

CERTIFIED
COPY

BEFORE THE
CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD
MARKET DEVELOPMENT COMMITTEE

IN THE MATTER OF THE:)
MARKET DEVELOPMENT)
COMMITTEE MEETING)
_____)

DATE AND TIME: WEDNESDAY, MAY 13, 1998
9:30 A.M.

PLACE: BOARD HEARING ROOM
8800 CAL CENTER DRIVE
SACRAMENTO, CALIFORNIA

REPORTER: BETH C. DRAIN, RPR, CSR
CERTIFICATE NO. 7152

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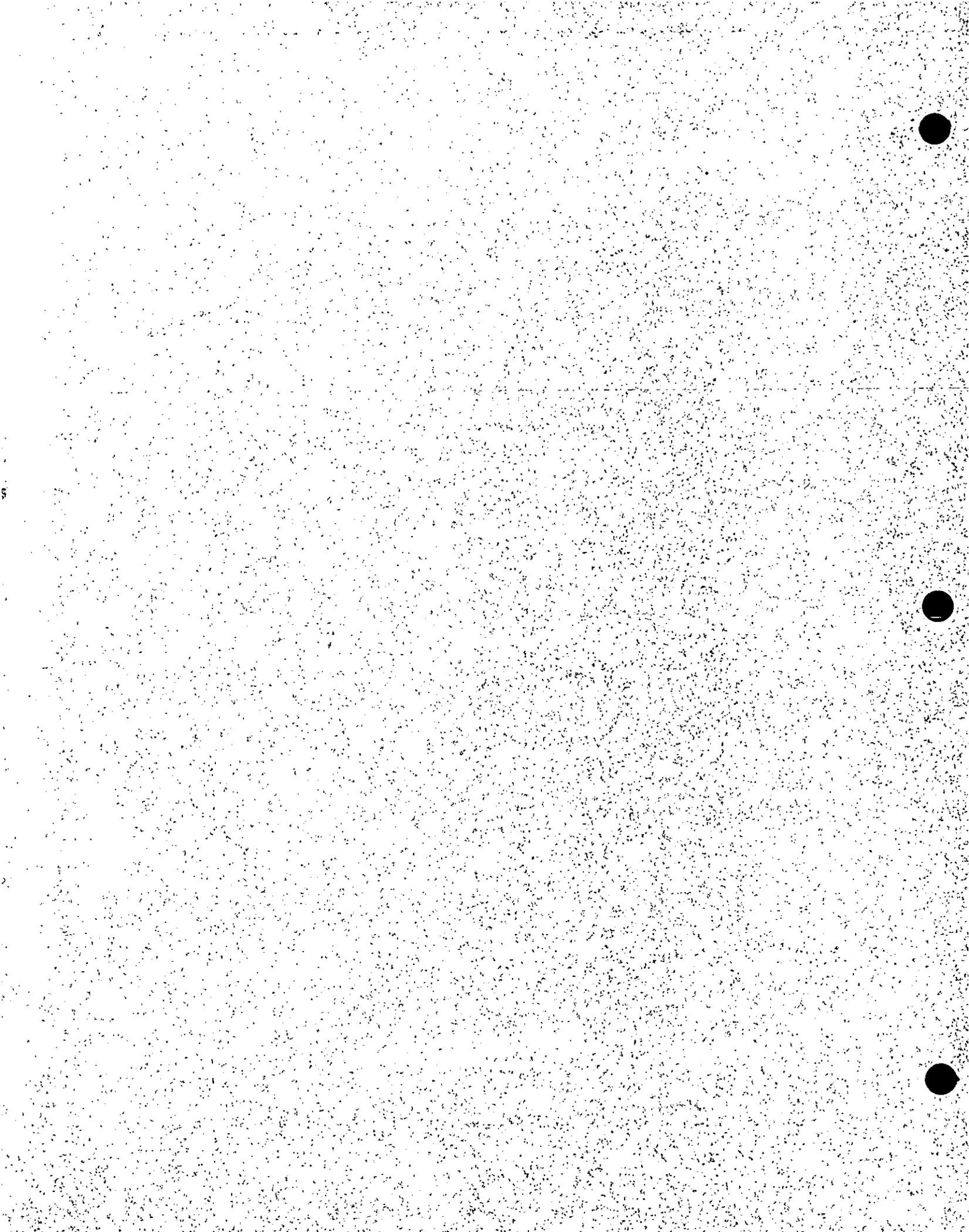
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APPEARANCES

MR. JOHN AMODIO, CHAIRMAN
MR. DANIEL PENNINGTON, MEMBER (NOT PRESENT)
MR. WESLEY CHESBRO, MEMBER

PRESENT

MR. RALPH CHANDLER, EXECUTIVE DIRECTOR
MR. KEITH SMITH, DEPUTY DIRECTOR
MR. ELLIOT BLOCK, LEGAL COUNSEL
MS. DONNELL DUCLO, COMMITTEE SECRETARY



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1 SACRAMENTO, CALIFORNIA; WEDNESDAY, MAY 13, 1998

2 9:30 A.M.

3
4 CHAIRMAN AMODIO: GOOD MORNING. I WELCOME YOU
5 TO THE MEETING OF THE MARKET DEVELOPMENT COMMITTEE TO
6 ORDER. WOULD THE SECRETARY PLEASE CALL THE ROLL.

7 THE SECRETARY: CHAIRMAN AMODIO.

8 CHAIRMAN AMODIO: PRESENT.

9 THE SECRETARY: MEMBER CHESBRO.

10 MEMBER CHESBRO: HERE.

11 CHAIRMAN AMODIO: ALL RIGHT. IT'S A PLEASURE
12 TO CHAIR MY FIRST OPPORTUNITY TO CHAIR THIS COMMITTEE.
13 I WANT TO THANK CHAIRMAN PENNINGTON FOR WORKING WITH ME
14 TO ALLOW ME TO BE ON THIS COMMITTEE, WHICH I'VE SOUGHT,
15 AND LOOK FORWARD TO WORKING WITH ALL OF YOU IN THAT
16 CAPACITY. AND ALSO WANT TO THANK MEMBER EATON WHO WAS
17 KIND ENOUGH TO VACATE HIS SPOT, KNOWING OF MY GREAT
18 INTEREST IN THIS, AND SO I FEEL VERY SUPPORTED IN
19 GETTING THIS OPPORTUNITY.

20 WOULD YOU PLEASE CALL FOR EX PARTE
21 COMMUNICATIONS FROM THE COMMITTEE MEMBERS? ANY EX
22 PARTE COMMUNICATIONS?

23 MEMBER CHESBRO: I DON'T HAVE ANY.

24 CHAIRMAN AMODIO: OKAY. I HAVE NONE TO REPORT
25 THIS MORNING EITHER.



1 IF ANYONE WISHES TO SPEAK BEFORE THE
2 COMMITTEE, YOU NEED TO FILL OUT A SPEAKER FORM THAT CAN
3 BE FOUND ON THE BACK TABLE. I'D ALSO JUST LIKE TO
4 ANNOUNCE THAT WE'RE GOING TO BE TAKING ONE AGENDA ITEM
5 OUT OF ORDER. WE'RE GOING TO TAKE ITEM NO. 6
6 IMMEDIATELY FOLLOWING THE REPORT FROM THE DEPUTY
7 DIRECTOR IN ORDER TO ACCOMMODATE THE FLIGHT SCHEDULE
8 FOR MR. COPP.

9 I'D LIKE TO NOW JUST CALL ON OUR DEPUTY
10 DIRECTOR, CAREN, TO GIVE HER REPORT.

11 MS. TRGOVCICH: THANK YOU, MEMBER AMODIO. I'M
12 CAREN TRGOVCICH, DEPUTY DIRECTOR OF THE WASTE
13 PREVENTION AND MARKET DEVELOPMENT DIVISION. I HAVE
14 FOUR BRIEF ITEMS FOR YOU THIS MORNING.

15 THE FIRST ONE IS PROBABLY WELL-KNOWN TO
16 THE MEMBERS, BUT FOR THOSE MASSES IN THE AUDIENCE THAT
17 MAY BE UNAWARE OF IT, THE BOARD APPLIED THIS YEAR FOR A
18 GRANT THROUGH THE JOBS THROUGH RECYCLING PROGRAM. WE
19 CALL IT JTR '98. WE ACTUALLY APPLIED FOR TWO DIFFERENT
20 PROGRAMS. ONE OF THEM WAS APPROVED, AND WE WERE
21 RECENTLY NOTIFIED THAT WE RECEIVED A GRANT AWARD IN THE
22 AMOUNT OF \$200,000 FROM U.S. EPA. AND THE PURPOSE OF
23 THIS GRANT WILL BE TO DEVELOP REGIONAL MARKETS AROUND
24 EXISTING PROCESSING FACILITIES THAT ARE GENERATING
25 FEEDSTOCK. SO WE'RE CALLING THIS REGIONAL MARKETS FOR



1 RECYCLABLES.

2 THE MANUFACTURING BUSINESSES THAT CAN USE
3 THE FEEDSTOCKS THROUGH THIS GRANT WILL BE SITED IN
4 EITHER CLOSE PROXIMITY TO THE GENERATING FACILITY OR IN
5 THE IMMEDIATE REGION. OUR PARTNERS IN THIS GRANT
6 PROGRAM INCLUDE WASTE MANAGEMENT INC., THE CITY OF SAN
7 LEANDRO, MATERIALS FOR THE FUTURE, THE CORPORATION FOR
8 MANUFACTURING EXCELLENCE, AND THE OAKLAND-BERKELEY
9 RMDZ. SO THIS IS A BIG STEP FORWARD FOR US. THIS IS
10 IN MANY OF OUR GRANT EFFORTS, I CONSIDER THIS TO BE ONE
11 OF OUR MOST FRONT-LINE TYPE OF ACTIVITIES.

12 THIS IS A REAL DOING GRANT. WE'RE GOING
13 TO BE OUT THERE LOOKING AT THE CONCEPT AROUND
14 CO-LOCATION OF FACILITIES AROUND A POINT OF -- SINGLE
15 POINT OF GENERATION. A LOT OF FOLKS REFER TO THAT AS
16 THE ECOINDUSTRIAL CONCEPT. WE'LL BE LOOKING AT THAT,
17 BUT A VARIETY OF OTHER THINGS AS WELL. AND WE'RE
18 HOPING TO BE ABLE TO TEST MANY OF THE THEORIES AROUND
19 CO-LOCATION, THEORIES PERTAINING TO REDUCED
20 TRANSPORTATION COST, LABOR COSTS, ETC. SO WE'RE REALLY
21 LOOKING TO DO A LOT WITH THIS GRANT.

22 MOVING BACK INTO THE ZONE PROGRAM, WE ARE
23 IN THE PROCESS RIGHT NOW OF COMPLETING A VERY
24 AGGRESSIVE PROGRAM WITH THE LOS ANGELES COUNTY RMDZ,
25 THE CENTRAL COAST RMDZ, CONTRA COSTA, AND VENTURA



1 RMDZ'S. WE'VE DONE AN AGGRESSIVE MARKETING CAMPAIGN
2 WITH THEM. WE'VE BEEN SENDING OUT DIRECT MAIL
3 PACKAGES. WE'VE BEEN FOCUSING ON FOLLOW-UP PHONE
4 CALLS, AND WE'VE BEEN ALSO TARGETING SOME SPECIFIC
5 BUSINESS LISTINGS THAT HAVE BEEN PROVIDED TO US AS
6 WELL.

7 I THINK THAT FROM THE APPLICATIONS THAT
8 ARE COMING FORWARD, WE HAD A LOAN BEFORE THE BOARD LAST
9 MONTH, WE HAVE A LOAN THIS MONTH. WE'RE CERTAINLY
10 STARTING TO SEE THINGS RAMP UP IN TERMS OF APPLICATIONS
11 COMING IN AND DOLLARS MOVING OUT.

12 THEN TO SUMMARIZE FOR YOU THE LOAN FUND
13 STATUS, AS OF APRIL 30TH, WE HAD 61 LOANS CLOSED IN THE
14 AMOUNT OF \$26.2 MILLION. ABOUT \$20 MILLION REMAIN FOR
15 RMDZ LOANS THIS FISCAL YEAR. AND DURING THE MONTH OF
16 MAY, WE BELIEVE THAT WE WILL CLOSE TWO MORE LOANS IN
17 THE AMOUNT OF CLOSE TO \$1.5 MILLION. SO WE'RE STARTING
18 TO SEE THAT DOLLAR AMOUNT IN THE FUND DROP.

19 AND FINALLY, SINCE TIRES ARE OUR
20 BUSINESS, I THOUGHT WE WOULD REPORT TO THIS COMMITTEE
21 AS WELL AS POLICY COMMITTEE ON THE MARKET EFFORTS
22 PERTAINING TO SOME OF OUR TIRE PROGRAMS.

23 MEMBER CHESBRO: TIRES ARE US.

24 MS. TRGOVCICH: TIRES ARE US. AS YOU ARE
25 AWARE, UNDER THE TIRE PROGRAM THIS YEAR, WE INITIATED A



1 GRANT PROGRAM WITH STATE AGENCIES TRYING TO FOCUS ON
2 STATE AGENCY PROCUREMENT AS A MARKET DEVELOPMENT AREA
3 FOR TIRES. AND UNDER THAT PROGRAM WE'VE HAD OVER
4 \$12,000 WORTH OF RECYCLED TIRE MATS AND RAMPS ORDERED
5 FROM FIVE DIFFERENT MANUFACTURERS HERE IN THE STATE.
6 THE RAMPS WILL BE PLACED WITHIN 21 AGENCIES AT 54
7 LOCATIONS AROUND THE STATE, AND THE AGENCIES THAT ARE
8 SPECIFICALLY COMING IN UNDER THIS PROGRAM INCLUDE THE
9 OFFICE OF THE STATE ARCHITECT, THE DEPARTMENT OF PARKS
10 AND REC, CALTRANS, THE DEPARTMENT OF MOTOR VEHICLES,
11 CAL. EXPO, STATE PRINTERS, DIVISION FORESTRY, AND WE'RE
12 SEEING A LOT MORE COME IN. THAT REPRESENTS, I BELIEVE,
13 ABOUT ONE-THIRD OR ONE-FOURTH OF THE DOLLARS AVAILABLE
14 UNDER THIS PROGRAM. AND STEVE BOYD HAS BEEN REALLY
15 WORKING VERY DILIGENTLY WITHIN THE PROGRAMS AND WITH
16 THE STATE AGENCIES TO PUSH THIS EFFORT FORWARD. AND
17 THAT COMPLETES MY REPORT.

18 CHAIRMAN AMODIO: GREAT. ANY QUESTIONS OR
19 COMMENTS, WESLEY? OKAY. I JUST HAVE ONE QUESTION
20 HERE. THEY GAVE ME THE SCRIPT, BUT THEY STILL HAVEN'T
21 TRAINED ME.

22 CAN YOU JUST TELL THE DURATION OF THE
23 \$200,000 GRANT FROM EPA?

24 MS. TRGOVCICH: I BELIEVE THAT'S AN 18-MONTH
25 GRANT. CAN ANYONE TELL ME? THE DURATION OF THE



1 200,000 OF THE JTR '98. TWO YEARS. SO IT'S A TWO-YEAR
2 PLAN. AND VERY SIMILAR TO MANY OF OUR GRANTS, IF WE
3 FIND THAT ACTIVITIES CONTINUE BEYOND THAT, MANY TIMES
4 WE HAVE THE ABILITY TO REQUEST AN EXTENSION. FOR
5 EXAMPLE, JTR '96, WHICH WAS A GRANT WE RECEIVED FROM
6 U.S. EPA A COUPLE YEARS AGO, WE JUST DID NOT -- WE DID
7 NOT RECEIVE AN EXTENSION, BUT WE JUST EXPANDED IT TO
8 INCLUDE SOME ACTIVITIES AT VANDENBERG AIR FORCE BASE.
9 SO THEY'RE FAIRLY AMENABLE TO MODIFICATIONS TO BE ABLE
10 TO ACHIEVE THE GRANT OBJECTIVES.

11 CHAIRMAN AMODIO: ACTUALLY JUST ONE OTHER
12 QUESTION. ON THE OUTREACH THAT YOU'VE BEGUN WITHIN THE
13 CENTRAL COAST RMDZ AREA, CAN YOU JUST DESCRIBE WHAT YOU
14 ARE DOING DIFFERENTLY THERE AND IF YOU ARE VIEWING THIS
15 AS A PROTOTYPE FOR WAYS IN WHICH YOU MIGHT BE TRYING TO
16 PROMOTE GREATER ACTIVITY IN OTHER RMDZ'S?

17 MS. TRGOVCICH: WHAT WE'RE TRYING TO DO IS
18 FOLLOW MORE OR LESS A MODEL THAT WE'VE WORKED VERY
19 DILIGENTLY ON IN THE SOUTHERN CALIFORNIA AREA, WORKING
20 CLOSELY WITH THE ZONE ADMINISTRATORS, AND I BELIEVE
21 CENTRAL COAST IS A LITTLE BIT DIFFERENT BECAUSE IT'S MY
22 UNDERSTANDING THAT THEY HAVE A ROTATING ADMINISTRATOR
23 AMONGST THE VARIOUS ENTITIES THAT COMPRISE THE ZONE.
24 SO THERE'S NOT A SINGLE ADMINISTRATOR, BUT IT ROTATES
25 AMONGST THE COUNTIES. AND I BELIEVE THAT ROTATION JUST



1 OCCURRED ABOUT FOUR TO SIX MONTHS AGO, SO WE HAVE A
2 RELATIVELY NEW LOAN ADMINISTRATOR THERE.

3 AND WHAT WE DO IS TARGET, WITH THEIR
4 ASSISTANCE, WE IDENTIFY BUSINESS LISTINGS. WE HAVE
5 ALSO ACCESS TO DUN AND BRADSTREET LISTINGS. WE TRY TO
6 NARROW THE FOCUS THERE. WE SEND OUT BROCHURES,
7 MAILINGS, WE HAVE STUDENTS THAT ARE FUNDED OUT OF THE
8 LOAN PROGRAM THAT THEN MAKE FOLLOW-UP CALLS TO ALL OF
9 THOSE ENTITIES AND BEGIN TO WORK WITH THEM. WE ALSO
10 HAVE OUR LOAN OFFICERS WHO THEN WORK IN COOPERATION
11 WITH THE ZONE ADMINISTRATOR, FOLLOWING UP WITH MANY OF
12 THE MORE PROMISING BUSINESSES, ACTUALLY GOING OUT AND
13 VISITING SOME OF THOSE BUSINESS SITES, SITTING DOWN
14 WITH THEM, AND TRYING TO DESCRIBE TO THEM WHY THIS
15 PROGRAM WOULD MAKE SENSE FOR THEM.

16 AND MANY TIMES IT DOESN'T ENTAIL MEETING
17 A BUSINESS THAT IS JUST READY TO COME ON BOARD. MANY
18 TIMES WE ACT IN THE BUSINESS CONSULTANT MANNER, AND WE
19 ARE SITTING DOWN WITH THOSE BUSINESSES AND REALLY
20 TRYING TO CONVINCING THEM WHY THEY SHOULD RETOOL, WHY
21 THEY SHOULD EXPAND. SO WE OFFER MANY SERVICES BEYOND
22 JUST SIMPLY OUR LOAN SERVICE ITSELF WHEN WE MEET WITH
23 THEM.

24 CHAIRMAN AMODIO: GOOD. THIS SOUNDS VERY
25 PROMISING, AND I COMMEND YOU FOR THIS EFFORT.



1 ALL RIGHT. NOW WE'LL TAKE UP AGENDA ITEM
2 NO. 6, AND CONSIDERATION OF RMDZ LOAN APPLICATION FOR
3 COPP MATERIALS INCORPORATION. LET ME ANNOUNCE THAT WE
4 HAD ON OUR ORIGINAL AGENDA HAD IDENTIFIED THAT WE'D BE
5 CONSIDERING AT THIS TIME A LOAN FOR THE ADVANCED PAPER
6 BOX COMPANY INCORPORATON. THAT LOAN APPLICATION WILL
7 NOT BE CONSIDERED AT THIS TIME.

8 WE'LL MOVE TO ITEM NO. 6.

9 MEMBER CHESBRO: BEFORE WE LEAVE THAT ONE
10 THOUGH, CAN I ASK WHAT HAPPENED TO IT.

11 MS. TRGOVCICH: THEY DID NOT WANT TO PAY ANY
12 LOAN FEES. AS YOU WILL REMEMBER AT THE BOARD MEETING
13 LAST MONTH, WE DROPPED THE LOAN FEE FROM 3 PERCENT TO
14 ONE AND A HALF. THEY ALL ALONG HAD BEEN ADVISED THAT
15 THEY WOULD HAVE -- THAT THERE WOULD BE LOAN FEE TO
16 PAY. THE LOAN FEE WAS REDUCED IN HALF DURING THE TIME
17 THAT THEIR APPLICATION MOVED FORWARD. AND PERSONALLY I
18 THINK THEY JUST GOT A BETTER DEAL FROM THEIR OWN BANK.
19 SO THEY WERE, YOU KNOW, TRYING TO GET THE BEST DEAL ALL
20 AROUND. THEY WERE USING IT AS A NEGOTIATING TOOL
21 PERHAPS --

22 MEMBER CHESBRO: SO THEY WITHDREW, BUT THE
23 PROJECT OR BUSINESS IS GOING FORWARD WITH THEIR PLANS?

24 MS. TRGOVCICH: CORRECT.

25 MEMBER CHESBRO: THANK YOU.



1 MS. TRGOVCICH: JEFF INGLES WILL BE MAKING
2 THIS PRESENTATION. HE IS A LOAN OFFICER WITH THE RMDZ
3 LOAN PROGRAM.

4 CHAIRMAN AMODIO: WELCOME, JEFF.

5 MR. ENGELS: GOOD MORNING, EVERYONE. FOR THE
6 RECORD, I'M JEFFREY INGLES. CHAIRMAN AMODIO, MEMBER
7 CHESBRO --

8 CHAIRMAN AMODIO: BEST YET.

9 MR. INGLES: I WAS PREPPED ON THAT NAME.

10 -- BOARD STAFF AND THE GENERAL AUDIENCE,
11 I'M PLEASED TO PRESENT TO YOU TODAY, TO THE MARKET
12 DEVELOPMENT COMMITTEE, THE FOLLOWING RECYCLING MARKET
13 DEVELOPMENT ZONE LOAN FOR COPP MATERIALS, INC. IN
14 ATTENDANCE AT TODAY'S MEETING IS MR. DANIEL COPP,
15 SEATED OUT HERE IN THE AUDIENCE, PRESIDENT OF COPP
16 MATERIALS, INC. MR. COPP IS AVAILABLE TO ANSWER ANY
17 QUESTIONS SPECIFIC TO HIS COMPANY THAT THE COMMITTEE
18 MAY HAVE.

19 I JUST WANT TO REVIEW A LITTLE BIT ABOUT
20 THE SUMMARY OF MR. COPP'S COMPANY. THIS IS FOR LOAN
21 NO. 98-174. THE BORROWER WILL BE COPP MATERIALS, INC.
22 THE MARKET DEVELOPMENT ZONE IS THE ANAHEIM MARKET
23 DEVELOPMENT ZONE LOAN FOR THE AMOUNT OF \$700,000. THE
24 PURPOSE FOR THE LOAN IS FOR A NEW EQUIPMENT PURCHASE AT
25 A RATE OF 5.7 PERCENT. THE TERM WILL BE 84 MONTHS



1 FULLY AMORTIZED WITH A LOAN FEE OF 1.5 PERCENT.
2 PAYMENTS WILL BE \$10,945.26 PER MONTH ANNUALIZED AT
3 \$131,343.12. THE SECURITY WILL BE A UCC FILING ON NEW
4 EQUIPMENT WITH GUARANTORS OF MR. COPP, CRUSHING
5 CORPORATION, MR. DANIEL COPP, HIS SISTER KAREN AYRES,
6 AND MR. ERNEST A. COPP, FATHER OF BOTH DANIEL COPP AND
7 KAREN AYRES.

8 IN TERMS OF DIVERSION ON THIS PROJECT,
9 CURRENTLY THE DIVERSION OF CONCRETE AND ASPHALT IS
10 1,500,000 TONS PER YEAR WITH A PROJECTED INCREASE OF
11 500,000 TONS PER YEAR FOR AN INCREASE -- TOTAL INCREASE
12 OF 200 MILLION TONS PER YEAR. JOBS CREATED, THERE'S
13 CURRENTLY 35 JOBS WITH A PROJECTED INCREASE OF FOUR
14 JOBS FOR A TOTAL OF 39.

15 MR. COPP'S BANKING RELATIONSHIP IS
16 CURRENTLY WITH BANK OF AMERICA AND UNION BANK. AND I'M
17 PRESENTING THIS LOAN ON BEHALF OF CHARLES HAUBRICH, WHO
18 IS OUT THIS WEEK.

19 PROCEEDS FROM THE LOAN REQUEST WILL BE
20 USED TO PURCHASE A FOURTH PORTABLE JAW CRUSHING PLANT
21 WITH MAGNET AND RELATED EQUIPMENT. THE NEW EQUIPMENT
22 WILL ALLOW THE COMPANY TO ENGAGE IN AN INCREASE OF
23 ANNUAL DIVERSION OF CONCRETE ASPHALT, AS INDICATED, OF
24 500,000 TONS PER YEAR. THE NEW EQUIPMENT IS PORTABLE
25 AND REQUIRES ONLY 24 HOURS TO TAKE DOWN AND SET UP.



1 THE COMPANY WILL BE EMPLOYING THE NEW EQUIPMENT AT
2 THEIR EXISTING 12 CONCRETE ASPHALT SITES THROUGHOUT THE
3 GREATER LOS ANGELES BASIN.

4 COPP MATERIALS, INC. AND ITS FAMILY OF
5 COMPANIES WAS ORIGINALLY FOUNDED IN 1954. SINCE 1978
6 MR. COPP AND HIS SISTER, MRS. KAREN AYRES, HAVE MANAGED
7 THE TOTAL OPERATION OF ALL COMPANIES FOR OVER 20 YEARS.
8 IN ADDITION, BOTH MR. COPP AND MRS. AYRES HAVE CLASS A
9 STATE CONTRACTOR LICENSES.

10 I'M ALSO PLEASED TO REPORT TO THE MARKET
11 DEVELOPMENT COMMITTEE THAT LOAN STAFF HAS PROCESSED AND
12 COMPLETED THIS ANALYSIS FOR PRESENTATION TO THE LOAN
13 COMMITTEE WITHIN ONE MONTH OF RECEIPT OF SAID
14 APPLICATION. FURTHER, WE EXPECT THIS LOAN, SUBJECT TO
15 APPROVAL OF THE MARKET DEVELOPMENT COMMITTEE, TO FUND
16 WITHIN 30 DAYS. THIS IS DUE TO THE IMPLEMENTATION OF
17 OUR LASERPRO DOCUMENTATION SYSTEM AND OTHER UPDATED
18 CLOSING PROCEDURES.

19 THE RMDZ LOAN COMMITTEE MEETING WAS HELD
20 ON MAY 7TH, 1998, AT 9 A.M. A QUORUM WAS PRESENT TO
21 HEAR AND VOTE ON THE COPP MATERIALS, INC. LOAN
22 REQUEST. THE FINDINGS AND ACTION OF THE LOAN COMMITTEE
23 TO THE BOARD WAS TO RECOMMEND THE LOAN REQUEST FOR
24 APPROVAL FOR COPP MATERIALS, INC. IN THE AMOUNT OF
25 \$700,000 WITH THE FOLLOWING MODIFICATION, THAT THE



1 COMPANY MAINTAIN A MINIMUM DEBT COVERAGE RATIO OF ONE
2 TO ONE.

3 IN CONCLUSION, I WOULD LIKE TO THANK THE
4 BOARD FOR THE TIME ALLOWING ME TO MAKE THIS
5 PRESENTATION TO THEM AND AT THIS TIME WILL ENTERTAIN
6 ANY QUESTIONS FROM YOU.

7 CHAIRMAN AMODIO: WESLEY.

8 MEMBER CHESBRO: I DON'T KNOW IF WE'VE EVER
9 MEASURED THESE THINGS ON A DOLLAR INVESTED PER TON
10 RECYCLED RATIO, BUT THIS HAS GOT TO BE ONE OF THE BEST
11 IF NOT THE BEST FROM THE STANDPOINT OF WHAT WE'RE
12 GETTING FOR THE INVESTMENT. IT'S TREMENDOUS. THE
13 TONNAGE BOGGLES THE MIND. TWO MILLION TONS -- NOT THAT
14 THIS LOAN IS GOING TO BE RESPONSIBLE FOR THAT, BUT EVEN
15 THE PORTION THAT WE WILL HELP TO BRING ABOUT, THE
16 500,000 TONS, IS PHENOMENAL AMOUNT OF WASTE DIVERTED.
17 SO I'M VERY EXCITED ABOUT THIS LOAN. I THINK IT'S A
18 GREAT ONE AND WILL HELP THE JURISDICTIONS IN SOUTHERN
19 CALIFORNIA CONSIDERABLY IN TERMS OF ACHIEVING THEIR
20 50-PERCENT WASTE REDUCTION.

21 MS. TRGOVCICH: I DON'T KNOW WHEN THE LAST
22 TIME WAS THAT YOU REVIEWED THE LOANS FUNDED SHEET, BUT
23 FOR ALL THE MEMBERS, AND IT'S SOMETHING THAT WE PUBLISH
24 PERIODICALLY AS WELL AS A LISTING, AND IT INCLUDES THE
25 TONS DIVERTED. AND I BELIEVE THIS ACCOUNTS FOR ALMOST



1 ONE-THIRD OF THE TONS DIVERTED ACROSS ALL THE LOANS.

2 MEMBER CHESBRO: WOULD IT BE A REASONABLE
3 ASSUMPTION THAT MY STATEMENT WAS ALSO CORRECT, THAT FOR
4 THE DOLLARS INVESTED, THE AMOUNT OF DIVERSION IS
5 PHENOMENAL?

6 MS. TRGOVCICH: ABSOLUTELY.

7 MEMBER CHESBRO: HIGHEST OF ANYTHING WE'VE
8 DONE.

9 MS. TRGOVCICH: EXCELLENT OBSERVATION. AND I
10 THINK THIS REALLY REPRESENTS A MOVEMENT. LAST MONTH
11 YOU SAW A C&D LOAN COME FORWARD. YOU'RE SEEING A C&D
12 LOAN COME FORWARD THIS MONTH, AND WE'RE DEFINITELY
13 MOVING THAT DIRECTION.

14 I JUST WANT TO POINT OUT, JEFF KIND OF
15 REALLY GLOSSED OVER IT, BUT I THINK IT'S REALLY A
16 HIGHLIGHT AROUND THE LASERPRO DOCUMENTATION THAT HE
17 MENTIONED. WE PURCHASED LASERPRO THROUGH THE LOAN
18 PROGRAM PROBABLY FOUR TO SIX MONTHS AGO, SOMETHING LIKE
19 THAT. WHAT IT IS IS IT'S A COMPUTERIZED LOAN CLOSING
20 DOCUMENTS. AND WE WENT THROUGH, AND THE LEGAL OFFICE
21 THROUGH DEBBIE BORZELLERI AND LIZ CLAYTON, AND OUR
22 OUTSIDE COUNSEL, DOUG HODEL, WORKED VERY DILIGENTLY TO
23 MAKE SURE THAT ALL OF THAT DOCUMENTATION WAS MODIFIED
24 SPECIFIC TO THIS BOARD. AND IT IS GOING TO SPEED UP
25 THE CLOSING OF OUR LOANS TREMENDOUSLY; AND WHEREAS, IN



1 THE PAST IT WOULD TAKE US SEVERAL MONTHS, IF NOT
2 LONGER, TO CLOSE A LOAN, WE WILL SEE CLOSINGS WITHIN 30
3 DAYS. THEN WE MAY EVEN BE ABLE TO EXCEED THAT, SO IT'S
4 A TREMENDOUS STEP FORWARD FOR THE PROGRAM AS WELL IN
5 TERMS OF CUSTOMER SERVICE.

6 CHAIRMAN AMODIO: VERY POSITIVE. AND FOR
7 MAKING ANY COMMENTS MYSELF, LET ME ASK IF THE APPLICANT
8 OR ANYONE IN THE AUDIENCE WISHES TO MAKE COMMENTS ON
9 THIS MATTER. MR. COPP, YOU TRAVELED UP HERE.

10 MR. COPP: I DID.

11 CHAIRMAN AMODIO: WOULD YOU LIKE TO COME UP
12 HERE?

13 MR. COPP: I DIDN'T FILL OUT THE CARD. I
14 SIGNED IN, BUT I DID NOT FILL --

15 CHAIRMAN AMODIO: WE WELCOME YOU. THANK YOU
16 FOR COMING.

17 MR. COPP: CHAIRMAN AND THE BOARD AND BOARD
18 MEMBERS, I'M VERY DELIGHTED THAT THE STATE OFFERS A
19 PROGRAM FOR PEOPLE IN THE RECYCLING BUSINESS SUCH AS
20 MYSELF. WE FEEL THAT WE'VE TAKEN A REAL STRONG
21 POSITION IN THE SOUTHERN CALIFORNIA MARKET. JEFF
22 STATED THAT WE WORKED IN L.A. COUNTY, BUT WE WORK IN
23 FOUR COUNTIES WITH RECYCLING SITES. AND THE PROGRAM IS
24 VERY BENEFICIAL TO US, AS WELL AS ALLOWING US TO GROW.
25 AND I JUST APPRECIATE THE HELP THAT JEFF -- WELL, CHUCK



1 HAUBRICH AND JEFF HAVE GIVEN US. AND IT'S A PLEASURE.

2 CHAIRMAN AMODIO: GREAT. MY ONLY QUESTION
3 WHEN THEY PRESENTED IT WAS, GEEZ, CAN WE TAKE THIS
4 NORTH? WHERE ELSE CAN WE GET THIS TYPE OF RETURN FOR
5 THE BUCK INVESTED BECAUSE IT IS --

6 MR. COPP: WELL, WE ARE A GROWING COMPANY, BUT
7 RIGHT NOW WE'RE CONCENTRATING SOUTH. WE HAVE PERMITS
8 FOR OUR CRUSHING PLANTS TO COME NORTH AS FAR AS THE BAY
9 AREA, BUT RIGHT NOW WE FEEL THAT TO CONCENTRATE OUR
10 EFFORT LOCALLY IS BETTER THAN COMING NORTH.

11 CHAIRMAN AMODIO: AND JEFF DID MENTION THAT
12 THERE WAS ONE PROPOSED MODIFICATION BY THE LOAN
13 COMMITTEE. I PRESUME THAT THAT'S BEEN DISCUSSED WITH
14 YOU AND THAT'S ACCEPTABLE?

15 MR. COPP: YES, IT IS. THAT WAS MENTIONED
16 LAST WEEK AT THE REVIEW.

17 MEMBER CHESBRO: OTHER SIGNIFICANT THING I
18 WANTED TO NOTE WAS THE MOBILE NATURE OF IT AND, THUS,
19 THE ABILITY TO BENEFIT A WIDE VARIETY OF JURISDICTIONS.

20 MR. COPP: THAT IS CORRECT.

21 MEMBER CHESBRO: FROM THE BUSINESS STANDPOINT
22 IT MAKES SENSE TOO BECAUSE YOU WON'T HAVE EQUIPMENT
23 SITTING IDLE UNTIL ENOUGH STUFF SHOWS UP AT ONE SITE,
24 SO YOU CAN GO TO WHERE THE MATERIAL IS. BUT FROM A
25 DIVERSION STANDPOINT AND OUR GOAL OF TRYING TO GET



1 DIVERSION OPPORTUNITIES IN A WIDE GEOGRAPHIC AREA AND
2 IN MANY DIFFERENT COMMUNITIES, YOU'VE REALLY PROVIDED
3 THAT OPPORTUNITY.

4 MR. COPP: YES.

5 MEMBER CHESBRO: MUCH APPRECIATED.

6 CHAIRMAN AMODIO: THANK YOU VERY MUCH. ANYONE
7 ELSE FROM THE AUDIENCE? IF NOT, MAY I ENTERTAIN A
8 MOTION?

9 MEMBER CHESBRO: YES. I'LL MOVE THAT WE
10 APPROVE THE LOAN COMMITTEE RECOMMENDATION AND REFER IT
11 TO THE BOARD FOR ITS CONSENT AGENDA THIS MONTH.

12 CHAIRMAN AMODIO: I SECOND THAT. WOULD YOU
13 PLEASE CALL THE ROLL.

14 THE SECRETARY: CERTAINLY. MEMBER CHESBRO.

15 MEMBER CHESBRO: AYE.

16 THE SECRETARY: CHAIRMAN AMODIO.

17 CHAIRMAN AMODIO: AYE. MATTER IS APPROVED
18 AND WILL BE PLACED ON THE CONSENT CALENDAR. THANK YOU
19 VERY MUCH. VERY GOOD JOB.

20 WE'LL NOW MOVE TO AGENDA ITEM NO. 2. I
21 BELIEVE CALVIN YOUNG WILL PRESENT THIS.

22 MS. TRGOVCICH: YES, MR. CHAIRMAN, AS CALVIN
23 YOUNG IS COMING FORWARD, I OMITTED SOMETHING FROM MY
24 DEPUTY DIRECTOR'S REPORT, AND I WANT TO TAKE AN
25 OPPORTUNITY TO ADD IT IN NOW IF YOU WOULDN'T MIND.



1 THE LOAN PROGRAM RECENTLY BROUGHT ON A
2 NEW FIRST LINE SUPERVISOR, AND I WANT TO TAKE AN
3 OPPORTUNITY TO INTRODUCE HIM TO YOU. I KNOW, AS
4 MEMBERS, YOU'VE PROBABLY MET HIM IN THE LAST FEW DAYS
5 DURING YOUR BRIEFINGS, BUT HE WILL BE DEALING PROBABLY
6 WITH MANY OF THE FOLKS THAT ARE OUTSIDE AS WELL. AND
7 HIS -- HE IS JIM LA TANNER. AND, JIM, IF YOU WANT TO
8 STAND UP REAL BRIEFLY.

9 JIM COMES TO US FROM TRADE AND COMMERCE
10 AGENCY. HE WAS WITH THEM FOR SEVERAL YEARS, BUT PRIOR
11 TO THAT HE HAS OVER 20 YEARS OF COMMERCIAL LENDING
12 EXPERIENCE. SO HE BRINGS A TREMENDOUS AMOUNT OF
13 EXPERIENCE TO OUR ORGANIZATION. WE'RE LOOKING FORWARD
14 TO SOME VERY GOOD THINGS FROM HIM.

15 CHAIRMAN AMODIO: WELCOME. PLEASURE.

16 MS. TRGOVCICH: I APOLOGIZE FOR THAT. I MEANT
17 TO DO THAT EARLIER. CALVIN WILL BE PRESENTING TO YOU
18 THE ADOPTION OF THE PROPOSED REGULATIONS TO THE
19 RECYCLING MARKET DEVELOPMENT LOAN PROGRAM. THIS SHOULD
20 BE WHAT IS A VERY BRIEF CHAPTER IN THE END OF THE
21 STREAMLINING OF THE LOAN PROGRAM REGULATIONS; THAT IS,
22 UNTIL WE BEGIN ANEW.

23 MR. YOUNG: THANK YOU AND GOOD MORNING.
24 CALVIN YOUNG WITH THE KIND OF TWO HATS RIGHT NOW.
25 WHERE AM I FROM? FROM THE LOAN PROGRAMS/COMMITTEE



1 ANALYST/SOMETHING, I DON'T KNOW.

2 CAREN WAS CORRECT, THIS IS --

3 CHAIRMAN AMODIO: STEVE'S BEEN WATCHING.

4 MR. YOUNG: AND THIS PROBABLY WILL BE THE LAST
5 TIME I COME BEFORE THE COMMITTEE AT LEAST AS STAFF
6 HERE, SO BEEN DOING THIS FOR, WHAT, FIVE YEARS NOW
7 ALMOST?

8 MS. TRGOVCICH: I SHOULD HAVE MENTIONED THAT
9 AS WELL, AND CALVIN CAN MENTION IT TOO, BUT HE WAS
10 RECENTLY APPOINTED TO THE COMMITTEE ANALYST POSITION
11 FOR MEMBER JONES. SO FOR THOSE OF YOU CONFUSED IN THE
12 AUDIENCE AS TO THE DOUBLE HATS HERE, CALVIN IS
13 OFFICIALLY NOW A PART OF MEMBER JONES' STAFF. BUT HE
14 AND MR. JONES HAVE AGREED FOR A TRANSITION PERIOD.
15 CALVIN'S BEEN WORKING ON SOME VERY IMPORTANT THINGS FOR
16 THE DIVISION, AND THE CONCLUSION OF THIS REGULATION
17 PACKAGE IS ONE OF THEM. SO HE'S ONE STEP CLOSER TO
18 HAVING HIS FOOT TOTALLY OUT THE DOOR HERE.

19 MR. YOUNG: THANK YOU. AGAIN, THE REVISION OF
20 THE PROGRAM REGULATIONS THAT WE'VE ACTUALLY STARTED THE
21 PROCESS LITTLE BIT OVER A YEAR AGO NOW, THIS IS THE
22 LAST PIECE OF IT THAT IS DESIGNED TO STREAMLINE THE
23 LOAN PROGRAM, TO IMPROVE ITS BUSINESS FRIENDLY
24 APPROACH. SOME OF THE OTHER ITEMS CAREN HAD ALREADY
25 MENTIONED HAD TO DO WITH IMPROVING HOW IT WORKS ON A



1 MECHANIC BASIS WITH THE CLOSINGS AND WHAT HAVE-YOUS.

2 THIS FINAL PIECE THAT WAS NECESSARY
3 BECAUSE WHEN THE PROGRAM REGULATIONS WERE SUBMITTED TO
4 THE OFFICE OF ADMINISTRATIVE LAW, THERE WAS ONE SECTION
5 THAT SOME CONCERN WAS EXPRESSED BY THE OFFICE OF
6 ADMINISTRATIVE LAW REGARDING THE LANGUAGE. LEGAL STAFF
7 WORKED IN COOPERATION WITH THE OFFICE OF ADMINISTRATIVE
8 LAW TO DRAFT SUBSTITUTE LANGUAGE ACCEPTABLE TO THE
9 OFFICE OF ADMINISTRATIVE LAW. THAT'S BASICALLY WHAT WE
10 HAVE HERE.

11 WE'VE GONE OUT FOR A 15-DAY PUBLIC REVIEW
12 PERIOD. THAT ENDED FRIDAY, MAY 8TH. NO COMPLAINTS
13 WERE RECEIVED. AND THIS ITEM BASICALLY IS TO RECOMMEND
14 APPROVAL OF THAT CHANGE IN ONE SECTION, WHICH IS NOTED
15 ON ATTACHMENT 2, WHICH WOULD ENABLE APPLICATIONS THAT
16 DO NOT RECEIVE A POSITIVE RECOMMENDATION FROM LOAN
17 STAFF WOULD STILL ENABLE THOSE TO BE PROCESSED AND
18 PRESENTED TO THE LOAN COMMITTEE FOR THEIR EVALUATION.

19 CHAIRMAN AMODIO: ARE THERE ANY COMMENTS FROM
20 ANYONE IN THE AUDIENCE? IF NOT, WESLEY, YOU HAVE ANY
21 QUESTIONS OR COMMENTS? NOR DO I.

22 MEMBER CHESBRO: I'LL MOVE STAFF
23 RECOMMENDATION AND, AGAIN, PLACEMENT ON THE BOARD'S
24 CONSENT CALENDAR.

25 CHAIRMAN AMODIO: I'LL SECOND THAT.



1 THE SECRETARY: MEMBER CHESBRO.

2 MEMBER CHESBRO: AYE.

3 THE SECRETARY: CHAIRMAN AMODIO.

4 CHAIRMAN AMODIO: AYE. PASSED AND WILL NOW
5 BE PLACED ON THE CONSENT CALENDAR.

6 WE'LL NOW MOVE TO AGENDA ITEM NO. 3,
7 WHERE I BELIEVE CALVIN WILL AGAIN PRESENT. AND THIS
8 MATTER DEALS WITH A CONSIDERATION OF APPOINTMENT OF A
9 LOAN COMMITTEE MEMBER FOR THE RECYCLING MARKET
10 DEVELOPMENT REVOLVING LOAN PROGRAM.

11 MR. YOUNG: CORRECT. THE PART OF THE
12 REGULATIONS THAT HAVE BEEN ADOPTED INCREASE THE NUMBER
13 OF LOAN COMMITTEE MEMBERS TO NINE AND SET FORTH A
14 THREE-YEAR TERM. ONE OF THE EXISTING LOAN COMMITTEE
15 MEMBERS HAS CHOSEN TO RESIGN HIS POSITION FROM THE
16 COMMITTEE, NECESSITATING TO FILL THAT POSITION.

17 STAFF SENT OUT INQUIRIES OR SOLICITATIONS
18 TO A VARIETY OF INTERESTED PARTIES, INCLUDING ZONE
19 ADMINISTRATORS, WHAT WE REFER TO AS ZONE ADMINISTRATOR
20 HELPERS, WHICH ARE THOSE THAT OFTENTIMES DO THE ACTUAL
21 WORK LOCALLY. ADDITIONALLY, INFORMATION WAS SUBMITTED
22 TO BOARD MEMBERS AND THEIR ADVISORS ABOUT THE PROCESS
23 AND THAT THE SELECTION PROCESS WAS GOING ON, AND ALSO
24 EXISTING LOAN COMMITTEE MEMBERS.

25 WE RECEIVED TWO APPLICATIONS/RESUMES FROM



1 INTERESTED CANDIDATES. STAFF EVALUATED THOSE RESUMES
2 AND FELT THAT ONE -- AND MADE RECOMMENDATION TO THE
3 CHAIR OF THE COMMITTEE THAT ONE BE SELECTED. AND THE
4 BASIS FOR THAT WAS THAT THE INDIVIDUAL RECOMMENDED,
5 MICHAEL OWEN, HAS A BROAD BACKGROUND IN COMMERCIAL
6 LENDING AND GOVERNMENTAL LENDING, PRIMARILY THROUGH THE
7 SMALL BUSINESS ADMINISTRATION 7A AND 504 PROGRAMS,
8 WHICH ARE SOMEWHAT SIMILAR TO THE TYPE OF LENDER THAT
9 WE OFTEN DEAL WITH.

10 MR. OWEN ALSO HAS A VERY WIDE PRESENCE
11 DOWN IN SOUTHERN CALIFORNIA AREA. AND BASED ON HIS
12 CREDIT STRENGTH, HIS BACKGROUND, HIS REPUTATION IN THE
13 AREA, STAFF FEELS COMFORTABLE WITH RECOMMENDING HIM FOR
14 APPOINTMENT TO THE LOAN COMMITTEE.

15 CHAIRMAN AMODIO: OKAY. THANK YOU. ARE THERE
16 ANY COMMENTS FROM THE AUDIENCE? IF NOT, WESLEY.

17 MEMBER CHESBRO: I'LL MOVE APPROVAL AND AGAIN
18 PLACED ON THE BOARD'S CONSENT CALENDAR.

19 CHAIRMAN AMODIO: I'LL SECOND THAT.

20 THE SECRETARY: MEMBER CHESBRO.

21 MEMBER CHESBRO: AYE.

22 THE SECRETARY: CHAIRMAN AMODIO.

23 CHAIRMAN AMODIO: AYE. IT'S PASSED AND WILL
24 BE PLACED ON THE CONSENT CALENDAR. THANK YOU, CALVIN,
25 VERY MUCH. GOOD LUCK IN YOUR NEW CAPACITY WITH THE



1 BOARD.

2 NEXT MOVE TO AGENDA ITEM NO. 4, WHICH IS
3 DISCUSSION OF LEGISLATIVE PROPOSALS TO PROVIDE NEW
4 INCENTIVES TO THE RECYCLING MARKET DEVELOPMENT ZONES.
5 THIS WILL BE PRESENTED BY --

6 MS. TRGOVCICH: MINDY FOX WILL BE PRESENTING
7 THIS ITEM; HOWEVER, I'D LIKE TO PROVIDE A BRIEF OVERVIEW
8 FOR YOU BEFORE WE BEGIN. THIS ITEM IS IN SPECIFIC
9 CONSIDERATION OF LEGISLATIVE PROPOSALS, WHICH, AS MINDY
10 WILL DESCRIBE TO YOU, CAME FORWARD AS A RESULT OF A
11 SURVEY OF OUR ZONE ADMINISTRATORS MANY MONTHS AGO ON
12 WHAT WE COULD DO TO IMPROVE THE PROGRAM AND ASSIST
13 THEM.

14 I'D LIKE TO BRIEFLY SUMMARIZE FOR YOU
15 THAT THIS IS REALLY ONE STEP IN A SERIES OF STEPS THAT
16 BEGAN WELL OVER A YEAR AND A HALF TO TWO YEARS AGO WHEN
17 WE HAD A LOAN WORKSHOP WHERE WE HAD THIS ROOM FILLED
18 WITH ZONE ADMINISTRATORS, WITH LENDERS, WITH INTERESTED
19 INDIVIDUALS WHO MAY BECOME POTENTIAL BORROWERS, WITH
20 CURRENTLY FUNDED BORROWERS, AND MANY MEMBERS. AND MANY
21 SUGGESTIONS CAME UP AT THAT TIME, AND FOR THE PAST
22 COUPLE OF YEARS WE'VE BEEN FOLLOWING THROUGH ON THOSE
23 SUGGESTIONS.

24 WE'VE MADE SIGNIFICANT CHANGES TO
25 STREAMLINE THE PROGRAM. WE HAVE OUTSOURCED MANY OF OUR



1 EXISTING STAFF ACTIVITIES PERTAINING TO THE SERVICING
2 OF LOANS, THE CLOSING OF THE LOANS. WE HAVE OUTSIDE
3 COUNSEL ASSISTING US MORE CLOSELY IN OUR SPECIALIZED
4 CREDITOR ASSISTANCE, WHICH IS OUR FORECLOSURE WORK.
5 WE'VE MODIFIED OUR LOAN REGULATIONS. YOU JUST SAW THE
6 CONCLUSION OF THAT WITH CALVIN YOUNG'S PRESENTATION.
7 THAT ALSO INCLUDED MANY CHANGES TO THE LOAN
8 APPLICATION, TO THE WAY THEY'RE PROCESSED, MOVING FROM
9 A QUARTERLY CYCLE TO A MONTHLY CYCLE, AND MANY OTHER
10 CHANGES.

11 WE ALSO IMPLEMENTED A SERIES OF STEPS
12 THAT MINDY HAS UNDERTAKEN IN HER CAPACITY AS THE
13 SUPERVISOR OVER THE ZONE ASSISTANCE SECTION, THAT ZONE
14 ADMINISTRATORS RECOMMENDED WHAT WE FELT COULD JUST BE
15 DONE. AND THEY HAVE BEEN JUST THAT, DONE. AND SO WHAT
16 MINDY WILL BE BRINGING BEFORE YOU ARE THOSE ITEMS THAT
17 WE DID NOT FEEL THAT COULD NECESSARILY BE DONE WITHIN
18 OUR CAPACITY AS STAFF OR WITHIN THE BOARD'S
19 DISCRETIONARY CAPACITY. AND THESE CHANGES WOULD
20 REQUIRE LEGISLATIVE APPROVAL. AND I'LL TURN THAT OVER
21 TO MINDY.

22 MS. FOX: THANKS, CAREN. FOR THE RECORD, I'M
23 MINDY FOX, MANAGER OF THE RECYCLING BUSINESS
24 DEVELOPMENT SECTION. GOOD MORNING, CHAIRMAN AMODIO.

25 CHAIRMAN AMODIO: WELCOME.



1 MS. FOX: AND MEMBER CHESBRO. NICE TO SEE
2 YOU. AND AS CAREN HAS SUGGESTED, I'M HERE TO BRING AN
3 ITEM THAT WAS RECOMMENDED BY ZONE ADMINISTRATORS,
4 SUGGESTED INCENTIVES THAT WOULD REQUIRE LEGISLATIVE
5 ACTION. AND THIS CATEGORY CAME STRAIGHT OUT OF THE
6 JANUARY ITEM THAT WENT TO THE MARKETS COMMITTEE AND THE
7 BOARD, AND WE PROMISED AT THAT TIME TO BRING BACK JUST
8 THIS SET OF RECOMMENDATIONS FROM THE ZONE
9 ADMINISTRATORS.

10 THERE ARE SIX IN THIS ITEM, SIX SUGGESTED
11 INCENTIVES. I'D LIKE TO BRIEFLY GO OVER EACH ONE AND
12 ANSWER ANY KIND OF QUESTIONS RELATIVE TO THE MERITS,
13 THE DRAWBACKS, ETC.

14 THE FIRST SUGGESTION IS TO MIMIC THE
15 ENTERPRISE ZONE INCENTIVES THAT ARE OFFERED BY TRADE
16 AND COMMERCE IN ENTERPRISE ZONES AND OFFER THEM IN OUR
17 RMDZ'S. CURRENTLY THERE ARE 39 ENTERPRISE ZONES. AND
18 AS EVERYBODY KNOWS, THERE'S 40 RMDZ'S. TWENTY-THREE OF
19 OUR RMDZ'S SIT IN ENTERPRISE ZONES. SO THERE ARE 17
20 RMDZ'S THAT CANNOT TAKE ADVANTAGE OF THESE INCENTIVES.
21 THERE ARE A PACKAGE OF SEVEN INCENTIVES. ABOUT THREE
22 OF THEM ARE TAX CREDITS. THERE'S SOME OTHER THINGS
23 THAT ARE RELATIVE TO BANKERS, TO LENDERS, TO -- FOR
24 BIDDING ON STATE CONTRACTS, THAT KIND OF THING.

25 AS A PACKAGE, TRADE AND COMMERCE FEELS



1 THAT THEY HAVE BEEN QUITE SUCCESSFUL IN GENERATING JOBS
2 ACROSS THE STATE. THEIR LATEST ESTIMATE IS THAT THE
3 ENTERPRISE ZONE INCENTIVE PACKAGE HAS CREATED 71,000
4 JOBS. AND UNFORTUNATELY, THAT IS ONLY DATA UP TO 1995.
5 AND RECORDS -- ACTUALLY NOT RECORDS -- TALK WITH TRADE
6 AND COMMERCE HAS INDICATED THAT THE PROGRAM HAS REALLY
7 KICKED IN FROM '95 TO '98, AND WE DON'T HAVE ANY
8 NUMBERS ON THAT.

9 THE FLIP SIDE OF THE COIN -- IT
10 DEFINITELY HAS CREATED JOBS, AND WE DO BELIEVE IT WOULD
11 INCREASE DIVERSION. THE FLIP SIDE OF THE COIN IS THAT
12 THERE'S A DEFINITE COST TO THE STATE'S GENERAL FUND.
13 AND BASED ON COSTS WE'VE SEEN IN THE ENTERPRISE ZONES,
14 WE'RE ESTIMATING A COST OF \$20 MILLION IF YOU APPLIED
15 IT TO THE ZONES THAT CANNOT PARTAKE OF THE ENTERPRISE
16 ZONE INCENTIVES RIGHT NOW.

17 MS. TRGOVCICH: AND THAT'S, JUST TO CLARIFY,
18 IT'S NOT MONEY COMING OUT OF THE GENERAL FUND. IT'S A
19 LOSS OF REVENUE COMING INTO THE GENERAL FUND.

20 MS. FOX: YEAH. AND THAT 20 MILLION IS
21 BASICALLY DUE TO THE THREE DIFFERENT TAX CREDITS.
22 THERE ARE SOME OTHER LITTLER COSTS ASSOCIATED WITH THE
23 FOUR OTHER INCENTIVES, BUT IT'S PREDOMINANTLY DUE TO
24 THE TAX CREDITS THAT ARE OFFERED. AND THE BUSINESSES
25 OBVIOUSLY THINK THAT'S A GREAT BENEFIT.



1 CHAIRMAN AMODIO: I PRESUME, THOUGH, THAT' S
2 PROJECTIONS. THE LEGISLATURE HAVE SET NO LIMITS. I
3 MEAN WOULD THEY NOT HAVE THE OPTION OF SAYING WE'RE
4 GOING TO ALLOW TAX INCENTIVES OR CREDITS UP TO X AMOUNT
5 PER YEAR SO THAT IT'S NOT JUST UNRESTRICTED?

6 MS. TRGOVCICH: I BELIEVE THAT THERE CURRENTLY
7 ARE LIMITS WITHIN THE EZ PROGRAM. I'M CERTAIN THAT
8 THOSE LIMITS COULD BE MODIFIED. THAT WOULD CERTAINLY
9 BE EFFECTED DIFFERENTLY FOR THIS PROGRAM.

10 CHAIRMAN AMODIO: MEMBER CHESBRO MAY KNOW
11 BETTER ABOUT THIS WITH HIS KNOWLEDGE OF THE
12 LEGISLATURE, BUT I WOULD THINK THAT THEY COULD DECIDE
13 THAT WE WOULD ALLOW TAX CREDITS IN A GIVEN YEAR UP TO A
14 SET AMOUNT AND NOT JUST HAVE A RUN ON THE TREASURY.

15 MEMBER CHESBRO: OPEN-ENDED.

16 MS. FOX: UNFORTUNATELY WHAT I CAN'T BRING TO
17 THE COMMITTEE TODAY IS A REAL COST BENEFIT ANALYSIS OF
18 WHAT THESE ENTERPRISE ZONE INCENTIVES HAVE REALLY
19 BROUGHT TO ALL THOSE BUSINESSES ACROSS THE STATE.
20 YES, THERE'S A LOSS TO THE STATE GENERAL FUND, BUT TO
21 THE BUSINESSES THERE'S SOME BIG BENEFITS. AND TRADE
22 AND COMMERCE HAD JUST INITIATED A COST BENEFIT ANALYSIS
23 THAT I HAD HOPED WOULD BE DONE THIS MONTH. WE WERE
24 JUST INFORMED THIS WEEK THAT THEY PUT THE THING ON
25 HOLD, AND THEY'RE ACTUALLY HOPING THE DEPARTMENT OF



1 FINANCE WILL DO THAT ANALYSIS FOR THEM. SO I DON'T
2 HAVE GOOD NUMBERS FOR US. AS YOU INDICATED, THESE ARE
3 PROJECTIONS. OKAY.

4 THE SECOND SUGGESTION WE RECEIVED FROM
5 THE ZONE ADMINISTRATORS WAS TO OFFER TAX CREDITS FOR
6 THE PURCHASE OF SPECIFIC SECONDARY MATERIALS AND FOR
7 THE PURCHASE OF PRODUCTS MADE FROM RECYCLED MATERIALS,
8 INCLUDING PRODUCTS INTENDED FOR REUSE. AND THERE ARE
9 SOME, YOU KNOW, BENEFITS TO DOING SO. IT WOULD
10 STIMULATE THE USE OF POSTCONSUMER RECYCLED FEEDSTOCK
11 AND DEFINITELY PROMOTE THE MARKET FOR THE RECYCLED-
12 CONTENT PRODUCTS.

13 THE FLIP SIDE OF THE COIN, JUST TALKING
14 ABOUT TAX CREDITS FOR RECYCLED-CONTENT PRODUCTS, THE
15 PURCHASE OF RCP'S, JUST THAT PROGRAM ALONE WOULD BE
16 PRETTY INCREDIBLY CUMBERSOME TO OPERATE. YOU WOULD
17 NEED TO COME UP WITH SOME SORT OF WARRANTY PROGRAM, A
18 CERTIFICATION PROGRAM, A LIST OF QUALIFIED RECYCLED-
19 CONTENT PRODUCTS, SET SOME PERCENTAGE LEVELS, THAT KIND
20 OF THING. AND WE'RE NOT CONVINCED THAT IT ACTUALLY
21 WOULD MAKE A BIG DIFFERENCE.

22 A BIT OF AN ANALOGY IS THAT WE'VE OFFERED
23 THE PRICE PREFERENCE PROGRAM IN THE STATE AGENCY BUY
24 RECYCLE CAMPAIGN. SOME OF YOU ARE REAL FAMILIAR WITH
25 THAT HISTORY. AND NO ONE EVER APPLIED FOR IT, AND THAT



1 WASN'T DUE TO LACK OF AWARENESS. WE EVERY MONTH LET
2 STATE AGENCIES KNOW THAT WAS THERE. IT JUST WASN'T
3 WORTH THEIR EFFORT.

4 WE'RE ESTIMATING THAT THAT COULD AGAIN
5 HIT THE STATE'S GENERAL FUND TO THE TUNE OF \$5 MILLION.
6 AND THAT'S BASED ON THE BOARD'S PRIOR RECYCLING
7 EQUIPMENT TAX CREDIT PROGRAM. THERE'S A LOT OF LEEWAY.
8 IF THIS COMMITTEE LIKES THIS AND SUGGESTS THAT WE DO A
9 FULL-BLOWN LEG. ANALYSIS, WE CAN PIN THAT ONE DOWN.

10 THE THIRD SUGGESTION WE RECEIVED WAS TO
11 INCREASE THE LOAN PROGRAM REPAYMENT TERM FROM 10 TO 15
12 OR 20 YEARS. AND THERE ARE SOME BENEFITS OBVIOUSLY TO
13 A BUSINESS IF WE DO THAT. IT WOULD RESULT IN LOWER
14 MONTHLY PAYMENTS ON PROGRAM LOANS. IT WOULD ENABLE
15 SOME BORROWERS WITH RESTRICTED CASH FLOW TO QUALIFY FOR
16 A LOAN, AND LONGER TERM LOANS WOULD ALSO ALLOW FOR MORE
17 FINANCING OF REAL PROPERTY AND BUILDINGS, WHICH IS NOT
18 WHAT OUR LOAN PROGRAM HAS TYPICALLY FOCUSED ON. IN MY
19 MIND I THINK THAT'S KIND OF A PRO AND A CON ACTUALLY.
20 WE HAVE PRIMARILY BEEN FOCUSING OUR FINANCING ON
21 WORKING CAPITAL MACHINERY AND EQUIPMENT. AND I THINK
22 IT DEPENDS WHICH SIDE OF THE FENCE YOU SIT ON WHETHER
23 THAT'S A GOOD CHANGE OR NOT. OKAY.

24 AND THERE WOULD BE A FISCAL IMPACT ON THE
25 PROGRAM IF WE MADE THIS KIND OF SWITCH. STAFF HAS



1 ESTIMATED THAT IT WOULD DOUBLE THE AVERAGE REPAYMENT
2 FROM SIX AND A HALF TO 13 YEARS. AND IF THIS OCCURS,
3 STAFF ESTIMATES THAT LOANS CLOSED COULD BE REDUCED BY
4 30 MILLION AND THE AMOUNT REPAID TO THE IWMA REDUCED BY
5 OVER 3 MILLION. AND THAT'S BASED ON SOME PROJECTIONS
6 RELATIVE TO HOW MUCH IS BEING PAID BACK TO IWMA, HOW
7 MUCH OF THE INTEREST EARNINGS IS GOING IN, THAT KIND OF
8 THING. AND IF YOU WANT MORE DETAIL ABOUT THAT, WE CAN
9 TALK ABOUT THOSE PROJECTIONS.

10 MS. TRGOVCICH: ONE OTHER ITEM THAT CAME UP IN
11 THE BRIEFINGS TOO IS THAT AS YOU HAVE A LONGER TERM FOR
12 PAYBACK THERE, THE PROGRAM IS SCHEDULED TO SUNSET IN
13 THE YEAR 2006, AND YOUR LOANS THAT YOU MAY HAVE LET IN
14 THE YEAR 2005, IF THEY HAVE A 10- TO 20-YEAR TERM, YOUR
15 ADMIN COST ASSOCIATED WITH THE OVERSIGHT OF THE PROGRAM
16 BEYOND THE SUNSET DATE EXTEND OUT THAT MUCH FURTHER AS
17 WELL.

18 MEMBER CHESBRO: I ASSUME, THOUGH, YOU ALSO
19 FACTORED IN THE LONGER PAYMENT OF INTEREST THAT AT
20 LEAST WOULD PARTIALLY OFFSET THOSE EXPENSES. THEY GOT
21 A LONGER LOAN, YOU WIND UP PAYING MORE INTEREST THAN IF
22 YOU TAKE OUT A SHORTER LOAN.

23 MS. FOX: WE DID. WE FACTORED THAT IN.

24 MS. TRGOVCICH: I BELIEVE, AND CALVIN WORKED
25 ON THIS AS WELL, BUT IN A WAY THAT'S SOMEWHAT OF A WASH



1 BECAUSE OF THE SMITH INTEREST EARNED ON THE ACCOUNT
2 ITSELF.

3 MEMBER CHESBRO: YEAH. BUT THE SMITH INTEREST
4 EARNED QUESTION WAS STATED AS ONE OF THE PROBLEMS WITH
5 IT. SO WOULD THE LOSS OF -- WOULD THAT BE OFFSET BY
6 THE INCREASED INTEREST THAT COMES IN? JUST TRYING TO
7 GET A BALANCED PICTURE OF ALL OF THE PROS AND CONS
8 HERE.

9 MS. FOX: CALVIN DID OUR FISCAL IMPACT ON THIS
10 ONE. WE'LL LET HIM SPEAK TO IT.

11 MR. YOUNG: GOOD MORNING. CALVIN YOUNG
12 AGAIN. THE QUESTION HAD TO DO WITH THE LONGER
13 REPAYMENT TERM, SMITH BEING CHARGED ON THE LOANS
14 OUTSTANDING, SHOULDN'T THAT BE A WASH ALL THINGS BEING
15 EQUAL. YES, IT SHOULD. WHAT YOU DO COME UP WITH,
16 THOUGH, IS, IN ESSENCE, \$30 MILLION WORTH OF LOANS AT
17 ONE AND A HALF PERCENT ON THE LOAN FEE, WHICH IS WHAT
18 IT CURRENTLY IS. THAT MUCH OF A REDUCED REVENUE,
19 CAREN CORRECTLY POINTED OUT THAT YOU DO HAVE THE
20 INCREASED ADMINISTRATIVE COSTS ASSOCIATED WITH
21 MONITORING THOSE LOANS OVER AN EXTENDED PERIOD OF TIME,
22 PLUS AS LOANS ARE OUTSTANDING FOR A LONGER PERIOD OF
23 TIME, THE RISK OF DEFAULT IS HIGHER BECAUSE IT'S OUT
24 THERE LONGER AND MORE THINGS CAN HAPPEN TO THE
25 BUSINESS. AND OFTENTIMES THE COLLATERAL THAT YOU MAY



1 HAVE SECURING THOSE LOANS DECREASES IN VALUE.

2 MEMBER CHESBRO: WELL, IF THAT WERE TRUE,
3 WOULDN'T BANKS BE TRYING TO TALK YOU INTO 15-YEAR
4 MORTGAGES INSTEAD OF 30-YEAR MORTGAGES?

5 MR. YOUNG: IT IS, BUT THE AVERAGE MORTGAGE
6 ALSO PAYS OFF AFTER SEVEN YEARS AND CHANGE. SO BANKS
7 FACTOR THAT IN. IT'S A LONGER REPAYMENT TERM, BUT THEY
8 ALSO FACTOR IN THAT, YES, IT'S GOING TO PAY OFF IN
9 ABOUT SEVEN YEARS OR THAT'S WHAT IT WAS A FEW YEARS AGO
10 ANYWAY. I DON'T KNOW WHAT THE CURRENT RATE --

11 MEMBER CHESBRO: WHAT YOU'RE SAYING IS THAT
12 EVEN AFTER YOU TAKE INTO ACCOUNT THE ADDITIONAL
13 INTEREST THAT WOULD ACCRUE FOR A LONGER LOAN, IT'S
14 STILL A NET LOSS, THAT IT WOULD COST MORE THAN --

15 MR. YOUNG: CORRECT. BECAUSE THOSE MONIES
16 THAT ARE OUTSTANDING FOR A LONGER PERIOD OF TIME ON THE
17 LOAN REPAYMENTS AREN'T THERE TO REPAY THE MONIES FROM
18 THE IWMA THAT WERE TRANSFERRED TO THE SUBACCOUNT, WHICH
19 ALSO ACCRUE INTEREST. THAT'S BASICALLY A WASH. THE
20 LOSSES ARE IN THE OTHER AREAS.

21 MEMBER CHESBRO: MY QUESTIONS WEREN'T
22 NECESSARILY TO ARGUE FOR IT. I WANTED TO UNDERSTAND IT
23 BECAUSE I THINK THE STRONGEST ARGUMENT IS THAT THE
24 MONEY IS NOT BACK IN HAND AND AVAILABLE TO LOAN TO
25 ADDITIONAL BUSINESSES. THAT'S PROBABLY THE BIGGEST



1 WEAKNESS IN THE IDEA.

2 MS. FOX: THANKS, CALVIN.

3 THE FOURTH SUGGESTION WE RECEIVED WAS TO
4 REDUCE THE LOAN INTEREST RATE. AND AS YOU'RE ALL
5 AWARE, I'M SURE, IT'S CURRENTLY AT 5.7 PERCENT AND IT'S
6 TIED TO THE SURPLUS MONEY INVESTMENT FUND. RATES
7 CHARGED BY COMMERCIAL BANKS ARE TYPICALLY EIGHT AND A
8 HALF TO 11, AND WE HAVE HISTORICALLY HEARD THAT WHERE
9 WE SIT IS QUITE AN INDUCEMENT TO BUSINESSES TO PARTAKE
10 OF OUR RMDZ LOAN PROGRAM. WE ACTUALLY HAVEN'T HEARD A
11 LOT THAT THEY WANT TO SEE IT LOWER. THEN AGAIN, IT
12 SEEMS ON THE SURFACE A LOWER INTEREST RATE IS ALWAYS
13 BETTER, RIGHT?

14 CHAIRMAN AMODIO: IF I'M REPRESENTATIVE OF THE
15 AVERAGE BORROWER, I WOULD SAY YES.

16 MR. FOX: I AGREE. ON THE SURFACE IT ALWAYS
17 SEEMS THAT WAY. THERE ARE SOME DEFINITE BENEFITS TO
18 THAT. A LOWER INTEREST RATE WILL LOWER THE MONTHLY
19 PAYMENTS ON PROGRAM LOANS, POSSIBLY QUALIFYING MORE
20 APPLICANTS WITH SMALLER PROJECTED CASH FLOWS. AND A
21 LOWER INTEREST RATE MIGHT INDUCE AN APPLICANT TO BORROW
22 MORE FUNDS FOR A LARGER PROJECT THAN THEY TYPICALLY
23 WOULD BECAUSE THE PAYMENT WILL BE LOWER.

24 THE CONS IS THAT AN INTEREST RATE LOWER
25 THAN A SMITH RATE WILL FURTHER REDUCE THE ABILITY OF



1 THE LOAN SUBACCOUNT TO REPAY THE IWMA. AND A LOWER
2 INTEREST RATE WILL REDUCE THE REPAYMENT FROM BORROWERS
3 TO THE LOAN SUBACCOUNT, THUS REDUCING THE TOTAL FUNDS
4 AVAILABLE TO NEW BORROWERS. AND AGAIN, YOU GET A
5 LITTLE BIT INTO THE CONCEPT THAT IT MIGHT QUALIFY
6 BORROWERS WITH RESTRICTED CASH FLOW, AND IT COULD LEAD
7 TO SOME RISKIER LOANS AND HIGHER DEFAULT RATE. AND
8 THERE IS ALSO A PROGRAM IMPACT WITH THIS SUGGESTION
9 REDUCING IT BY 2 PERCENT, WHICH WAS WHAT OUR
10 PROJECTIONS WERE BASED ON. 3.7 PERCENT WOULD REDUCE
11 THE AMOUNT OF INTEREST EARNINGS ON LOAN REPAYMENTS AND
12 RESULT IN AN ESTIMATED \$9.3 MILLION DECREASE IN THE
13 ABILITY OF THE SUBACCOUNT TO REPAY THE IWMA. THOSE
14 WERE BASED ON THE SAME PROJECTIONS AS SUGGESTION NO. 3.

15 FIFTH SUGGESTION WAS TO PROVIDE LOANS TO
16 RMDZ'S TO DEVELOP A MICRO-LOAN PROGRAM AT THE LOCAL
17 LEVEL. THAT'S BASICALLY A RELENDING PROGRAM WHERE WE
18 WOULD GIVE LOANS TO RMDZ'S OR OTHER LOCAL ENTITIES THAT
19 THEY WOULD THEN LOAN OUT TO MICRO ENTERPRISES. AND
20 MICRO ENTERPRISES ARE TYPICALLY DEFINED AS BUSINESSES
21 WITH FIVE OR FEWER EMPLOYEES, AND WE'RE TALKING FUNDS
22 OF LIKE \$25,000 AS OPPOSED TO OURS THAT ARE TYPICALLY
23 MUCH LARGER.

24 WHAT WE HAVE HEARD ABOUT THIS WHEN WE
25 INVESTIGATED STARTING A MICRO-LOAN PROGRAM IS THAT



1 THERE IS ALWAYS A BIG, WEIGHTY TECHNICAL ASSISTANCE
2 PROGRAM LINKED TO A MICRO-LOAN PROGRAM. IN SOME
3 ESTIMATES WE'VE HEARD THAT THAT COULD BE A RATIO OF 80
4 PERCENT TECHNICAL ASSISTANCE TO 20 PERCENT FUNDING.
5 AND IF WE GO DOWN THE PATH OF PURSUING THIS ONE, WE'D
6 HAVE TO REALLY INVESTIGATE WHO'S IN A POSITION TO
7 PROVIDE THAT TECHNICAL ASSISTANCE. IT COULD BE AN
8 RMDZ; IT COULD BE US; IT COULD BE ANOTHER LOCAL ENTITY,
9 SOME OF THE ECONOMIC DEVELOPMENT CORPS, THAT KIND OF
10 THING.

11 IT IS FELT BY SOME PARTIES THAT
12 MICRO-LOANS WOULD INCREASE DIVERSION IN CERTAIN PARTS
13 OF THE STATE. THERE'S KIND OF A CONCEPT IT WOULD
14 REALLY HELP RURAL CALIFORNIA. I'M NOT ACTUALLY OF THAT
15 MIND TO BE QUITE BLUNT. OUR RURAL ZONES ARE DOING
16 GREAT, AND THEY HAVEN'T BEEN CLAMORING FOR MICRO-LOANS,
17 BUT THERE'S ALWAYS KIND OF THAT CONCEPTION OUT THERE,
18 SO I THOUGHT I SHOULD JUST DISCUSS IT. STAFF BELIEVES
19 THAT SMALLER BUSINESSES NEEDING SMALLER LOANS IN
20 GENERAL WILL CREATE LESS DIVERSION, SO WE'RE NOT REALLY
21 CONVINCED THAT THIS WOULD GET US THE NUMBERS IN TERMS
22 OF REACHING THE 50-PERCENT GOAL.

23 THERE'S TYPICALLY A HIGHER RISK WHEN YOU
24 ARE LOANING TO MICRO ENTERPRISES. WE'VE SEEN THAT
25 HISTORICALLY WITH OTHER MICRO-LOAN PROGRAMS. AND IT



1 GETS A BIT INTO AN EQUITY ISSUE TOO. NOT ALL RMDZ'S OR
2 OTHER ENTITIES HAVE PEOPLE CAPABLE OF DOING THIS. AND
3 YOU KNOW, WITH OUR 40 ZONES WE DO FOR ALL OR NONE, SO
4 TO SPEAK. I HAVE A REQUEST ON THE TABLE FROM THE
5 CENTRAL COAST ZONE TO PROVIDE THEM FUNDING FOR THREE
6 ACTIVITIES THAT I'D LOVE TO SAY YES TO, BUT I CAN'T
7 BECAUSE I CAN'T SAY YES TO THEM ALL. IT'S KIND OF THE
8 SAME THING HERE.

9 AGAIN, THERE'D BE A FISCAL IMPACT IF WE
10 GO DOWN THIS PATH. IT'S ESTIMATED THAT WE NEED A
11 MILLION DOLLARS FROM THE RMDZ SUBACCOUNT TO FUND THIS.

12 AND THE LAST SUGGESTION IS TO PROVIDE
13 GRANTS FOR TWO DIFFERENT PROGRAMS. ONE TO PROVIDE
14 TECHNICAL ENGINEERING ASSISTANCE AND ONE FOR
15 EQUIPMENT. AND TO BE BLUNT, I THINK OUR BOARD HAS LOTS
16 OF GRANT PROGRAMS. I'M NOT SURE WE NEED ANY MORE.
17 THERE'S PROBABLY MUCH MORE EFFECTIVE THINGS WE COULD BE
18 DOING TO PROMOTE PARTICIPATION IN THE RMDZ PROGRAM.
19 AND THAT'S IT IN A NUTSHELL. ANY QUESTIONS?

20 CHAIRMAN AMODIO: I'M SURE THERE WILL BE.
21 LET'S SEE IF THERE'S COMMENTS FROM THE ANY MEMBERS OF
22 THE AUDIENCE. WESLEY.

23 MEMBER CHESBRO: I HAVE SORT OF REACTIONS.
24 THERE'S A COUPLE AREAS THAT CONTINUE TO INTEREST ME IN
25 SPITE OF THE FACT THAT I THINK YOU MADE SOME PRETTY



1 GOOD ARGUMENTS ABOUT THE DIFFICULTIES WITH A NUMBER OF
2 THESE IDEAS.

3 THE ENTERPRISE ZONES INCENTIVES, I THINK
4 A NUMBER OF THEM OFFER POTENTIAL GOOD THAT COULD BE
5 ACHIEVED IN THE ZONES IF THEY WERE APPLIED. THE
6 PROBLEM WITH THEM ARE THAT THEY WERE DEVELOPED TO BE
7 TARGETED ON THE ENTERPRISE ZONES WHICH WERE DESIGNATED
8 FOR A DIFFERENT PURPOSE THAN THE RMDZ'S. AND WE HAVE
9 THE GOOD FORTUNE IN SOME PARTS OF THE STATE WHERE THOSE
10 TWO OVERLAP. SO IT'S REALLY HARD TO THINK IN TERMS OF
11 CONVINCING THE LEGISLATURE THAT, FOR EXAMPLE, THE
12 HIRING TAX CREDITS, THAT THAT'S THE PRIORITY IN OUR
13 LOAN PROGRAM. WE'VE MADE IT AN IMPORTANT COMPONENT,
14 BUT IT'S NOT OUR MOST IMPORTANT COMPONENT. OUR PRIMARY
15 RESPONSIBILITY IS WASTE DIVERSION. WE SAY GREAT. IF
16 WE CREATE SOME JOBS, THAT'S BENEFICIAL, BUT THAT'S NOT
17 THE PRIMARY PURPOSE. SO TO PUT A HIRING TAX CREDIT IN
18 THE ZONE WOULD BE -- IT'S JUST TRYING TO PUT A SQUARE
19 PEG IN A ROUND HOLE, I THINK.

20 ON THE OTHER HAND, THERE'S OTHERS HERE
21 THAT COULD, I THINK, SAY THAT THEY'RE MORE GENERALIZED
22 INCENTIVES THAT IF APPLIED IN RMDZ WOULD HELP US
23 ACHIEVE OUR GOALS. AND SO LOOKING TO THE -- LOOKING AT
24 IF FROM THE STANDPOINT OF WHAT WOULD BE FEASIBLE IN THE
25 LEGISLATURE, I WOULD LIKE TO SEE US REVIEW THESE FROM



1 THE STANDPOINT OF WHAT MAKES THE MOST SENSE IF YOU
2 TRIED TO SPECIFICALLY APPLY IT TO THE OBJECTIVES OF OUR
3 PROGRAM. AND THEN PERHAPS PUT A LEGISLATIVE PROPOSAL
4 TOGETHER, WHICH WAS SOME OF THE INCENTIVES THAT ARE
5 AVAILABLE, BUT NOT NECESSARILY TRY TO TAKE THE WHOLE
6 PACKAGE AND TRANSFER THEM TO THE RMDZ'S BECAUSE I DON'T
7 THINK YOU COULD SELL IT. THE LEGISLATURE WOULD SAY
8 THAT'S NOT WHY WE CREATED RMDZ'S. IT WAS THIS OTHER
9 PROGRAM.

10 AND IT'S NOT THE CRITERIA WE USED. THE
11 NEED FOR JOB CREATION WAS NOT THE CRITERIA WE USED IN
12 SELECTING RMDZ LOCATIONBS, WHICH IT WAS FOR SELECTING
13 ENTERPRISE ZONES. SO THAT'S ONE REACTION.

14 CHAIRMAN AMODIO: WESLEY, ON THAT ONE, WHEN I
15 FIRST READ THIS, ONE OF MY QUESTIONS WAS HOW WOULD
16 THESE TRANSLATE TO OUR PROGRAM PURPOSE AND GOALS. AND
17 I THINK IN THE BRIEFING I HAD, SOME OF THAT WAS
18 CLARIFIED. BUT MORE IMPORTANTLY, WHAT WAS BROUGHT
19 FORWARD WERE, TO MY POINT OF VIEW, SOME OF THE
20 COMPLICATIONS OR JUST DOWNSIDES IN PURSUING THIS.

21 AND MY QUESTION, WESLEY, ARE YOU THINKING
22 THAT YOU WOULD LIKE TO SEE STAFF KIND OF ANALYZE THIS
23 IN RELATIONSHIP TO OUR GOALS IN TERMS OF ALL THESE
24 POSSIBILITIES, OR ARE THERE SEVERAL THAT YOU THINK THAT
25 HAVE MORE PROMISE?



1 MEMBER CHESBRO: I DIDN'T IDENTIFY
2 SPECIFICALLY WHICH ONES. BUT IF YOU LOOK AT THE LIST
3 JUST REAL QUICKLY, YOU CAN SEE THAT SOME ARE
4 SPECIFICALLY TARGETED ON THE NUMBER OF PEOPLE THAT YOU
5 HIRE. THAT'S WHAT IT'S FOR. AND IF YOU -- I WOULD
6 JUST SAY IN GENERAL, IF YOU TAKE THOSE AWAY BECAUSE IT
7 WOULD BE A HARD TIME CONVINCING THE LEGISLATURE THAT
8 THAT'S THE PRIMARY OBJECTIVE OF OUR PROGRAM, THERE ARE
9 OTHERS HERE THAT ARE FAIRLY EASILY IDENTIFIABLE AS NOT
10 THAT SPECIFIC TO THE HIRING QUESTION.

11 AND SO I WOULD LEAVE IT -- IF WE GIVE ANY
12 DIRECTION TO ANALYZE THIS, I'D LEAVE IT A LITTLE BIT
13 OPEN, BUT WITH THAT DIRECTION BEING WHAT WE'RE LOOKING
14 FOR IS THE ONES THAT CAN MORE EASILY BE FIT INTO THE
15 OBJECTIVES OF THE RMDZ PROGRAM AND NOT OTHER
16 OBJECTIVES. AND I DON'T KNOW IF THAT'S CLEAR.

17 CHAIRMAN AMODIO: I GUESS LET ME KIND OF TEST
18 WITH STAFF. I'VE KIND OF PERCEIVED THAT THE -- I GUESS
19 I'VE COME TO JUDGMENT THAT IF THERE WAS ONE THAT MIGHT
20 HAVE SOME VALUE AND FURTHER EXPLORATION, MY PERSONAL
21 POINT OF VIEW WOULD BE REDUCING THE LOAN INTEREST RATE
22 JUST BECAUSE, YOU KNOW, THAT'S SOMETHING THAT COULD
23 MOTIVATE, COULD LEAD TO GREATER INVESTMENTS, BIGGER
24 PROJECTS. IT HAS SOME DOWNSIDES THAT YOU'VE
25 IDENTIFIED. I'LL SAY THAT'S ONE OF THEM THAT REMAINS



1 IN MY MIND AS MAYBE HAVING SOME VALUE IN FURTHER
2 EXAMINATION.

3 I THINK I'M CONVINCED THAT THE OTHERS,
4 EITHER BECAUSE THERE'S COMPLICATION IN ADMINISTERING OR
5 BECAUSE THAT THEY -- WE HAVE OTHER THINGS ALREADY
6 EFFECTIVELY ADDRESSING THE INTENDED PURPOSE, SUCH AS
7 THE RURAL AREAS AND THE MICRO-LOAN CONCEPT OR THAT
8 THEY'RE JUST PROBABLY NOT APPROPRIATE OR NOT THINGS I
9 WOULD BE THINKING WOULD BE WORTH STAFF TAKING MORE TIME
10 ON.

11 IS THERE -- YOU KNOW, IN LIGHT OF
12 WESLEY'S THOUGHTS ABOUT IF WE WERE TO ANALYZE THIS MORE
13 SPECIFIC TO OUR PROGRAM PURPOSE, ARE THERE ANY OTHERS
14 THAT YOU THINK MIGHT LOOK DIFFERENTLY IF WE ANALYZED IT
15 IN THAT CONTEXT?

16 MEMBER CHESBRO: MY COMMENT WAS SPECIFIC TO
17 THE LIST OF ENTERPRISE ZONES, THE NO. 1 RECOMMENDATION.
18 IT WASN'T NECESSARILY TO THE WHOLE LIST. I WAS
19 REFERRING TO 1(A) THROUGH (G) WHEN I WAS TALKING ABOUT
20 THE ABILITY TO --

21 CHAIRMAN AMODIO: THAT'S ALL I'M CONCENTRATING
22 ON.

23 MS. TRGOVCICH: I THINK THAT IN TERMS OF
24 ANALYZING THE EZ INCENTIVES THAT AS IT RELATES TO THE
25 LIST, THE WHOLE LIST OF RECOMMENDATIONS THAT MINDY



1 DISCUSSED FOR YOU, THE 1 THROUGH 6, IT'S PROBABLY THE
2 FIRST ONE THAT FROM A ZONE ADMINISTRATOR PERSPECTIVE
3 WOULD MAKE THE MOST SENSE. IT ALSO PROBABLY HOLDS SOME
4 OF THE GREATER COMPLICATIONS TO IT. SO WE COULD
5 CERTAINLY LOOK WITHIN THE EZ INCENTIVES, WHICH IS THIS
6 SUGGESTION NO. 1 THAT CAME FORWARD, AND TAKE A LOOK AT
7 WHICH OF THOSE INCENTIVES COULD POTENTIALLY MORE EFFECT
8 OUR DESIRED OUTCOME, WHICH IS INCREASED DIVERSION.

9 AND SO IF THAT'S AN ACTION THAT YOU WANT
10 TO TAKE, AND THEN WHAT WOULD HAPPEN -- AND I'M NOT
11 QUITE SURE HOW THIS WOULD WORK. I THINK THE WAY THE
12 ITEM IS SET UP IS A CONSIDERATION ITEM, SO THEN THAT
13 WOULD GO TO THE BOARD AND THEN IT WOULD MOVE INTO LEG.
14 AND PUBLIC EDUCATION COMMITTEE --

15 MS. FOX: ACTUALLY IT WOULD GO TO LPEC NEXT.

16 MS. TRGOVCICH: IT WOULD GO TO LPEC NEXT, AND
17 THE ANALYSIS WOULD BE DONE IN THERE. AND THEN IT WOULD
18 MAKE IT TO THE BOARD.

19 MEMBER CHESBRO: I ASSUME WITH MARKET STAFF
20 HAVING A HEAVY PARTICIPATION.

21 MS. TRGOVCICH: I WOULD ASSUME THERE'D BE SOME
22 INVOLVEMENT THERE.

23 MEMBER CHESBRO: WELL, I WOULD LIKE TO SEE
24 THAT HAPPEN. I DO HAVE A COMMENT ON ANOTHER ONE OF
25 THEM HERE, BUT I WOULD LIKE TO SEE THAT HAPPEN.



1 I KIND OF SEE 5 AND 6 AS SOMEWHAT
2 CONNECTED, AND THE REASON IS BECAUSE I THINK THE PRO
3 ANALYSIS UNDER NO. 5 MISSES THE FACT THAT A LOT OF THE
4 INNOVATION THAT GOES ON GOES ON IN SMALL BUSINESSES,
5 START-UP BUSINESSES THAT ARE PERHAPS A LITTLE BIT
6 RISKIER, AND THAT MICRO-LOAN PROGRAMS, IN FACT, CAN
7 VERY EFFECTIVELY STIMULATE INNOVATION. AND SO I DON'T
8 WANT TO SEE US COMPLETELY DISPOSE OF OR WALK AWAY FROM
9 THE MICRO-LOAN IDEA.

10 I DON'T THINK IT SHOULD BE A -- IN ANY
11 WAY A DOMINANT PART OF THE LOAN PROGRAM, BUT I'VE
12 THOUGHT THAT SOME KIND OF A SET ASIDE FOR THAT PURPOSE,
13 EVEN THOUGH IT WAS RISKIER, WOULD BE A WORTHWHILE
14 THING. AND I THINK WE COULD OVERCOME SOME OF THE
15 ARGUEMENTS THAT YOU MADE AGAINST IN TERMS OF THE COST
16 AND THE OVERHEAD BY CONSIDERING HANDING IT OFF TO BE
17 MANAGED IN SOME SIMPLER WAY CLOSER TO THE LOCAL LEVEL
18 BY ZONE ADMINISTRATORS OR NONPROFIT ORGANIZATONS WHO
19 ARE IN THE BUSINESS OF ADMINISTERING LOAN PROGRAMS OR
20 SOME WAY TO -- BECAUSE THE COUNTER SIDE, AND I DIDN'T
21 REALLY SEE THIS HERE, IS THAT FROM A SMALL BUSINESS
22 STANDPOINT, NO OFFENSE, BUT WE'RE A BUREAUCRACY AND
23 IT'S A DISINCENTIVE FOR SMALL BUSINESSES TO GET LOANS
24 FROM US BECAUSE WE HAVE A PROGRAM THAT ISN'T DESIGNED
25 TO NECESSARILY SIMPLIFY IT FOR THE TINY BUSINESS, YOU



1 KNOW.

2 LOCAL ECONOMIC DEVELOPMENT CORPORATIONS
3 AND THOSE TYPES OF ORGANIZATIONS FREQUENTLY DO HAVE
4 LOAN PROGRAMS THAT ARE SET UP SPECIFICALLY TO BE SMALL
5 AND SIMPLE AND STREAMLINED AND ADMITTEDLY MORE RISKY.
6 AND WE HAVE TO TAKE THAT INTO ACCOUNT AS A CONTINUING
7 CON, A CONTINUING CONSIDERATION THAT YOU'RE GOING TO
8 LOSE MORE MONEY IN A LOAN PROGRAM THAT INVOLVES -- I
9 MEAN IT'S NOT A LOT OF MONEY, BUT YOU ARE GOING TO LOSE
10 A HIGHER PERCENTAGE BECAUSE OF THE FACT THAT SMALLER
11 ENTERPRISES THAT AREN'T ALREADY IN EXISTENCE THAT ARE
12 WELL COLLATERALIZED AND ALL THAT ARE BIGGER RISKS,
13 LET'S FACE IT. BUT I DO THINK THAT WE COULD PRIME THE
14 PUMP OF INNOVATION BY SETTING ASIDE SOME RELATIVELY
15 SMALL AMOUNT OF MONEY THAT WOULD THEN BE ADMINISTERED
16 SOMEHOW IN A SIMPLIFIED WAY PERHAPS THROUGH CONTRACT
17 WITH SOMEONE THAT COULD SERVE THE PURPOSE THAT, I
18 THINK, THE ZONE ADMINISTRATORS WERE TRYING TO GET AT IN
19 SUGGESTING THIS.

20 WE'RE NOT GOING TO MEET THE NEEDS OF ALL
21 THE ZONES AND ALL THE POTENTIAL SMALL BUSINESS PEOPLE
22 THAT MIGHT HAVE INNOVATIVE IDEAS, BUT I DO THINK THAT
23 WE COULD DO SOME ACTIVITY IN THAT AREA. THAT'S ALWAYS
24 BEEN A CONCERN, AND IT'S ALWAYS WHAT I'VE HEARD
25 REPEATEDLY AT EVERY FORUM I'VE EVER BEEN IN ABOUT OUR



1 LOAN PROGRAM, THAT PEOPLE FEEL THAT WE COULD BE DOING
2 MORE IN THAT AREA AT A RELATIVELY LOW COST. SO I DON'T
3 WANT TO ABANDON THAT IDEA. I DON'T KNOW QUITE WHERE TO
4 GO WITH IT IN TERMS OF A RECOMMENDATION TO YOU.

5 I KNOW THERE'S SOME TALK IN THE BUDGET
6 PROCESS THIS YEAR ABOUT SOME ADDITIONAL IDEAS ABOUT
7 WHAT TO DO WITH SOME OF THE LOAN FUNDS. AND PERHAPS
8 THIS COULD BE ONE OF THE CATEGORIES WE EXPLORE IN TERMS
9 OF THINGS THAT WE WOULD FUND. AGAIN, I'M NOT TALKING
10 ABOUT MUCH MONEY. I THINK OUR PRIMARY OBJECTIVE OF
11 GETTING A LOT OF DIVERSION STATEWIDE, THE KIND OF LOANS
12 WE APPROVED THIS MORNING, IS WHAT THE LOAN PROGRAM HAS
13 DONE BEST. SO I'M NOT TALKING ABOUT DETRACTING FROM
14 THAT OR SOMEHOW SAYING THAT THERE'S A BETTER WAY TO DO
15 IT. I'M JUST SAYING THERE'S ANOTHER FUNCTION THAT WE
16 HAVEN'T FULFILLED THAT WE COULD PROBABLY DO A LITTLE
17 ABOUT.

18 MS. TRGOVCICH: MAYBE JUST TO TAKE YOU BACK A
19 BIT, THE MICRO-LOAN ELEMENT WAS ONE OF THE PRINCIPAL
20 COMPONENTS OF THE LOAN WORKSHOP A COUPLE OF YEARS AGO.
21 AT THAT TIME WE HAD A LOT OF DISCUSSION AROUND A
22 MICRO-LOAN PROGRAM, AND I THINK EXACTLY WHAT MINDY
23 DISCUSSED, WHICH IS THE REALLY HEAVY EMPHASIS ON
24 TECHNICAL ASSISTANCE, HAVING THAT ABILITY THROUGH A
25 CONTRACT OR WHATEVER AT THE LOCAL LEVEL, THAT THAT'S



1 REALLY THE KEY ELEMENT IS GETTING SOMEONE IN THERE,
2 PROVIDING THAT BUSINESS ASSISTANCE AS OPPOSED TO THE
3 FUNDS, WHICH ARE IMPORTANT, BUT JUST A SMALL PIECE OF
4 IT, ABOUT 20 PERCENT OF IT OVERALL.

5 AT THE TIME WHERE THE BOARD DECIDED TO
6 GO, AND THAT WAS ACTUALLY MUCH LATER AFTER THAT, WAS TO
7 LOOK AT THE CALCAP PROGRAM AS A WAY TO PROVIDE FUNDING,
8 THAT SMALLER QUANTITY OF FUNDING THAT SMALLER
9 BUSINESSES ARE INTERESTED IN AT A LOCAL LEVEL.

10 CALCAP OPERATES THROUGH LOCAL BANKS. IT
11 OPERATES THROUGH -- I BELIEVE THERE'S 36 OR SO
12 CERTIFIED BANKS. I DON'T THINK MANY OF THEM PLACE A
13 HEAVY EMPHASIS ON IT. WE THOUGHT THAT OUR CALCAP
14 AGREEMENT WAS GOING DOWN THE TUBES GIVEN THE INTERNAL
15 REVIEW THAT CPCFA, THE CALIFORNIA POLLUTION FINANCING
16 AUTHORITY, WAS DOING OF ITS OWN PROGRAM AND THEN WHERE
17 THEY CAME OUT AS RESULT OF THAT REVIEW. HOWEVER,
18 WITHIN THE LAST THREE WEEKS, WE'VE RECEIVED AN
19 AGREEMENT FROM FRED SMITH AND JOANIE JONES-KELLY THAT
20 THEY'VE AGREED TO MORE OR LESS THE SAME TERMS THAT WE
21 AGREED TO HERE IN THIS ROOM. AND WE ARE IN THE PROCESS
22 OF DRAFTING --

23 MEMBER CHESBRO: YOUR STAFF PERSON.

24 MS. TRGOVCICH: FRED SMITH IS THE DIRECTOR OF
25 CPCFA. I DON'T KNOW IF YOU REMEMBER, BUT HE CAME



1 BEFORE YOU AND TESTIFIED BEFORE THE BOARD WHEN THE
2 BOARD APPROVED PARTICIPATION IN THE CALCAP PROGRAM. SO
3 WE ARE IN THE PROCESS OF DEVELOPING THAT AGREEMENT
4 RIGHT NOW BASED UPON THE PARAMETERS THAT WERE LAID
5 OUT. THE ONE CHANGE THAT WILL OCCUR IS THAT BECAUSE
6 THIS IS A PROGRAM THAT MOVES SO FAST, IT'S AT THE LOCAL
7 LEVEL. BORROWERS WANT TO WALK IN, THEY'RE SMALL
8 BUSINESSES, THEY WANT TO GET THEIR MONEY AND WALK OUT.

9 THE ONE THING THAT CPCFA HAS SAID THAT
10 THEY CANNOT LIVE WITH IS A PREAPPROVAL HERE. SO WE ARE
11 WORKING WITH THEM TO MODIFY THEIR APPLICATION FORM, AND
12 WE'LL GET THOSE APPLICATIONS ONCE THEY HAVE BEEN
13 APPROVED, EVALUATE THEM. AND IF WE FEEL THAT FOR THOSE
14 VERY SMALL LOANS AND SMALL BUSINESSES THE WRONG LOANS
15 ARE BEING FUNDED, WE RENEGOTIATE WITH THEM AT THAT
16 POINT.

17 MEMBER CHESBRO: THANK YOU FOR REMINDING ME OF
18 THAT. I TOO THOUGHT IT HAD FALLEN BY THE WAYSIDE.
19 THAT WAS ONE OF MY CONCERNS. I GUESS I JUST HAVEN'T
20 BEEN BROUGHT UP TO DATE ON ITS CURRENT STATUS. I HAVE
21 TO TELL YOU ALSO, AS I'VE TRAVELED AROUND THE STATE, I
22 FREQUENTLY ASK LOCAL ECONOMIC DEVELOPMENT ORIENTED
23 BANKS WHO ARE THE MOST APT TO PARTICIPATE IN CALCAP,
24 YOU KNOW ABOUT CALCAP? AND THEY SAY NO. AND SO
25 THERE'S A MARKETING JOB THAT'S GOING TO NEED TO BE DONE



1 THAT PROBABLY IS CPCFA'S RESPONSIBILITY; BUT SINCE WE
2 WANT THIS PROGRAM TO BE AVAILABLE IN ALL OF OUR ZONES,
3 WORKING WITH THE ZONE ADMINISTRATORS, WE'LL PROBABLY
4 NEED TO GO TO THE BANKS THAT SERVICE THOSE -- THE
5 ZONES. AND IT TENDS TO BE -- OF COURSE, THE LARGER
6 BANKS CAN PARTICIPATE TOO IF THEY WANT, BANK OF AMERICA
7 AND WELLS FARGO, ETC., BUT THE KINDS OF BANKS THAT TEND
8 TO WANT TO PARTICIPATE IN PROGRAMS LIKE THIS TEND TO BE
9 THE LOCALLY OWNED ONES THAT HAVE A MISSION THAT'S
10 ECONOMICALLY DEVELOPMENT ORIENTED.

11 WE WILL PROBABLY WANT TO HAVE AN ACTIVE
12 MARKETING PROGRAM TO MAKE SURE THAT THE PROGRAM GETS IN
13 PLACE IN THOSE BANKS SO THAT ZONE ADMINISTRATORS CAN
14 THEN MAKE THAT AVAILABLE WITHIN THE ZONES. I KNOW IT
15 WILL BE AVAILABLE MORE WIDELY THAN THE ZONES, BUT IN
16 TERMS OF WHAT WE'RE TALKING ABOUT HERE, WHICH IS
17 GETTING MORE INCENTIVES -- MORE TOOLS TO ZONE
18 ADMINISTRATORS, I THINK THAT'S GOING TO BE A PRETTY
19 IMPORTANT PART OF THIS PROCESS.

20 MS. TRGOVCICH: THE MARKETING ELEMENT IS A KEY
21 POINT IN THE AGREEMENT BETWEEN THIS BOARD AND CPCFA.
22 THEY WANT US TO TAKE ON THAT MARKETING ROLE. BUT I
23 WOULD SAY THAT ONE OF THE BIGGEST LENDERS UNDER THE
24 CALCAP PROGRAM IS WELLS FARGO IN ALL OF THEIR
25 INSTITUTIONS AROUND THE STATE. SO THEY ARE A MAJOR



1 PLAYER IN THIS PROGRAM.

2 MEMBER CHESBRO: WITHOUT CASTING -- I DO KNOW
3 THAT IT'S SUPPOSED TO BE ASPERSIONS. THIS IS A JOKE I
4 USE ALL THE TIME. I HAVE TO TELL PEOPLE THIS --
5 WITHOUT CASTING NASTURTIUMS -- I GOT IT FROM TIM MCCAY
6 ACTUALLY -- WITHOUT CASTING NASTURTIUMS AT WELLS FARGO,
7 THOUGH, SMALL BUSINESS PEOPLE TEND TO, WHO ARE RISKIER
8 LOANS, TEND TO CONNECT MORE EASILY WITH THE BANK OF
9 WHATEVER, THE LOCAL COMMUNITY WHO HAVE OFFICERS WHOSE
10 JOB IT IS TO WORK WITH THOSE KINDS OF PEOPLE, AND, YOU
11 KNOW, THAT'S NOT TO SAY THAT BIGGER BANKS DON'T AND
12 THAT WE SHOULDN'T WORK WITH THEM BECAUSE WE SHOULD, BUT
13 GETTING BEYOND THE BIG BANKS, WE NEED TO MAKE SURE THAT
14 THE BANKS WHO HAVE THAT AS PART OF THEIR PRIMARY
15 MISSION GET AHOLD OF THIS PROGRAM AND KNOW ABOUT IT.

16 I'VE JUST BEEN AMAZED, NOT JUST ABOUT OUR
17 PARTICIPATION IN IT, BUT IN GENERAL HOW LITTLE
18 KNOWLEDGE THERE IS OUT THERE AMONGST THE LENDING
19 COMMUNITY THAT I'VE TALKED TO THAT CALCAP EVEN EXISTS.
20 SO THERE IS A REAL MARKETING JOB THAT'S NEEDED.

21 CHAIRMAN AMODIO: WESLEY, LET ME ADD ONTO YOUR
22 COMMENT AND THEN MAKE A SUGGESTION AND SEE IF THIS KIND
23 OF MEETS YOUR DESIRE HERE AS WELL. THE ONLY OTHER AREA
24 I WAS GOING TO COMMENT ON WAS THAT I KNOW WE'VE BEEN
25 THINKING ABOUT WAYS THAT WE CAN PROVIDE SOME ADDITIONAL



1 INCENTIVES AND ASSISTANCE TO THE ZONE ADMINISTRATORS
2 THEMSELVES. AND THAT THAT IS SOMETHING THAT
3 POTENTIALLY COULD REQUIRE LEGISLATION TO DO, DEPENDING
4 ON HOW WE WERE GOING TO DO IT. AT THE SAME TIME, AS
5 WESLEY INDICATED, THERE ARE AS PART OF THE BUDGET
6 DISCUSSIONS POSSIBILITIES THAT THERE MAY BE SOME FUNDS
7 MADE AVAILABLE FOR LOANS WITH SOME GREATER DISCRETION
8 ON THE BOARD'S PART OR EXPANDED DISCRETION ON THE
9 BOARD'S PART FOR DIRECTING OR ALLOCATING THOSE LOANS.

10 AND SO I GUESS MY SUGGESTION, WESLEY, IS
11 THAT WITH THE THINGS THAT ARE UNSETTLED RIGHT NOW WITH
12 OUR BUDGET AND THESE CONTINUING DISCUSSIONS ON CALSPA,
13 THAT I'D LIKE TO SUGGEST THAT THE -- THAT WHEN THESE
14 THINGS DO GET WORKED THROUGH, AND I THINK THEY'RE GOING
15 TO BE WORKED THROUGH OVER THE NEXT MONTH, THEY SHOULD
16 BE, THAT THEY COME BACK AND REPORT WHETHER AND THE WAY
17 THEY GOT SETTLED. SOME -- WE NOW HAVE KIND OF THE
18 LATITUDE OR MEANS TO PURSUE, YOU KNOW, SOME OF THE
19 IDEAS OR APPROACHES THAT YOU ARE LOOKING TOWARDS. THEN
20 AT THAT POINT WE CAN JUDGE WHETHER WE HAVE IT IN HAND
21 OR WHETHER WE WANT TO LOOK AT STILL SUPPLEMENTING IT
22 THROUGH PROPOSALS THAT WOULD REQUIRE LEGISLATIVE
23 ACTION.

24 MS. TRGOVCICH: I THINK THAT FROM THE ZONE
25 ADMINISTRATORS' PERSPECTIVE, AND GIVEN WHERE THE BUDGET



1 DISCUSSIONS ARE RIGHT NOW, THE THING THAT THEY CAME
2 FORWARD WITH THAT THEY FEEL ABOVE AND BEYOND EVERYTHING
3 ELSE WOULD BE OF MOST USE TO THEM, IMMEDIATE USE, IS
4 THE PACKAGE OF INCENTIVES, THE IMPRESSED FUND-TYPE
5 INCENTIVES THAT WAS BROUGHT FORWARD IN JANUARY.

6 CHAIRMAN AMODIO: THAT DID NOT REQUIRE
7 LEGISLATION.

8 MS. TRGOVCICH: THAT THE BOARD APPROVED IN
9 CONCEPT THAT DID NOT REQUIRE LEGISLATION, BUT REQUIRED
10 MONEY OUT OF THE IWMA BECAUSE A LOT OF THOSE WERE NOT
11 DIRECT LOAN RELATED. SO THAT IS PROBABLY THE SINGLE
12 MOST IMPORTANT THING TO THE ZA'S, THE ZONE
13 ADMINISTRATORS.

14 CHAIRMAN AMODIO: THAT'S WHAT'S IN PLACE STILL
15 WITH THE BUDGET DISCUSSIONS, I PRESUME. OKAY. DOES
16 THAT SATISFY?

17 MEMBER CHESBRO: SURE.

18 CHAIRMAN AMODIO: COME BACK AND REPORT WITH
19 THE OUTCOME OF THE BUDGET AND YOUR CONTINUED
20 DISCUSSIONS WITH CALSPA AND SEE IF THAT'S GIVEN US SOME
21 GREATER TOOLS OR ABILITY TO TRY AND ADDRESS THESE
22 NEEDS.

23 MS. TRGOVCICH: SO FOR CLARITY FROM THE STAFF
24 PERSPECTIVE, WE WILL NOT BE FORWARDING ANYTHING ON TO
25 LEGISLATION RIGHT NOW. WE WILL AWAIT THE OUTCOME OF



1 THE BUDGET HEARINGS. THEN WE WILL DETERMINE WHETHER OR
2 NOT ANY OF THESE ISSUES CONTINUE TO EXIST AT THAT
3 POINT.

4 CHAIRMAN AMODIO: I THINK YOU WOULD COME BACK
5 AND REPORT HERE FIRST BECAUSE THEN WE COULD DECIDE
6 WHETHER WE WANTED TO RECOMMEND TO MOVE ANYTHING
7 FORWARD.

8 MEMBER CHESBRO: I WOULD LIKE FOR US TO REFER
9 TO LEG. -- LEGISLATION COMMITTEE TO WORK WITH STAFF ON
10 THE QUESTION OF TRYING TO FIGURE OUT WHICH OF THE
11 INCENTIVES UNDER ITEM 1 WOULD BE LEGISLATIVELY
12 FEASIBLE, PARTICULARLY WITH REGARD TO THE QUESTION OF
13 APPLICABILITY TO OUR PROGRAM AS OPPOSED TO THE
14 ENTERPRISE ZONE PROGRAM, AND SEE IF THERE'S A
15 LEGISLATIVE PROPOSAL IN THAT SOMEWHERE. NOT SAYING WE
16 RECOMMEND YEA OR NAY AT THIS POINT, BUT THAT THAT --

17 CHAIRMAN AMODIO: WESLEY, LET ME ASK ON THAT
18 ONE IS THAT GIVEN, I THINK, GIVING THEM SOME DIRECTION
19 THAT WE'D LIKE TO MAKE CERTAIN THAT IN THEIR ANALYSIS
20 THEY REALLY DID IN RELATIONSHIP TO OUR PROGRAM, YOU
21 KNOW, PURPOSES AND GOALS, BUT THAT WE DON'T REALLY KNOW
22 WHAT THEY MAY DECIDE, I'D RATHER HAVE IT COME BACK HERE
23 RATHER THAN TAKING THE LEG. COMMITTEE'S TIME BEFORE WE
24 EVEN CHEWED ON IT AND DECIDED WHETHER THERE WAS
25 ANYTHING WORTHWHILE FOR THEM TO CHEW ON.



1 MEMBER CHESBRO: SO I THINK THE OTHER THINGS
2 THAT JOHN SUGGESTED ARE JUST GENERAL DIRECTION TO
3 STAFF, WHICH DON'T REALLY REQUIRE A MOTION, BUT I WILL
4 MOVE THAT WE ASK FOR STAFF TO MAKE AN ANALYSIS, PREPARE
5 AN ANALYSIS THAT TRIES TO DIFFERENTIATE BETWEEN THE TWO
6 PROGRAMS AND IDENTIFY WHICH OF THE PROGRAMS MIGHT BE
7 APPLICABLE AND BRING THAT BACK TO US FOR A POTENTIAL
8 RECOMMENDATION TO LEG. COMMITTEE.

9 CHAIRMAN AMODIO: I'LL SECOND THAT.

10 THE SECRETARY: MEMBER CHESBRO.

11 MEMBER CHESBRO: AYE.

12 THE SECRETARY: CHAIRMAN AMODIO.

13 CHAIRMAN AMODIO: AYE. ALL RIGHT.

14 MEMBER CHESBRO: AND THE OTHER PIECE I DON'T
15 THINK THAT JOHN MENTIONED IN HIS -- COMMITTEE CHAIRMAN
16 MENTIONED IN RELATION TO HIS SUGGESTIONS TO STAFF WAS
17 THE QUESTION OF MARKETING THE CALCAP PROGRAM. AND I'D
18 LIKE FOR YOU TO COME BACK AND REPORT TO US ON HOW THAT
19 IS GOING TO BE CARRIED OUT.

20 MS. TRGOVCICH: CERTAINLY. THAT IS A
21 PRINCIPAL ELEMENT OF THE AGREEMENT WITH CPCFA.

22 MEMBER CHESBRO: I THINK THAT'S A REAL CRUCIAL
23 PIECE OF IT.

24 CHAIRMAN AMODIO: THANK YOU VERY MUCH, MINDY.
25 WE'LL NOW GO AGENDA ITEM NO. 5, AND THIS IS AN



1 INFORMATIONAL DISCUSSION, AS I UNDERSTAND IT, ON
2 CONSIDERATION OF BOARD'S ACTIVITIES TO INCREASE
3 RECYCLABLES MARKETS FOR PLASTICS.

4 MS. TRGOVCICH: MEMBER AMODIO, I WILL OPEN
5 THIS ITEM AND THEN TURN IT OVER TO MIKE LEAON FOR
6 PRESENTATION. THIS ITEM CAME TO THE MARKETS COMMITTEE
7 AT THE DIRECTION OF CHAIRMAN PENNINGTON, WHO WANTED
8 JUST A BETTER UNDERSTANDING OF WHAT ARE THE KINDS OF
9 ACTIVITIES THAT WE ARE CURRENTLY INVOLVED IN THE
10 PLASTICS ARENA. THE ITEM IS FAIRLY BRIEF. THE WRITTEN
11 ITEM BASICALLY JUST DOES A VERY SHORT SYNOPSIS OF THOSE
12 AREAS THAT WE ARE CURRENTLY WORKING IN. SO THERE ARE
13 NO RECOMMENDATIONS ATTACHED TO THIS ITEM. IT IS JUST A
14 PRESENTATION FOLLOWING UP ON THE CHAIRMAN'S DIRECTION
15 OF WHERE ARE WE INVOLVED RIGHT NOW.

16 CHAIRMAN AMODIO: GREAT. MICHAEL, WELCOME.

17 MR. LEAON: MORNING, MR. CHAIRMAN. THANK YOU,
18 CAREN, FOR THAT INTRODUCTION. THIS ITEM WILL COVER
19 BOARD ACTIONS TO INCREASE RECYCLABLE MARKETS FOR
20 PLASTIC.

21 OKAY. THE TOPICS I'LL BE COVERING IN THE
22 PRESENTATION INCLUDE THE BOARD'S LEGISLATIVELY MANDATED
23 PROGRAMS, WHICH INCLUDES THE MINIMUM RECYCLED-CONTENT
24 PROGRAMS FOR RIGID PLASTIC PACKAGING CONTAINERS AND
25 PLASTIC TRASH BAGS, ALSO COVER THE RMDZ ZONE LOAN



1 PROGRAM, AND THE PLASTIC INFORMATION CLEARINGHOUSE,
2 AND ALSO COVER BRIEFLY SOME RECENT BOARD INITIATIVES
3 CONCERNING DEVELOPING A PLASTIC MARKETING GUIDE FOR THE
4 BOARD'S HOME PAGE, AND ALSO PROMOTING THE CONCEPT OF
5 VOLUNTARY RECYCLED CONTENT IN PLASTIC DURABLE GOODS.

6 BEGINNING WITH THE RIGID PLASTIC
7 CONTAINER PROGRAM, THE REQUIREMENTS OF THIS LAW APPLY
8 TO PRODUCT MANUFACTURERS, SPECIFICALLY THE CONTAINERS
9 THAT THEIR PRODUCT IS SOLD IN. A KEY PART OF THIS LAW
10 IS ALL-CONTAINER RECYCLING RATE, WHICH THE BOARD
11 CALCULATES ANNUALLY. IF THAT RATE IS OVER 25 PERCENT,
12 THEN PRODUCT MANUFACTURERS ARE IN COMPLIANCE WITH THE
13 LAW AND THERE'S NO FURTHER CERTIFICATION REQUIRED. IF,
14 HOWEVER, THE ALL-CONTAINER RECYCLING RATE IS DETERMINED
15 BY THE BOARD TO BE LESS THAN 25 PERCENT, THE BOARD MAY
16 REQUIRE PRODUCT MANUFACTURERS TO CERTIFY THAT, ONE,
17 EITHER THEIR CONTAINER IS A SOURCE-REDUCED CONTAINER
18 OR, TWO, THAT THAT CONTAINER HAS 25 PERCENT
19 POSTCONSUMER CONTENT IN IT.

20 IN 1996 THE BOARD DID DETERMINE THAT THE
21 RATE FOR 1996 WAS LESS THAN 25 PERCENT, AND A
22 CERTIFICATION PROCESS IS CURRENTLY ONGOING AND BEING
23 DEVELOPED.

24 REGARDING THE PLASTIC TRASH BAG LAW, THIS
25 LAW REQUIRES PLASTIC TRASH BAG MANUFACTURERS TO CERTIFY



1 THE TONNAGE OF POSTCONSUMER RESIN USED IN THEIR TRASH
2 BAGS AND ALSO TO VERIFY THE SOURCE OF THAT MATERIAL.
3 THE 1997 CERTIFICATION RESULTS, THERE WERE 81,000 TONS
4 OF PLASTICS IN TRASH BAGS SOLD IN CALIFORNIA. AND OF
5 THAT AMOUNT, 8,719 TONS WERE RECYCLED PLASTIC. THIS
6 REPRESENTS 10.7 PERCENT OF THE RESIN USED IN TRASH BAGS
7 IN CALIFORNIA WAS POSTCONSUMER.

8 CONCERNING THE RECYCLING MARKET
9 DEVELOPMENT ZONE LOAN PROGRAM, THE BOARD HAS MADE 16
10 LOANS TO COMPANIES USING RECYCLED PLASTIC AS A
11 MANUFACTURING FEEDSTOCK. THESE LOANS TOTAL \$7.6
12 MILLION. THESE COMPANIES TOGETHER HAVE DIVERTED
13 136,000 TONS OF MATERIAL, WHICH INCLUDES PLASTICS, BUT
14 DOES NOT REPRESENT SOLELY PLASTICS, AND THESE COMPANIES
15 HAVE ALSO CREATED 282 JOBS.

16 CONCERNING THE PLASTIC INFORMATION
17 CLEARINGHOUSE, THIS IS A LEGISLATIVELY MANDATED
18 PROGRAM. THE BOARD IS REQUIRED TO MAINTAIN A DATABASE
19 OF PLASTIC REPROCESSORS AND RECYCLERS. AND RECENTLY
20 STAFF HAS DEVELOPED A DATABASE OF COMPUTER RECYCLERS.
21 THE PURPOSE OF THESE DATABASES IS TO LIST COLLECTORS,
22 REPROCESSORS, AND RECYCLERS, TO IDENTIFY SOURCES OF
23 POSTCONSUMER RESINS, AND TO IDENTIFY NEW PLASTIC
24 RECYCLING TECHNOLOGIES.

25 THESE DATABASES ARE IN THE PROCESS OF



1 BEING ADDED TO THE BOARD'S WEB SITE, AND IT'S
2 ANTICIPATED THAT THEY SHOULD BE ON LINE BY JULY OF
3 1998.

4 MOVING ON TO MORE RECENT INITIATIVES.
5 THESE ARE NOT LEGISLATIVELY MANDATED PROGRAMS. THESE
6 NEXT TWO TOPICS FELL OUT OF THE 1996 MARKET DEVELOPMENT
7 PLAN -- ACTUALLY THE VOLUNTARY RECYCLED-CONTENT
8 PROMOTION DID. THE MARKETING GUIDE WAS NOT ACTUALLY.
9 BUT THE MARKETING GUIDE IS, I THINK, A VERY IMPORTANT
10 INITIATIVE. IT'S WHERE WE WILL HAVE A WEB SITE ON THE
11 BOARD'S HOME PAGE DEDICATED TO POSTCONSUMER PLASTICS.
12 ITS PURPOSE WILL BE TO INCREASE THE DEMAND FOR
13 POSTCONSUMER RESIN BY PROVIDING MARKETING INFORMATION,
14 TECHNICAL DATA AND LINKS TO TRADE GROUPS, INDUSTRY
15 ASSOCIATIONS, AND VARIOUS TRADE GROUPS. AND WE HOPE TO
16 HAVE THIS ON LINE BY JULY 1998 AS WELL. AND TOGETHER
17 WITH THE PLASTICS DIRECTORY, I THINK THAT WILL BE A
18 VERY GOOD SOURCE OF INFORMATION. AND WE HOPE TO
19 GENERATE A LOT MORE INTEREST AND CONTACTS WITH LOCAL
20 GOVERNMENT AND INDUSTRY AND THE PUBLIC.

21 THIS NEXT INITIATIVE WAS IDENTIFIED IN
22 THE 1996 MARKET DEVELOPMENT PLAN AND AS A KEY ACTION.
23 AND THIS IS TO PROMOTE VOLUNTARY RECYCLED CONTENT IN
24 PLASTIC DURABLE GOODS. THE TARGET INDUSTRIES THAT WE
25 SELECTED WERE THE COMPUTER AND ELECTRONICS INDUSTRY AND



1 TRANSPORTATION AUTOMOTIVE INDUSTRY. WE FOUND THAT
2 THESE INDUSTRIES, THERE'S ALREADY A GREAT DEAL OF
3 INTEREST IN ENVIRONMENTAL STEWARDSHIP AND IN RECYCLING
4 OF MATERIALS.

5 WE HAVE BEEN NETWORKING WITH KEY INDUSTRY
6 STAKEHOLDERS IN REGARD TO THIS CONCEPT, AND WE HAVE
7 FOUND THAT THERE IS SUPPORT, BOTH AMONGST PLASTICS
8 REPROCESSORS AND RECYCLERS AND KEY COMPANIES IN
9 COMPUTER INDUSTRY AND ALSO IN THE AUTOMOTIVE INDUSTRY.
10 AND AS A MATTER OF FACT, WE DO HAVE A REPRESENTATIVE
11 HERE TODAY FROM MBA POLYMERS, WHO WILL ADDRESS THE
12 COMMITTEE TO PROVIDE AN INDUSTRY PERSPECTIVE.

13 THE KEY NEXT STEPS IN REGARD TO PROMOTING
14 PLASTIC MARKETS WILL BE TO CONTINUE THE EFFORT ON THE
15 DURABLE GOODS SIDE. WE'RE LOOKING AT CONVENING A
16 MEETING OF INDUSTRY STAKEHOLDERS TO REVIEW WHAT ARE THE
17 BEST OPTIONS AND ALTERNATIVES FOR GENERATING INTEREST
18 AND INVOLVEMENT ON THE PART OF THESE INDUSTRIES TO USE
19 RECYCLED-CONTENT MATERIALS.

20 SOME OF THE OPTIONS WE CAN LOOK AT ARE
21 DOING WORKSHOPS AND CONFERENCES OR WORKING THROUGH
22 EXISTING BUSINESSES AND ALLIANCES. WE WILL ALSO BE
23 SEEKING INPUT ON THE MARKETING GUIDE ON THE INTERNET
24 AND HOW TO MAKE THAT RESOURCE THE MOST USEFUL AND MAKE
25 IT HAVE AN IMPACT IN REGARD TO PLASTIC RECYCLING.



1 THAT CONCLUDES MY PRESENTATION. I'D BE
2 HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

3 CHAIRMAN AMODIO: WHY DON'T WE FIRST CALL UPON
4 CESAR CASTRO WHO HAS SIGNED TO SPEAK FROM MBA POLYMERS
5 AND SEE IF THERE'S ANYONE ELSE FROM THE AUDIENCE WHO
6 WISHES TO COMMENT. MR. CASTRO, WELCOME. THANKS FOR
7 COMING TODAY.

8 MR. CASTRO: MY NAME IS CESAR CASTRO, AND I'D
9 LIKE TO THANK THE CHAIRMAN OF THE COMMITTEE AND OTHER
10 MEMBERS FOR THE OPPORTUNITY TO SPEAK TODAY.

11 MBA POLYMERS IS A PLASTIC RECYCLING
12 COMPANY IN RICHMOND, CALIFORNIA. AND ONE OF OUR
13 SPECIALTIES IS RECYCLING AND RECOVERING PLASTICS FROM
14 END-OF-LIFE DURABLE GOODS, POSTCONSUMER DURABLE GOODS.
15 OFTENTIMES THESE STREAMS IF WE'RE NOT ABLE TO RECYCLE
16 THEM OR A COMPANY SUCH AS OURS CAN WIND UP GOING
17 DIRECTLY INTO LANDFILLS. THESE ARE VERY DIFFICULT TO
18 SEPARATE STREAMS.

19 THERE'S A COUPLE OF ISSUES I JUST WANTED
20 TO BRING UP TODAY BEFORE THE COMMITTEE IN WAYS THAT WE
21 CAN WORK TOGETHER AND INCREASE DIVERSION. ONE IS
22 CERTAINLY IN THE AREA OF SOURCING AND FINDING
23 ADDITIONAL SOURCES OR, I.E., FEEDSTOCKS FOR OUR PROCESS
24 AND OUR RECYCLING CAPABILITES WITHIN THE STREAMS AND
25 THE INDUSTRIES THAT MIKE DESCRIBED, COMPUTER BUSINESS



1 MACHINE AND AUTOMOTIVE.

2 ANOTHER KEY AREA OBVIOUSLY IS ONCE
3 MATERIAL HAS BEEN RECYCLED IS FINDING CUSTOMERS AND
4 FINDING MARKETS FOR THESE PRODUCTS. THOSE ARE TWO
5 EXAMPLES.

6 TWO MORE POINTS THAT I WANTED TO MAKE
7 TODAY. ANOTHER AREA THAT'S VERY IMPORTANT FOR US IS
8 WHAT WE CALL REVERSE LOGISTICS OR THE WHOLE PROCESS OF
9 BRINGING THESE STREAMS INTO OUR FACILITIES. I'LL GIVE
10 YOU A COUPLE OF EXAMPLES. THERE ARE MANY SMALL,
11 MEANING FIVE EMPLOYEE OR LESS, COMPANIES OUT THERE THAT
12 DO THINGS SUCH AS TONER REMANUFACTURING. THEY
13 ESSENTIALLY ARE NOT CAPABLE OF REMANUFACTURING AND
14 REFURBISHING ALL THE TONER CARTRIDGES THAT COME IN. I
15 MEANT TO SAY TONER CARTRIDGES, NOT TONER. THESE ARE
16 CARTRIDGES THAT ARE USED IN PRINTERS AND FAX MACHINES
17 AND COPIERS. THEY'RE NOT ABLE TO COMPLETELY
18 REMANUFACTURE ALL THE STREAMS THAT COME INTO THEM; AND,
19 THEREFORE, PRODUCTS THAT THEY CAN'T WORK WITH ARE
20 DISPOSED OF.

21 THOSE REPRESENT FOR US A POTENTIAL STREAM
22 THAT WE CAN RECYCLE. AND NOT ONLY DOES THAT CONTAIN
23 PLASTICS, BUT IT ALSO CONTAINS METALS AND OTHER
24 NONPLASTICS THAT WE'RE CAPABLE OF HANDLING. THE
25 CHALLENGE THERE IS JUST BECAUSE THESE ARE SMALL



1 COMPANIES AND LOCATED THROUGHOUT THE BAY AREA AND
2 THROUGHOUT THE STATE AND TRYING TO GET ENOUGH OF THAT
3 SOURCE INTO A SUFFICIENT ENOUGH QUANTITY FOR US TO
4 PROCESS. THAT'S ONE EXAMPLE.

5 FINALLY, THE OTHER POINT I WANTED TO
6 BRING UP WAS -- WE ARE NOW -- WE NOW HAVE EQUIPMENT
7 WHEREBY WE CAN UPGRADE THE PLASTIC THAT WE RECYCLE AT
8 THE END OF OUR PROCESS, ESSENTIALLY EXTRUSION LINES AND
9 PELLETIZING CAPABILITY. AND THAT NOT ONLY UPGRADES,
10 BUT IT HOMOGENIZES THE PLASTIC, WHICH IS VERY IMPORTANT
11 FOR THESE LARGE ORIGINAL EQUIPMENT MANUFACTURERS IN THE
12 COMPUTER AND BUSINESS MACHINE AND AUTOMOTIVE
13 INDUSTRIES. THAT'S GOING TO BE A VERY KEY CRITERIA FOR
14 THEM TO PURCHASE RECYCLED PLASTICS IS TO HAVE A LARGE
15 QUANTITY AVAILABLE TO THEM TO HAVE IT HOMOGENOUS AND TO
16 HAVE CONSISTENCY. WITH THE EQUIPMENT THAT WE'VE
17 PURCHASED, WE'LL BE ABLE TO PROVIDE THOSE SERVICES, BUT
18 WE'RE STILL IN THE PROCESS OF INSTALLING THE EQUIPMENT
19 AND GETTING IT SET UP. SO THAT THERE MIGHT BE WAYS
20 THAT WE COULD WORK AND GET HELP IN THAT AREA ALL THE
21 WAY FROM THINGS SUCH AS GETTING ELECTRICITY TO RUN THE
22 EQUIPMENT AND THINGS LIKE THAT, REAL BASIC STUFF LIKE
23 THAT ON UP.

24 I THINK THOSE ARE SOME OF THE KEY AREAS
25 THAT WE CAN CONTINUE TO WORK TOGETHER ON AND SEEK



1 ASSISTANCE FROM THE COMMITTEE. THAT'S ALL I HAVE.

2 CHAIRMAN AMODIO: GREAT. WESLEY, DO YOU HAVE
3 ANY QUESTIONS?

4 MEMBER CHESBRO: I JUST WANTED TO COMMENT THAT
5 I'VE HAD A CHANCE TO BE OVER AT THE PLANT, AND I'M
6 VERY, VERY IMPRESSED WITH WHAT'S HAPPENING THERE, NOT
7 JUST BECAUSE OF WHAT YOU'RE SPECIFICALLY DOING, BUT
8 BECAUSE I THINK IT OFFERS AN EXAMPLE OR A MODEL IN
9 TERMS OF THE RELATIONSHIPS THAT I WOULD HOPE WE COULD
10 DEVELOP FOR OTHER SITUATIONS WITH REGARDS TO PLASTIC
11 RECYCLING.

12 WE HAVE, FIRST OF ALL, A CUSTOMER GROUP,
13 WHICH IS PRIMARILY THE ELECTRONICS INDUSTRY, WHO MADE A
14 DECISION THAT THEY WANT RECYCLED-CONTENT AND
15 RECYCLABILITY IN THESE PRODUCTS. AND SO THEY'VE
16 ACTIVELY SUPPORTED THIS EFFORT. AND IN RESPONSE TO
17 THAT, THEY HAD, THE PLASTICS MANUFACTURERS AND APC
18 PARTICIPATED AND STEPPED FORWARD AND SAID, WELL, IF A
19 MAJOR CUSTOMER GROUP WANTS IT, THEN WE'LL RESPOND. AND
20 SO IT IS ONE OF THE EXAMPLES WHERE THERE'S BEEN THIS
21 COMING TOGETHER OF THE INTEREST TO DO SOMETHING PRETTY
22 PRODUCTIVE.

23 IF WE COULD FIGURE OUT HOW TO ESTABLISH
24 THOSE KINDS OF RELATIONSHIPS WITH REGARDS TO OTHER
25 WEAKER AREAS WHERE THERE HASN'T BEEN AS MUCH ACTIVITY



1 TOWARDS SETTING UP THE SUPPLY CHAIN AND SOLVING THE
2 TECHNICAL PROBLEMS AND COMING UP WITH THE RIGHT
3 TECHNOLOGY AND EQUIPMENT TO DELIVER WHAT THE INDUSTRY
4 NEEDS, IF WE COULD SOMEHOW REPLICATE THAT IN OTHER
5 AREAS, I THINK WE COULD REALLY LICK THIS PROBLEM, YOU
6 KNOW.

7 SO I WANTED TO BOTH COMPLIMENT YOU, BUT
8 ALSO THE USER GROUP AND APC FOR THEIR PARTICIPATION IN
9 BRINGING YOUR EFFORT TO WHERE IT IS AND HOPE THAT WE
10 COULD SOMEHOW STUDY THAT AND FIGURE OUT HOW WITH, FOR
11 EXAMPLE, PLASTIC PACKAGING WE COULD ACHIEVE A SIMILAR
12 KIND OF RELATIONSHIP. I THINK IF WE DID, WE'D BE ON
13 THE WAY TO THE SOLUTION TO THE PLASTICS RECYCLING
14 PROBLEM. THAT'S MY REACTION.

15 CHAIRMAN AMODIO: THANK YOU FOR COMING. I'VE
16 A COUPLE QUESTIONS IF I MIGHT. YOU STRESSED FIRST THE
17 IMPORTANCE OF ADDITIONAL FEEDSTOCKS FOR A BUSINESS LIKE
18 YOURS. NOT THAT YOU NEED TO GIVE US THE ANSWER TODAY,
19 BUT IT'D BE WORTHWHILE IF YOU HAD ANY THOUGHTS OR
20 SUGGESTIONS ON WAYS IN WHICH THE BOARD COULD SUPPORT OR
21 ASSIST IN ADDRESSING THAT NEED OR PROBLEM.

22 MR. CASTRO: CERTAINLY ALL THE WAY FROM
23 AWARENESS, THAT THERE'S SOME -- THERE'S A SOLUTION OUT
24 THERE NOW FOR PEOPLE THAT MAY BE TAKING THINGS AND
25 SIMPLY SENDING THEM TO LANDFILLS. I MEAN WE'VE TALKED



1 TO SEVERAL COMPANIES THAT ARE DOING THAT.

2 MEMBER CHESBRO: SO I COULD BRING MY APPLE IIE
3 AND YOU'LL TAKE CARE OF IT FOR ME?

4 MR. CASTRO: YOU MIGHT WANT TO TAKE IT TO A
5 COMPUTER DISMANTLER FIRST, AND WE'LL TAKE IT FROM
6 THERE.

7 CHAIRMAN AMODIO: ANTIQUE SHOP BY NOW.

8 MR. CASTRO: MIGHT BE A MUSEUM PIECE AT SOME
9 POINT.

10 MEMBER CHESBRO: IT'S BEEN SITTING IN MY
11 GARAGE FOR A WHILE. I THINK I CAN FIGURE OUT HOW TO
12 PROPERLY RECYCLE IT.

13 MR. CASTRO: AND I THINK THE OTHER KEY
14 EMPHASIS REALLY IS IN THE AREA OF REVERSE LOGISTICS.
15 IT'S TRYING TO FIGURE OUT WHAT'S THE BEST WAY TO GET
16 STREAMS TO OUR FACILITY AND GET THINGS TO US. WE'VE
17 TALKED TO PEOPLE -- THERE'S -- ANOTHER EXAMPLE IS IN
18 THE SOFTWARE AND MUSIC COMPACT DISK DESTRUCTION
19 INDUSTRY WHERE WHEN MUSIC TITLES RUN OUT OR
20 PARTICULARLY IN SOFTWARE WHEN SOFTWARE TITLES RUN OUT,
21 THERE ARE COMPANIES OUT THERE THAT DESTROY THEM. IT'S
22 A VERY PRODUCT STEWARDSHIP. IT'S AN OWNERSHIP ISSUE
23 WHERE THESE COMPANIES ARE SET UP TO DO DESTRUCTION.
24 BUT THEN THAT CREATES A VERY, VERY MIXED STREAM OF
25 PAPER AND PLASTIC, VERY COMPLICATED STREAM.



1 THAT'S A STREAM THAT WE WOULD BE
2 INTERESTED POTENTIALLY LOOKING AT AND RECYCLING AND
3 RECOVERING PLASTICS FROM THOSE STREAMS AND SEPARATING.
4 BUT AGAIN, THESE PEOPLE, RIGHT NOW THEY'RE JUST FOCUSED
5 ON THE ASSURED DESTRUCTION SIDE. THEY'RE NOT REALLY
6 FOCUSED ON WHAT HAPPENS TO IT ONCE THEY DESTROY IT.
7 AND WE'RE TRYING TO WORK WITH SOME OF THOSE KINDS OF
8 COMPANIES AND TELL THEM IF YOU CAN GET THE MATERIAL TO
9 US, WE MIGHT BE ABLE TO RECYCLE IT AND RECOVER THE
10 PLASTICS. AND SO IT'S ALL CENTERED AROUND GETTING IT
11 TO OUR DOOR, CLOSE TO OUR DOOR ECONOMICALLY BECAUSE,
12 AGAIN, SOME OF THESE ARE SMALL OUTFITS, SO THERE'S NOT
13 A HUGE QUANTITY THAT'S BEING GENERATED.

14 AND AGAIN, IF WE'RE LOOKING AT WHEN WE
15 TURN AROUND AND TRY AND MARKET PRODUCTS, A LOT OF THE
16 KEY CUSTOMERS AND A LOT OF THE INTERESTED PARTIES ARE
17 VERY, VERY KEEN AND VERY, VERY INTERESTED IN FINDING
18 OUT WHAT KIND OF QUANTITIES DO YOU HAVE AND HOW
19 CONSISTENT IS THE MATERIAL. SO LOGISTICS IS JUST AS
20 IMPORTANT.

21 CHAIRMAN AMODIO: ALL RIGHT. AS STILL A NEW
22 BOARD MEMBER, I'LL CONFESS SOME IGNORANCE, BUT ONE OF
23 THE THINGS I DID LEARN AT A FORUM ON PLASTICS DOWN IN
24 SAN DIEGO WAS THE COMPLICATION THAT EXISTS DUE TO THE
25 FRAGMENTATION, IF YOU WILL, THE MANY, MANY PLAYERS THAT



1 ARE WITHIN THE OVERALL PLASTIC INDUSTRY. I'M JUST
2 CURIOUS, A BUSINESS LIKE YOURS, ARE YOU PART OF ANY
3 TRADE ASSOCIATION OR IS THERE ANY HIGHER LEVEL OF KIND
4 OF ENGAGEMENT THAT AS WE LOOK AT TRYING TO FOSTER SOME
5 BROADER DIALOGUE THAT WOULD MAKE SENSE TO REACH OUT TO
6 AN ASSOCIATION OF BUSINESSES LIKE YOURS?

7 MR. CASTRO: WELL, I THINK WE'VE BEEN VERY
8 SUCCESSFUL ON A NATIONAL LEVEL WITH ORGANIZATIONS SUCH
9 AS AMERICAN PLASTICS COUNCIL, THE VEHICLE RECYCLING
10 PARTNERSHIP, WITH SOME OF THE MAJOR AUTOMOTIVE AND
11 ELECTRONICS AND COMPUTER INDUSTRIES. AS MIKE
12 MENTIONED, THE COMPUTER AND BUSINESS MACHINE INDUSTRY
13 IS VERY FOCUSED ON ENVIRONMENTAL IMPACT OF ITS
14 PRODUCTS, ALL COMPONENTS, NOT JUST PLASTICS. SO I
15 THINK IN THOSE AREAS THERE'S PRETTY GOOD AWARENESS.

16 I THINK REALLY THE FOCUS IS NOW STEPPING
17 OUTSIDE OF OUR INDUSTRIES. I THINK WE'RE WELL-KNOWN
18 WITHIN THE PLASTICS INDUSTRY, BUT WE'RE NOT MAYBE
19 WELL-KNOWN TO THE COMPUTER DISMANTLERS, FOR EXAMPLE,
20 WHO ARE REALLY FOCUSED ON RECOVERING HARD DRIVES AND
21 OTHER THINGS OFF OF OLD COMPUTERS, AND THEN THEY PILE
22 UP THEIR PLASTIC, AND WHEN IT FILLS UP A ROLL-OFF BOX,
23 WHATEVER, THEY IT AWAY. AND THAT'S REALLY THE AREA OF
24 FOCUS MAYBE FOR AWARENESS. AND I'M SURE THERE ARE SOME
25 INDUSTRY ASSOCIATIONS THERE. I CAN'T THINK ANY OFF THE



1 TOP OF MY HEAD, BUT I'LL CERTAINLY FEED THAT BACK TO
2 THE COMMITTEE.

3 CHAIRMAN AMODIO: THANK YOU. APPRECIATE
4 YOUR -- WESLEY.

5 MEMBER CHESBRO: ONE OF THE PROBLEMS WITH
6 PLASTICS IN GENERAL HAS BEEN GETTING IT TO --
7 PHYSICALLY PROCESSING IT AND ECONOMICALLY TRANSPORTING
8 IT TO A PLANT WHERE IT CAN BE RECYCLED. DOES THAT
9 APPLY AS WELL TO THE TYPES OF PLASTICS THAT YOU ARE
10 HANDLING AS WELL -- TRADITIONALLY HEAR THAT ABOUT THE
11 RIGID CONTAINERS AND THE PLASTIC BAGS AND THE CONSUMER
12 THROWAWAY PLASTICS OR WHATEVER. DOES THAT APPLY AS
13 WELL TO THE TYPES OF PLASTICS THAT YOU'RE HANDLING?

14 MR. CASTRO: YES. YES, IT DOES.

15 MEMBER CHESBRO: IS THERE WORK BEING DONE --
16 ARE YOU DOING ANYTHING IN RELATION TO THAT QUESTION AND
17 WHAT CHANGES MIGHT MAKE THAT MORE ECONOMICAL TO DELIVER
18 TO YOUR DOOR, REDUCING THE COST OF GETTING IT TO YOUR
19 DOOR?

20 MR. CASTRO: WE'RE DOING THINGS SUCH AS TRYING
21 TO SET UP ARRANGEMENTS WITH SOME OF THESE POTENTIAL
22 PROVIDERS OR SOURCES WHEREBY IT'S AN ECONOMICALLY
23 FEASIBLE SOLUTION FOR BOTH BECAUSE IF THESE PEOPLE ARE
24 PAYING VERY LITTLE -- IT'S VERY LITTLE EFFORT ON THEIR
25 PART TO HAVE IT LANDFILLED, THERE'S NO INCENTIVE FOR



1 THEM TO GET IT TO OUR DOOR, FOR EXAMPLE. SO WE'RE
2 LOOKING AT TRYING TO SET UP ARRANGEMENTS WITH LOCAL
3 SHIPPING COMPANIES, BOTH IN THE BAY AREA AND THROUGHOUT
4 THE STATE, TO SEE WHAT KINDS OF COMPETITIVE RATES WE
5 CAN GET. AND AGAIN, WORKING WITH SOME OF THESE SOURCES
6 AND TRYING TO FIGURE OUT WHAT ARE SOME OF THE THINGS
7 THAT THEY CAN DO.

8 BUT IT'S A VERY DIFFICULT QUESTION
9 BECAUSE THESE PEOPLE THINK, HEY, I'VE GOT 3,000 POUNDS
10 OF SOMETHING. AND TO THEM THAT'S A BIG QUANTITY. TO
11 US THAT'S A VERY SMALL QUANTITY. BUT IT'S AN IMPORTANT
12 QUANTITY BECAUSE IF YOU GET 10 OR 15 OF THESE PEOPLE
13 TOGETHER AND ALL OF A SUDDEN YOU'VE GOT A SIZABLE
14 AMOUNT OF MATERIAL THAT YOU CAN FEED INTO OUR PROCESS.

15 MEMBER CHESBRO: WHAT ABOUT THE PROSPECT OF
16 PREPROCESSING OR DENSIFICATION FURTHER UP THE LINE SO
17 THAT MATERIALS SOMEHOW BEING PUT IN A CONDITION THAT
18 CAN BE SHIPPED MORE ECONOMICALLY OVER A LONG DISTANCE
19 AS OPPOSED TO, FOR EXAMPLE, A BUNCH OF COMPUTER HOUSES
20 STUFFED INTO A TRUCK VERSUS A BUNCH OF CHIPS OF
21 PLASTIC, OR EVEN BETTER -- I MEAN I'VE HEARD TALK AND
22 I'VE NEVER SEEN IT. IT MAY BE A MYTH. I DON'T KNOW --
23 ABOUT ACTUAL DENSIFICATION PROCESSES WHERE THIS STUFF
24 GETS SOMEHOW PUT INTO A MORE COMPACT FORM SO PLASTIC IS
25 MORE ECONOMICAL TO SHIP TO RECYCLERS. HAVE YOU LOOKED



1 INTO ANY OF THOSE THINGS AND IS THAT ONE OF THE AREAS?

2 MR. CASTRO: YEAH. AS A MATTER OF FACT, WE
3 HAVE. THAT IS AN OPTION, DEFINITELY AN OPTION. AND
4 IT'S TYPICALLY THROUGH TWO MANNERS. ONE IS THROUGH
5 BALING WHERE THEY DON'T NECESSARILY SHRED THESE
6 HOUSINGS, BUT THE'LL JUST COMPACT THEM. AND THEY COME
7 FAIRLY DENSIFIED THAT MANNER. AND OF COURSE, THE OTHER
8 IS SHREDDING AND WHERE THEY PRESHRED THE MATERIAL AND
9 IT'S IN A MUCH DENSER FORM, AND THEN IT BECOMES MORE
10 ECONOMICAL IN TERMS OF TRANSPORTATION.

11 SO WE'VE LOOKED AT SOME OF THOSE. THAT'S
12 ONE POSSIBILITY WHERE IF A POTENTIAL SOURCE OR EVEN A
13 POTENTIAL AREA HAS ENOUGH FEEDSTREAMS, THERE MIGHT BE A
14 WAY TO SET UP A DENSIFICATION POINT THERE, AND THEN
15 FROM THERE TRANSPORT TO OUR FACILITY. AND/OR IF THE
16 SOURCE IN AND OF ITSELF IS LARGE ENOUGH, THERE MIGHT BE
17 AN INCENTIVE TO GET THAT PERSON TO JUST ACQUIRE THAT
18 EQUIPMENT OR SOMEHOW GET EQUIPMENT TO THEM WHERE THEY
19 CAN DO SOME OF THAT DENSIFICATION. AND EVEN IN SOME
20 CASES WE'VE EVEN THOUGHT OF SITUATIONS WHERE THERE
21 MIGHT EVEN BE SOME PRELIMINARY SEPARATION DONE AT THE
22 SOURCE TO FURTHER ENRICH THE STREAM.

23 SO THERE'S LOTS OF THOSE OPTIONS
24 CONSIDERED, BUT IT'S ALL -- AGAIN, IT'S AN ECONOMIC
25 DRIVER. AND THESE PARTICULAR -- A LOT OF THE SOURCES



1 THAT WE WORK WITH ARE NOT NECESSARILY FOCUSED IN THAT
2 AREA. THEY'RE FOCUSED MORE ON I NEED TO REMANUFACTURE
3 MY CARTRIDGES OR I WANT TO RECOVER PRECIOUS METALS OUT
4 OF THIS COMPUTER. AND IT REALLY IS -- PLASTICS IS
5 THEIR WASTE. IT'S THEIR TRASH. IT'S A PROBLEM FOR
6 THEM, AND WE'RE TRYING TO HELP THEM SOLVE IT. THOSE
7 ARE IDEAS WE'VE DEFINITELY CONSIDERED.

8 CHAIRMAN AMODIO: GREAT. THANK YOU. THANK
9 YOU VERY MUCH. THIS WAS AN INFORMATIVE REPORT. I'D
10 JUST LIKE TO MAKE A COMMENT ON THE -- MY THOUGHTS IN
11 REGARDS TO THE ROLE OF THE MARKET COMMITTEE IN
12 RELATIONSHIP TO PLASTIC.

13 I'LL TELL YOU THIS ISSUE HAS CERTAINLY
14 BEEN A PROMINENT ONE IN MY BRIEF TIME ON THE BOARD. AS
15 I'VE TOLD A FEW FOLKS THAT IF I THOUGHT OF MYSELF AS A
16 LOCAL ELECTED OFFICIAL WHERE THEY CALL YOU UP AT HOME
17 WITH THEIR CONCERNS, THE ISSUE OF PLASTICS HAS PROBABLY
18 BEEN THE THING THAT I'VE HEARD MORE FROM FRIENDS AND
19 FAMILY ABOUT HAVING CONCERNS OR CONFUSIONS ABOUT THEIR
20 ABILITY TO RECYCLE AND WHAT'S HAPPENING WITH IT.

21 BUT I'M ALSO REALLY STRUCK -- AND YOU
22 MENTION AND EMPHASIZE, I THINK, APPROPRIATELY THE
23 ECONOMIC DRIVER IN ALL THIS. BOARD MEMBER STEVE JONES,
24 I THINK, HAS A WONDERFUL WAY OF LOOKING AT IT WHERE HE
25 BASICALLY NOTES THAT WE CAN HAVE 85 PERCENT OF



1 CALIFORNIANS RECYCLING. WE CAN CURBSIDE AT TWO-THIRDS
2 OF THE HOUSEHOLDS AND BE GATHERING ALL THIS MATERIAL,
3 BUT IF THERE'S NOT AN ECONOMIC END USE, IT'S STILL
4 GARBAGE. AND I THINK THAT'S A BIG PART OF OUR
5 CHALLENGE, TO TRY AND PROMOTE THE TYPE OF DIALOGUE AND
6 DISCUSSION AMONG THE INDUSTRY AND OTHER CONCERNED AND
7 AFFECTED INTERESTS.

8 AND I WAS, I WILL SAY, ENCOURAGED DESPITE
9 THE DEGREE OF POLARIZATION THAT IS SOMETIMES EVIDENT ON
10 THIS ISSUE THAT IN SAN DIEGO WE HEARD FROM THE AMERICAN
11 PLASTICS COUNCIL THAT THEY FEEL THAT THEY HAVE ENGAGED
12 EFFECTIVELY WITH SOME STATES. AND I THINK I CERTAINLY
13 HOPE WE CAN FIGURE OUT A WAY TO ENGAGE THEM, THE
14 ENVIRONMENTAL INTERESTS, THE OTHER CONCERNED PARTIES IN
15 TRYING TO GET THIS ISSUE INTO A MORE FOCUSED,
16 SUBSTANTIVE DISCUSSION THAT CAN LEAD US TO DETERMINING
17 WHERE ARE THE AREAS WHERE WE CAN MAKE SOME PROGRESS.

18 SO I WOULD EXPECT THAT THIS WILL BE A
19 CONTINUED DISCUSSION AND HOPEFULLY ONE THAT WE CAN
20 RETURN TO WITH THIS COMMITTEE WITH SOME GREATER FOCUS
21 ON THE ROLE THAT WE MIGHT POTENTIALLY PLAY TO PROMOTE
22 AND FOSTER THAT TYPE OF DIALOGUE.

23 IS THERE ANY OTHER ITEMS TO COME BEFORE
24 THE COMMITTEE? OPEN DISCUSSION? IF NOT, I ADJOURN THE
25 MEETING.



(THE MEETING WAS THEN ADJOURNED AT 11:10 A.M.)

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Reporter's Certificate

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I, Beth C. Drain hereby certify:

that on the _____ 13th _____ day of
_____ May _____, 1998, I did report in
shorthand the testimony of the foregoing
proceedings;

that on the conclusion of the above entitled
matter, I did transcribe my shorthand notes into
typewriting;

that the foregoing transcript is a true and correct
record of my shorthand notes thereof.

Beth C. Drain

Certified Shorthand Reporter

Certificate No. 7152

