

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM**

Meeting Date: January 23, 2008

Executive Summary

Request To Approve Resolution Amending Bond Documents To Provide For Maturity Extensions, Appointing Successor Trustee And Remarketing Agent And Waiving Notice Period From Resigning Trustee

Prepared by: *Michael Smith*

Applicant: Air Products and Chemicals, Inc. and Air Products Manufacturing Corp. (“Air Products” or the “Company”)	Bond Amount: \$33,900,000
Project Martinez (Contra Costa County) and	Application No.: 572
Location: Wilmington (Los Angeles County)	Final Resolution Nos.: 293 & 296

Type of Business: Air Products (APD on the New York Stock Exchange) is a major international supplier of industrial gases and related equipment, intermediate and specialty chemicals, and equipment and services. Air Products has positions in markets such as semiconductor materials, refinery hydrogen, home healthcare services, natural gas liquefaction, and advanced coatings and adhesives. The Company has annual revenues of \$7.4 billion, and nearly 20,000 employees around the globe. Air Products is a Fortune 500 corporation rated A2/P-1 (Moody's) & A/A-1 (S&P).

Background and Request: CPCFA issued bonds on August 5, 1997 in the amount of \$32 million for the Martinez Facility (the “Martinez Bonds”), and on September 30, 1997 in the amount of \$25 million for the Wilmington Facility (the “Wilmington Bonds,” and together with the Martinez Bonds, the “Company Bonds”), for a total of \$57 million. Pursuant to two separate indentures relating to the Martinez Bonds and the Wilmington Bonds (each an “Indenture” and collectively, the “Indentures”), the Company Bonds were issued in a taxable mode. On March 11, 1998, \$10 million of the Martinez Bonds were converted to tax-exempt status, with the interest rate resetting weekly (the “1997B Bonds”), leaving a remaining \$22 million of the Martinez Bonds in a taxable mode. On December 3, 2007 Air Products received Authority approval to convert the remaining Company Bonds that bear interest at a taxable interest rate to a tax-exempt interest rate upon receipt of an allocation of volume cap from California Debt Limit Allocation Committee (CDLAC). On December 5, 2007 CDLAC approved a volume cap award in the amount of \$33,900,000.

The Company intends to apply this volume cap to convert all of the Wilmington Bonds and a portion of the Martinez Bonds to tax-exempt status.

The \$22 million taxable Martinez Bonds and \$25 million taxable Wilmington Bonds are currently in commercial paper (CP) mode. They are rated A/A-1 by S&P and A2/P-1 by Moody's, which is the same rating as the Company. The \$10 million tax-exempt Martinez bond is in a weekly mode. The Company is requesting to convert the commercial paper bonds to an interest rate resetting daily. In conjunction with such conversions, the Company also intends to change the interest rate on the 1997B Bonds from a weekly rate to a daily rate. The Company’s hope is to have everything in daily mode when all is said and done. Additionally, Air Products is requesting to extend the maturity dates for the Company Bonds to enable the Company to take

advantage of the lower cost of capital afforded by tax exempt rates over an extended period of time. In order to actuate these changes, Air Products desires to amend the above Indentures to:

- Extend the maturity date of the Martinez Bonds, the Wilmington Bonds, and the 1997B Bonds beyond their stated maturity not to exceed an additional 15 years,
- Appoint The Bank of New York Trust Company, N.A., as Successor Trustee to US Bank—the current Trustee, Paying Agent, and Registrar for all the bonds,
- Appoint Goldman, Sachs & Co. (“Goldman”) as Remarketing Agent on the Wilmington Bonds and the Martinez Bonds that are being converted when, in accordance with Section 4.08 of the Indentures, Goldman must resign 15 days prior to the conversion date. Goldman would also be appointed Remarketing Agent for the remaining Taxable Martinez Bonds upon their conversion from a taxable to a tax-exempt rate, and
- Waive the 60 day notice provision contained in Section 10.07 of the Indentures (the time period by which the resigning trustee must notify parties, including the Authority), such that the notice period is reduced to 15 days.

Air Products, in coordination with CPCFA Staff and Counsel, will be required to submit the following documentation prior to the Authority executing the related Supplemental Indentures: (i) written consent of the holders of all the Martinez Bonds and all of the Wilmington Bonds to the extension of the maturities of such Bonds from 2027 to not to exceed 2042; and (ii) the opinions of counsel and of bond counsel required by the Indentures.

Financing Details: The Company anticipates converting \$33,900,000 of the Company Bonds—Taxable Wilmington Bonds and a portion of the Taxable Martinez Bonds—from a taxable interest rate to a negotiated tax-exempt, daily reset, variable term not to exceed 35 remaining years for the qualifying portions of the bonds. The maturity date of the Martinez Bonds, the Wilmington Bonds, and the 1997B Bonds once extended will not exceed 35 years for the qualifying portion of the project. The Company plans to secure each series of bonds with the general corporate credit of Air Products and Chemicals, Inc. The target date for conversion is March 2008.

Financing Team:

Remarketing Agent: Goldman Sachs & Co.
Bond Counsel: Law Offices of Leslie M. Lava
Issuer’s Counsel Office of the Attorney General

Legal Questionnaire: Staff has reviewed the 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 this applicant.

Staff Recommendation: Staff recommends that the Authority approve extending the maturity of the Martinez Bonds, the Wilmington Bonds and the 1997B Bonds for a period not to exceed an additional 15 years; appointment of The Bank of New York Trust Company, N.A., as Successor Trustee to US Bank; appointment of Goldman, Sachs & Co. as Remarketing Agent on the Wilmington Bonds, the Martinez Bonds and for the remaining Taxable Martinez Bonds upon their conversion from a taxable to a tax-exempt rate; and waiving the 60 day notice provision

Agenda Item – 4.C.1.

such that the notice period in which the resigning trustee must notify parties, including the Authority, is reduced to 15 days.

RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO APPOINTMENT OF SUCCESSOR TRUSTEE, AMENDMENTS TO BOND
DOCUMENTS, APPOINTMENT OF REMARKETING AGENT AND WAIVER
OF RESIGNING TRUSTEE NOTICE PERIOD FOR
AIR PRODUCTS AND CHEMICALS, INC. AND
AIR PRODUCTS MANUFACTURING CORPORATION

January 23, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has heretofore issued its Environmental Improvement Revenue Bonds (Air Products Manufacturing Corporation Project) Taxable Series 1997A, in the original aggregate principal amount of \$32,000,000 (the “Martinez Bonds”), pursuant to an Indenture of Trust, dated as of August 1, 1997 (the “Martinez Indenture”), between the Authority and First Union National Bank, as trustee (the “Original Trustee”), for the benefit of Air Products Manufacturing Corporation (“APMC”); and

WHEREAS, the Authority has also heretofore issued its Environmental Improvement Revenue Bonds (Air Products and Chemicals, Inc./Wilmington Facility) Taxable Series 1997A, in the original aggregate principal amount of \$25,000,000 (the “Wilmington Bonds”), pursuant to an Indenture of Trust, dated as of September 1, 1997 (the “Wilmington Indenture”), between the Authority and the Original Trustee, for the benefit of Air Products and Chemicals, Inc. (“APC”); and

WHEREAS, a portion of the Martinez Bonds were converted from a taxable rate to a tax-exempt rate in the aggregate principal amount of \$10,000,000 and, in accordance therewith, on March 17, 1998, the Authority executed and delivered its Environmental Improvement Revenue Bonds (Air Products Manufacturing Corporation Project) Tax-Exempt Series 1997B (the “Initial Tax-Exempt Martinez Bonds” and the remaining Martinez Bonds

bearing interest at a taxable rate, in the aggregate principal amount of \$22,000,000, being referred to herein as the “Taxable Martinez Bonds”); and

WHEREAS, on December 3, 2007, the Authority approved the conversion of any or all of the Wilmington Bonds from a taxable rate to a tax-exempt rate and any or all of the remaining Taxable Martinez Bonds from a taxable to a tax-exempt rate, subject to the receipt from the California Debt Limit Allocation Committee of state volume cap; and

WHEREAS, on December 5, 2007, \$33,900,000 of state volume cap was received by the Authority for APMC and APC, which will permit APMC and APC to convert \$25,000,000 of the Wilmington Bonds to a tax-exempt rate (such converted Wilmington Bonds being referred to herein as the “Tax-Exempt Wilmington Bonds”) and \$8,900,000 of the Taxable Martinez Bonds to a tax-exempt rate (such converted Taxable Martinez Bonds being referred to herein as the “Additional Tax-Exempt Martinez Bonds” and, together with the Initial Tax-Exempt Martinez Bonds, the “Tax-Exempt Martinez Bonds”); and

WHEREAS, APMC and APC have now requested the Authority, in connection with such conversion, to amend the Martinez Indenture and the Wilmington Indenture to extend the maturity dates of the Taxable Martinez Bonds, the Tax-Exempt Martinez Bonds and the Tax-Exempt Wilmington Bonds to not to exceed an additional fifteen (15) years; and

WHEREAS, APMC and APC have also requested the Authority, in connection with such conversion, to appoint The Bank of New York Trust Company, N.A., as successor trustee under the Martinez Indenture and the Wilmington Indenture, and to appoint Goldman, Sachs & Co. as remarketing agent of the Tax-Exempt Wilmington Bonds, the Additional Tax-Exempt Martinez Bonds and the remaining Taxable Martinez Bonds upon their conversion from a taxable to a tax-exempt rate; and

WHEREAS, APMC and APC have also requested the Authority to waive the requirement for 60-days’ written notice from the Original Trustee prior to resigning and instead to agree to 15-days’ written notice; and

WHEREAS, final approval by the Authority of such amendments, such appointments and such notice waiver is now sought;

Section 1. At the direction of APMC, the Authority hereby appoints The Bank of New York Trust Company, N.A. as successor trustee under the Martinez Indenture (the “Martinez Successor Trustee”), effective upon the effective date of the hereinafter referred to Martinez Supplemental Indenture. At the direction of APC, the Authority hereby appoints The Bank of New York Trust Company, N.A. as successor trustee under the Wilmington Indenture (the “Wilmington Successor Trustee”), effective upon the effective date of the hereinafter referred to Wilmington Supplemental Indenture.

Section 2. The extension of the maturity date of the Martinez Bonds from August 1, 2027 to not to exceed August 1, 2042 is hereby approved, subject to receipt by the Executive Director of the Authority of (i) the written consent of the holders of 100% of the Martinez Bonds then Outstanding (as defined in the Martinez Indenture), APMC and the Martinez Successor Trustee to such extension; (ii) and the opinion of Counsel and opinion of Bond Counsel contemplated by Section 11.06 of the Martinez Indenture.

Section 3. The proposed form of First Supplemental Indenture of Trust relating to the Martinez Bonds (the “Martinez Supplemental Indenture”), between the Authority and the Martinez Successor Trustee, as filed with the Authority prior to this meeting, 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 Martinez Successor Trustee, the Martinez Supplemental Indenture 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, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Chairman (or any of his Deputies) and the Executive Director of the Authority are 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 Taxable Martinez Bonds and the Tax-Exempt Martinez Bonds, in an aggregate principal amount not to exceed \$13,100,000 and \$18,900,000, respectively, in accordance with the Martinez Indenture, as supplemented by the Martinez Supplemental Indenture, and in the form set forth in the Martinez Indenture, as supplemented by the Martinez Supplemental Indenture.

Section 5. The extension of the maturity date of the Wilmington Bonds from September 1, 2027 to not to exceed September 1, 2042 is hereby approved, subject to receipt by the Executive Director of the Authority of (i) the written consent of the holders of 100% of the Wilmington Bonds then Outstanding (as defined in the Wilmington Indenture), APC and the Wilmington Successor Trustee to such extension; (ii) and the opinion of Counsel and opinion of Bond Counsel contemplated by Section 11.06 of the Wilmington Indenture.

Section 6. The proposed form of First Supplemental Indenture of Trust relating to the Wilmington Bonds (the “Wilmington Supplemental Indenture”), between the Authority and the Wilmington Successor Trustee, as filed with the Authority prior to this meeting, 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 Wilmington Successor Trustee, the Wilmington Supplemental Indenture 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, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The Chairman (or any of his Deputies) and the Executive Director of the Authority are 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 Tax-Exempt Wilmington Bonds, in an aggregate principal amount not to exceed \$25,000,000, in accordance with the Wilmington Indenture, as supplemented by the Wilmington Supplemental Indenture, and in the form set forth in the Wilmington Indenture, as supplemented by the Wilmington Supplemental Indenture.

Section 8. At the direction of APMC, the Authority hereby appoints Goldman, Sachs & Co. as remarketing agent of the Additional Tax-Exempt Martinez Bonds and of the remaining Taxable Martinez Bonds upon their conversion from a taxable to a tax-exempt rate. At the direction of APC, the Authority hereby appoints Goldman, Sachs & Co. as remarketing agent of the Tax-Exempt Wilmington Bonds.

Section 9. The Authority hereby waives (solely with respect to the resignation of the Original Trustee as contemplated hereby) the requirement of Section 10.07 of the Martinez Indenture and the Wilmington Indenture for 60 days' written notice of the resignation of the Original Trustee and agrees to 15 days' written notice of such resignation.

Section 10. The officers of the Authority and its authorized deputies are hereby authorized and directed, jointly and severally, to perform any ministerial acts and, with the advise of counsel to the Authority, to execute and deliver any and all documents and certificates which they may deem necessary or advisable in order to effectuate the purpose of this resolution.

Section 11. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this resolution for APC and APMC shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Projects (as defined in the Martinez Indenture and the Wilmington Indenture) or in any application for any required permission or authority to construct or operate the Projects.