with road improvements to prepare for the 1st annual San Jose Grand Prix, Raisch was happy to help. Raisch provided the City with material at cost in addition to generous sponsorship dollars that helped make the first year a phenomenal success. This event brought \$41.6 Mil. to the City's economy and would not have been possible with the assistance of companies like Raisch Products.

As a San Jose Councilmember, I truly appreciate the commitment that Raisch has shown to our City as well as the benchmark of excellence that Raisch has set as a corporate citizen.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Constant".

Councilmember Pete Constant
City of San Jose

Attachment A

JUL-27-2007 09:49:16 FROM:

TO:2270514

P.1/1



Madison P. Nguyen
COUNCILMEMBER
DISTRICT 7

July 26, 2007

To Whom It May Concern:

It is my pleasure to write a letter of support for Raisch Products. Raisch Products has a long history of service and commitment in the City of San Jose. It is a well respected business in District 7, the district that I represent and is a valuable member of the business community.

Raisch Products not only provides roads and construction material for our City; the company is active in the community and supports numerous events and organizations such as Silicon Valley Crimestoppers, The Sheriff's Advisory Board and the Youth Science Institute.

Raisch Products is also a leader in the recycling industry. The company is known for recycling construction demolition materials and environmentally safe products. Raisch Products should be applauded for its continued commitment to bringing environmentally safe and competitive alternative products to the construction industry. I strongly support them in their efforts to continue their important work in our community.

Please do not hesitate to contact me should you need further information.

Sincerely,

Madison P. Nguyen

200 East Santa Clara Street, 18th Floor San José, CA 95113 tel (408) 535-4907 fax (408) 292-6468 district7@sanjoseca.gov

P.04/16

JUL-27-2007 09:21

Attachment A

Linda J. LeZotte
3704 Rhoda Drive
SAN JOSE, CALIFORNIA 95117
(408) 244.2243

Linda J. LeZotte

Fax (408) 244.2243

July 20, 2007

To whom it may concern,

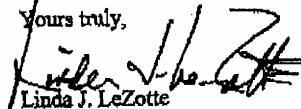
I am writing this letter in support of Raisch Products and their loan application to the California Debt Limit Allocation Committee for the purchase of advanced recycling equipment.

During the past 8 years as a San Jose City Councilmember I have been acutely aware of the business of Raisch Products and their environmental and social advocacy. On the City Council I was known for my own environmental and social advocacy and can attest to their commitment to the environment. As a member of the Green Building Task Force, Raisch Products was a consistent source of information on recycling and recycled product availability during the formulation of San Jose's Green Building policy guidelines. They were also a source of information during council discussion of the necessity for and ability to develop a comprehensive construction and demolition debris policy for the City of San Jose. Clearly understanding the mandate of AB 939, their business model has also reduced significant waste from the landfill by diverting over 300,000 tons per year of demolition asphalt and concrete.

Additionally, Raisch Products has a core belief in social responsibility. They are generous supporters of numerous charities involving youth, seniors and the poor in our community not only with their monetary contributions but through involvement on the boards of many organizations.

I believe in their commitment to the environment and to our community and support their application which will enable Raisch Products to continue their recycling efforts.

Yours truly,



Linda J. LeZotte

hl:rh
cc: Raisch Products

P.05/16

JUL-27-2007 09:21

Attachment A

JUL-27-2007 02:36 FROM:

TO:14082270514

P.1/1



PO BOX 122 EOLA, IL 60519
630/585-7530 fax 630/585-7593

Raisch Products' Role In The C&D Recycling Industry

The Construction Materials Recycling Association is a national non-profit organization that promotes the recycling of construction and demolition (C&D) materials. One of our first members and long-time supporters of CMRA is the concrete and asphalt recycler, Raisch Products, in San Jose, CA. The company was a pioneer in the recycled aggregates industry in California, and still recycles hundreds of thousands of tons of material today.

Raisch Products and one of its employees, John Armando, also pioneered the concept of a C&D ecological park, whereby a group of companies would come together on one site to take in certain wastes, such as concrete and asphalt, process the material onsite through a couple of different entities to make a finished recycled product out the door, rather than moving the material around to get it ready for reuse. The advantages of this concept are numerous, the most obvious being the savings on trucking, not only from a cost standpoint, but the fact that it would reduce truck traffic between companies to process the material, meaning less air pollution and wear and tear on public roads.

Of course, recycling C&D materials by businesses brings other advantages. It saves on our natural resources and landfill space. This is no small matter as it is estimated that 350 million tons of C&D are generated in the US every year. But just as importantly, recycling C&D means that people are employed and taxes are paid in an environmentally friendly industry.

Sincerely,

William Turley
Executive Director
CMRA

P.06/16

JUL-27-2007 09:21