

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
 Public Benefit Analysis
 Exempt Facility Project Pool
 May 17, 2006 Allocation

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

The California Debt Limit Allocation Committee (“Committee”) is responsible for administering California’s annual tax-exempt private activity bond program, known as “the annual State ceiling”. For calendar year 2006, California’s State ceiling is \$2.891 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as “Program Pools”, including the Exempt Facility Project Pool. For calendar year 2006, the Committee reserved \$421 million, or 14.5%, of the State ceiling for the Exempt Facility Project Pool. The \$421 million of bond authority will be allocated in six allocation meetings during calendar year 2006. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business¹ under Regulatory Mandate², 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

The Committee awarded a total of \$54,475,000 for exempt facilities on May 17, 2006. This represents 13% of the \$421 million Exempt Facility Project Pool and 1.9% of the 2006 \$2.891 billion State ceiling. The entire May 17, 2006 allocation was awarded to a single issuer, the California Pollution Control Financing Authority, for three exempt facility projects located in California. All of the projects are First Tier Projects under Regulatory Mandate. The projects are solid waste disposal and/or recycling facilities, which includes the construction of new facilities or the expansion of existing facilities, and the purchase of more efficient and cleaner fuel burning equipment. In addition, the three projects are expected to create over 31 full time jobs as a result of these allocations.

May 17, 2006 Allocation Benefit of Exempt Facility Program

Allocation Amount Round 3	First Tier Project Under Regulatory Mandate	Non-First Tier Project Under Regulatory Mandate	Total Exempt Facility Projects
\$54,475,000	3	0	3

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

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

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First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
Evergreen Oil, Inc. and/or its affiliates	\$8,450,000	<p>According to the application, Evergreen Oil, Inc. is a collector and processor of solid and hazardous waste substances, which, if left untreated cannot be disposed of in most conventional landfills. The company collects used oil, used oil filters, oily wastewater, waste anti-freeze and the remnants of sumps and clarifiers from more than 6,500 customers in the metropolitan bay area. Evergreen recycles approximately 75% of the incoming volume by re-refining the contaminated oil. The solids are transported to offsite landfills for ultimate disposal. The re-refined product is then sold for automotive and industrial lubrication applications. Part of Evergreen Oil, Inc.'s process includes the aggregation, treatment and transportation to disposal sites of solid wastes, which are contained within the processed substances. The Project consists of the expansion of the company's 7-acre operating site. The expansion will be financed and constructed in two phases. According to the application, the request for tax-exempt bond authority is for Phase I, which will include a rail car loading station, a wastewater treatment plant, drum storage and consolidation pads, lab upgrades, bobtail tanks, a loading/unloading area with a drum pumping system, and oily storm/wash water collection systems. It is expected that the project will include the construction of foundations upon which much of the equipment will be based. Associated technical equipment includes heaters, separators, compressors, pumps, filters, piping, fittings, insulation, a vacuum system, and related instrumentation. The balance of the project costs, Phase II, is anticipated to be funded from the sale of taxable bonds or a conventional loan. The re-refining process uses much less energy than the refining of virgin crude oil. Re-refined oil takes about 1/3 the energy of refining crude oil. The proposed Project will create approximately 11 full-time jobs. The proposed Project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with State AB 939 and Federal (U.S. Resource Conservation and Recovery Act) Regulatory Mandates regarding the processing of hazardous waste.</p>
Burrtec Waste & Recycling Services, Inc. and/or its affiliates	\$26,425,000	<p>According to the application, the proposed Project involves the purchase of 70 new collection vehicles to replace the company's outdated existing fleet; the acquisition of land and buildings; and the installation of solid waste collection and recycling equipment including carts and bins for both residential and commercial collection to convert from the current manual collected refuse and source separated recycling programs to automated collection systems at all of its waste hauling operations in the six county area it serves, San Diego, San Bernardino, Los Angeles, Riverside, Orange and Imperial. The new collection vehicles will be either CA Air Resources Board compliant low emission or alternative fuel powered. The proposed Project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with State AB 939.</p>

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First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
CR & R, Inc. and/or its affiliates	\$19,600,000	<p>According to the application, the proposed Project involves the upgrade and improvements to its materials recovery facility and various recycling operations located within the Counties of Orange, Los Angeles, Riverside and San Bernardino to accommodate the growth in their service areas. The Project Sponsor will purchase additional sorting lines, balers, loaders, crushers, a street sweeper and related waste processing equipment, making site improvements to allow for new efficiencies and the acquisition of additional new CA Air Resources Board compliant low emission waste collection vehicles and containers system wide. The proposed Project will create approximately 20 full time jobs. The proposed Project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with State AB 939.</p>