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11/11/11

APPEARANCES

MR. JOHN E. GALLAGHER, CHAIRMAN
MR. JOHN C. MOSCONE (NOT PRESENT)
MR. SAM ARAKALIAN
MR. PHILLIP BEAUTROW
MRS. GINGER BREMBERG
MR. E. L. VARNER
MR. LES BROWN
MR. JAMES W. CALLOWAY

STAFF PRESENT

MR. GEORGE EOWAN, EXECUTIVE OFFICER
MR. HERBERT IWAHIRO, CHIEF DEPUTY EXECUTIVE OFFICER
MR. ALAN OLDALL, DEPUTY EXECUTIVE OFFICER
MS. JOELLEN JACKSON, DIRECTOR OF LEGISLATION
AND PUBLIC AFFAIRS
MR. ROBERT F. CONHEIM, GENERAL COUNSEL

MR. NGUYEN VAN HAHN
MR. BILL ORR
MR. CHRIS PECK

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NOVEMBER 16, 1988

CHAIRMAN GALLAGHER: WE'LL CALL THE MEETING OF CALIFORNIA WASTE MANAGEMENT BOARD TO ORDER, AND ASK THE EXECUTIVE OFFICER TO OUTLINE THE ORDER OF BUSINESS THIS MORNING.

MR. EOWAN: THANK YOU, MR. CHAIRMAN. GOOD MORNING, MEMBERS. WE HAVE TRIED TO ARRANGE THE SCHEDULE IN SUCH A WAY SO THAT WE CAN MAKE OUR MEETING COMMITMENTS WITH THE SUPERVISOR'S ASSOCIATION. AND SO STAFF WOULD RECOMMEND THAT WE FOLLOW THE FOLLOWING ORDER THAT I WILL OUTLINE FOR YOU AND BASICALLY CORRESPONDS WITH THE ORDER IN WHICH THE ITEMS ARE PRESENTED ON YOUR AGENDA.

WE WOULD RECOMMEND THAT TODAY WE HEAR ITEMS 1 THROUGH 4, BEGINNING WITH ITEM 2, THEN TOMORROW ITEMS 5 THROUGH 17, WITH THE EXCEPTION OF ITEM 11, AND FRIDAY THE REMAINDER OF THE ITEMS.

CHAIRMAN GALLAGHER: THANK YOU.

MR. EOWAN: COUNSEL HAS ALSO ASKED, IF THERE'S TIME, HE'D LIKE TO HAVE A SHORT SESSION, EXECUTIVE SESSION, TO DISCUSS A LEGAL MATTER.

CHAIRMAN GALLAGHER: FINE, WE'LL ACCOMMODATE THAT. IS THERE ANY COMMENTS ABOUT THE ORDER OF BUSINESS FROM THE AUDIENCE? IF NOT, WE'LL GO FORWARD WITH ITEM 2. MR. OLDALL WILL PRESENT THIS ITEM.

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1 MR. OLDALL: GOOD MORNING, MR. CHAIRMAN, MEMBERS
2 OF THE BOARD, WELCOME TO SAN DIEGO AND SOME NEW
3 SURROUNDINGS. WE HAVE TO BEAR WITH STAFF A LITTLE BIT IF
4 YOU CAN PUT UP WITH US, BECAUSE THE ONLY PLACE WE COULD
5 FIND A SCREEN IS DIRECTLY BEHIND THE BOARD MEMBERS. WITH
6 A LITTLE BIT OF LUCK WE CAN ADJUST THE LIGHTING SO THAT
7 IT IS AT LEAST LEGIBLE TO BOTH THE BOARD MEMBERS AND THE
8 AUDIENCE.

9 THIS PARTICULAR ISSUE IS THE FIRST
10 DISCUSSION OF THE REGULATIONS FOR THE BOARD'S LOAN
11 GUARANTEE PROGRAM UNDER AB 2448, NOW REALLY IN THE
12 CHAPTER 1319 STATUTES OF 1987.

13 THE KEY ISSUES FOR THIS PARTICULAR ITEM ARE
14 THAT AB 24- -- THIS PARTICULAR PROGRAM, OF COURSE, WAS
15 MANDATED BY AB 2448 TO ASSIST LANDFILL OPERATORS TO
16 FINANCE CORRECTIVE ACTIONS.

17 BOARD MEMBER ARAKALIAN: WHAT NUMBER IS THIS?

18 MR. OLDALL: THIS IS AGENDA ITEM NO. 2, PAGE 30
19 IN YOUR PACKET, MR. ARAKALIAN. AND FOR MEMBERS OF THE
20 AUDIENCE, WE DO HAVE THIS PARTICULAR ITEM UP AT THE TABLE
21 ON THE LEFT HERE SO IF THEY WOULD PREFER TO FOLLOW ALONG,
22 IT WILL MAKE IT A LITTLE BIT EASIER.

23 AGAIN, THE KEY ISSUES MANDATED, OBVIOUSLY,
24 BY THE STATUTE TO ASSIST THE OPERATORS TO FINANCE
25 CORRECTIVE ACTIONS. THE FINANCE UNIT FOR THE LAST SIX

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1 MONTHS HAS BEEN WORKING DILIGENTLY WITH FEDERAL AND STATE
2 PROGRAM OPERATORS, AS WELL AS THE BANKING INSTITUTIONS
3 AND THE INDUSTRY, TO DRAFT THE REGULATIONS THAT WE'RE
4 BRINGING FOR YOU TODAY.

5 I WILL POINT OUT ALSO THAT THERE IS A
6 SPECIAL ADVISORY COMMITTEE FOR AB 2448, AND THE CHAIRMAN
7 HAS A PARTICULAR INTEREST IN THAT BECAUSE HE IS THE
8 CHAIRMAN OF THAT ADVISORY COMMITTEE. AND WITH REGARD TO
9 THIS LOAN GUARANTEE PROGRAM, THIS ADVISORY COMMITTEE IS
10 CHARGED WITH MAKING RECOMMENDATIONS ON THE CRITERIA.

11 WE HAD ORIGINALLY SCHEDULED A MEETING OF
12 THE ADVISORY COMMITTEE PRIOR TO THIS MEETING SO THAT WE
13 COULD, HOPEFULLY, COME TO YOU WITH RECOMMENDATION OF THAT
14 ADVISORY COMMITTEE. UNFORTUNATELY, THE SCHEDULING FOR
15 THAT COMMITTEE GOT FOULED UP, AND THEY'RE NOT MEETING
16 UNTIL NOVEMBER 21ST, SO IT'S NOT UNTIL THEN THAT WE WILL
17 BE ABLE TO PRESENT THE CRITERIA TO THAT COMMITTEE AND
18 SUBSEQUENTLY BE REPORTING BACK TO THE BOARD MEMBERS ON
19 THE RECOMMENDATION OF THAT COMMITTEE.

20 BOARD MEMBER BEAUTROW: IS THERE A MEMBERSHIP
21 LIST?

22 MR. OLDALL: WE CAN ROUGHLY TELL YOU WHAT IT IS,
23 BUT WE CAN PROVIDE YOU WITH IT, MR. BEAUTROW.

24 I WOULD LIKE TO POINT OUT THAT WE'RE GOING
25 TO TRY SOMETHING ALONG THE LINES, AS WE'VE DONE IN THE



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1 PAST. WE'RE GOING TO HAVE SOME OF THE PRESENTATION
2 DELIVERED BY MYSELF, SOME BY NGUYEN VAN HAHN AND ALSO BY
3 DENNIS MYERS. SO, HOPEFULLY, WE WON'T GET TOO
4 MONOTONIZED BY ONE VOICE OVER ABOUT THE NEXT HOUR OR SO
5 AS WE GO THROUGH THIS PARTICULAR ITEM. IT WILL BE A
6 SPLIT PRESENTATION; AND, AS WE HAVE DONE IN THE PAST, OUR
7 GENERAL PLAN IS TO GO SECTION BY SECTION AND THEN TO HAVE
8 COMMENTS FROM THE BOARD AND FROM THE AUDIENCE AS
9 APPROPRIATE.

10 MRS. BREMBERG POINTS OUT, AGAIN, FOR THOSE
11 OF YOU THAT WOULD LIKE TO FOLLOW, THERE ARE SOME
12 DOCUMENTS OVER HERE.

13 BOARD MEMBER ARAKALIAN: COULDN'T THEY JUST PASS
14 IT OUR INSTEAD OF PASSING IT OUT?

15 MR. OLDALL: ONE OF THESE DAYS WE'LL CHANGE THE
16 WAY I SAY A'S, MR. ARAKALIAN. IT TAKES AWHILE.

17 IF WE CAN HAVE THE NEXT SLIDE, I WOULD LIKE
18 TO REMIND EVERYBODY THAT BASICALLY WHAT WE'RE TALKING
19 ABOUT HERE IS 25 PERCENT OF THIS FUND. THE \$20 MILLION
20 THAT WILL BE REALIZED FROM THE TIPPING FEE CHARGE WILL
21 HAVE 25 PERCENT, WHICH IS \$5 MILLION, ANNUALLY ALLOCATED.
22 THIS IS EACH YEAR, NOT JUST A ONE-TIME SHOT, FOR THIS
23 PARTICULAR LOAN GUARANTEE PROGRAM. WE KNOW THERE ARE
24 OTHER ASPECTS OF 2448, BUT WHAT WE'RE FOCUSING ON NOW IS
25 THE \$5 MILLION TO FINANCE THE REQUIRED CORRECTIVE

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1 ACTIONS.

2 AND OUR LATEST DISCUSSIONS WITH THE BOARD
3 OF EQUALIZATION, WHO WILL BE COLLECTING THE MONEY FOR US,
4 POINT OUT THAT THOSE FUNDS WILL NOT BE AVAILABLE TO US TO
5 RELEASE UNTIL AFTER JULY 1, 1990.

6 REMEMBER, THE ASSESSMENTS ARE DUE ON
7 CALENDAR YEAR 1989. THE OPERATORS WILL BE SENDING IN
8 THEIR FIGURES IN MARCH TO THE BOARD OF EQUALIZATION,
9 STATING HOW MANY TONS THEY TOOK IN AT THAT PARTICULAR
10 LANDFILL.

11 THE BOARD OF EQUALIZATION WILL THEN SPEND A
12 BUREAUCRATIC FIVE OR SIX WEEKS VERIFYING ALL OF THOSE
13 NUMBERS AND SEEING IF PEOPLE PUT THE DECIMAL POINTS IN
14 THE RIGHT PLACES. THEN THEY'RE GOING TO SEND OUT SOME
15 BILLS, PROBABLY ABOUT MARCH OR PROBABLY ABOUT APRIL OR
16 MAY. IT'S MY UNDERSTANDING THAT THE LOCAL GOVERNMENTAL
17 ENTITIES HAVE UP TO 60 DAYS TO PAY THOSE BILLS. SO ITS
18 HIGHLY UNLIKELY THAT MUCH OF THAT MONEY IS GOING TO BE
19 COMING IN UNLESS WE GET ONE OR TWO OF THE BIG PRIVATE
20 OPERATORS TO PAY BEFORE JULY 1ST.

21 AGAIN, WHAT WE'RE TALKING ABOUT IS HAVING
22 SOME MONEY JULY 1, 1990, TO START PUTTING OUT IN THIS
23 LOAN GUARANTEE PROGRAM.

24 BOARD MEMBER ARAKALIAN: IS THIS \$5 MILLION
25 ANNUALLY WILL BE FOR HOW MANY YEARS. FOR EXAMPLE? EVERY

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1 YEAR THEREAFTER UNTIL --

2 MR. OLDALL: FOR FIVE YEARS. THE BILL HAS A
3 SUNSET BUILT IN OF FIVE YEARS.

4 BOARD MEMBER ARAKALIAN: IF WE HAVE, FOR
5 EXAMPLE, FIVE MILLION THE FIRST YEAR AND THEN THE NEXT
6 YEAR WE GET FIVE MORE MILLION, THIS IS A NUMBER WHICH WE
7 CAN GUARANTEE; AM I CORRECT?

8 MR. OLDALL: CORRECT.

9 BOARD MEMBER ARAKALIAN: LET'S SAY THE FIRST
10 FIVE MILLION IS GUARANTEED AND A LOT OF THAT LOAN PAID
11 BACK. LET'S SAY THREE MILLION OF IT GETS PAID BACK, WE
12 GET FIVE MILLION THE NEXT TIME. DOES THAT GIVE US EIGHT
13 MILLION? DOES IT ALL GO BACK INTO THE
14 SAME --

15 MR. OLDALL: CORRECT. IT'S A REVOLVING --

16 BOARD MEMBER ARAKALIAN: THE TOTAL JUST KEEPS
17 EXPANDING.

18 MR. OLDALL: YES.

19 BOARD MEMBER ARAKALIAN: IT ISN'T LIKE FIVE, AND
20 THEN FIVE, AND THEN FIVE, AND THEN 10, AND THEN 15?

21 MR. OLDALL: EXACTLY.

22 BOARD MEMBER ARAKALIAN: -- RETURN TO THE SAME
23 UNIT.

24 MR. OLDALL: AS WE HAVE THE LOANS PAID OFF OVER
25 TIME, OBVIOUSLY, THAT WILL FREE UP SOME OF THOSE MONIES.



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1 SO IT'S A RESOLVING AMOUNT AND WE WILL BE KEEPING VERY
2 CLOSE TRACK OF THAT SO WE CAN MAXIMIZE THE AMOUNT THAT WE
3 CAN GUARANTEE OUT. THAT WAS THE MAIN INTENT OF THE
4 LEGISLATION.

5 NEXT SLIDE, PLEASE. WHAT I'D LIKE TO DRAW
6 THE ATTENTION OF THE BOARD TO HERE IS THE PROCESS WHERE
7 WE ARE TODAY IN THIS PARTICULAR LOAN GUARANTEE PROGRAM
8 AND THE REGULATIONS. WE'VE BEEN SEEING THIS PROCESS
9 STARTED BY BILL ORR'S GROUP OVER THE LAST COUPLE OF
10 MONTHS OR SO WHERE STAFF DEVELOPED THE REGULATIONS.

11 THE SECOND STAGE OF THAT PROCESS WE PRESENT
12 THEM TO THE BOARD FOR COMMENTS, AND WE USUALLY GO TWO OR
13 THREE ITERATIONS IN THIS PARTICULAR PROCESS. THIS IS THE
14 FIRST TIME WE'RE DOING IT WITH THE LOAN GUARANTEE PROGRAM
15 REGS.

16 IN THIS PARTICULAR PROGRAM, WE HAVE THAT
17 ADVISORY COMMITTEE THAT I MENTIONED BEFORE. THAT'S THAT
18 NEXT STEP IN THE PROCESS. THEY WILL BE ADVISING THE
19 BOARD BASED ON THE RECOMMENDATIONS OF OUR STAFF -- WE ARE
20 STAFF TO THAT COMMITTEE, JUST AS WE ARE STAFF TO YOU --
21 ONLY THE CRITERIA. THE REST, IT'S UP TO THE BOARD TO PUT
22 ITS OWN REGULATIONS TOGETHER ON.

23 THEN WE WILL REVISE THOSE REGULATIONS.
24 BASED ON THE RECOMMENDATIONS OF THE BOARD AND THE
25 ADVISORY COMMITTEE. THEN EVENTUALLY THEY WILL BE



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1 PRESENTED TO YOU FOR FINAL APPROVAL, AND THEN THEY WILL
 2 BE GOING THROUGH THE WHOLE OAL PROCESS OF SUBMITTING THE
 3 REGULATIONS TO THEM FOR HOPEFUL ACCEPTANCE. THIS WILL,
 4 OBVIOUSLY, BE DONE DURING THE LATTER PART OF THIS YEAR
 5 AND MOST OF NEXT YEAR.

6 IF I CAN NOW DRAW THE BOARD'S ATTENTION TO
 7 ABOUT PAGE 34 IN THE BOARD PACKET, AND I THINK WE HAVE
 8 OUTLINED FOR YOU AND THE AUDIENCE THE BASIC TABLE OF
 9 CONTENTS THAT WE'RE GOING TO GO THROUGH TODAY.

10 A LOAN GUARANTEE PROGRAM IS A BROAD
 11 PROGRAM. IT'S NOT SOMETHING THAT WE CAN JUST CREATE WITH
 12 ONE SINGLE DIMENSION. AND BASED ON ALL THE DISCUSSIONS
 13 THAT WE HAVE HAD, I JUST WANTED TO LINE OUT FOR THE BOARD
 14 WHERE WE ARE GOING TODAY. BASICALLY, WE OBVIOUSLY ARE
 15 GOING TO COME UP WITH DEFINITIONS THAT WE USE IN THE
 16 REGULATIONS AND SUPPLY SOME CLEAR DEFINITIONS FOR THE
 17 TERMS THAT WE USE IN THE REGULATIONS.

18 THE LOAN GUARANTEE CRITERIA THAT I
 19 MENTIONED HAVE BEEN DEVELOPED. THOSE ARE ALL GOING TO BE
 20 RUN BY THE ADVISORY COMMITTEE THROUGH NEXT WEEK AND
 21 REPORTING BACK TO THE BOARD ON.

22 PRIORITY: OBVIOUSLY, A VERY IMPORTANT
 23 ISSUE CONCERNING THE LOAN GUARANTEES IS WHO'S GOING TO
 24 GET WHAT, WHEN, AND HOW. WHAT KIND OF PRIORITY ARE WE
 25 GOING TO PUT ON THESE PARTICULAR LOAN GUARANTEES. FOR

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1 CORRECTIVE ACTIONS, IN A LOT OF CASES, IT'S NOT GOING TO
2 BE VERY CHEAP TO FIX UP SOME OF THESE CORRECTIVE ACTIONS.

3 THE SIZE OF LOAN IS OBVIOUSLY SOME VALUE TO
4 US BECAUSE IF WE JUST HAVE NO LIMIT ON THE LOANS, ONE
5 LOAN GUARANTEE COULD EAT UP THE WHOLE FIVE MILLION VERY
6 QUICKLY.

7 WE'RE GOING TO WALK YOU THROUGH THAT WHOLE
8 AREA OF MAXIMUM AND MINIMUM LOAN SIZES AND DISCUSS WHY
9 WE'VE PICKED THE LEVELS THAT WE HAVE.

10 LOAN GUARANTEE PERIOD, JUST LIKE WE TAKE A
11 LOAN ON A HOUSE, 10 YEARS, 15 YEARS, 30 YEARS, 5 YEARS,
12 IT HAS A BEARING ON THE ABILITY OF THE LENDING
13 INSTITUTIONS TO MAKE THOSE MONIES AVAILABLE.

14 THE PERCENTAGE OF THE GUARANTEE, HOW MUCH
15 ARE WE REALLY GOING TO GUARANTEE EVERY TIME? DO WE WANT
16 TO GUARANTEE A HUNDRED PERCENT OR DO WE WANT TO HAVE THE
17 LENDERS THEMSELVES TAKE SOME RISK IN THIS SO THAT THEY
18 ARE, INDEED, FORCED TO BE CAREFUL TO WHOM THEY LOAN THEIR
19 ORIGINAL MONEY. SO THAT'S ANOTHER AREA THAT WE WILL BE
20 DISCUSSING TODAY, THE PERCENTAGE OF THE GUARANTEE.

21 THE RESERVE RATIO. MR. ARAKALIAN TOUCHED
22 ON A POINT EARLIER ABOUT, YOU KNOW, IF THREE MILLION
23 COMES BACK, DOES THAT FREE THE MONEY UP. FOR EXAMPLE, IF
24 WE HAD, SAY, A 50-PERCENT RESERVE RATIO, WE COULD
25 GUARANTEE 10 MILLION OF LOAN GUARANTEES. AND, OBVIOUSLY,

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1 DIFFERENT PERCENTAGES CREATE DIFFERENT RESERVE RATIOS ARE
2 DONE FOR DIFFERENT REASONS; AND, OBVIOUSLY, FROM THE
3 BANKING INSTITUTION'S PERSPECTIVE, THE HIGHER THAT
4 RESERVE RATIO IS, THE MORE THEY'RE INCLINED TO GO ALONG
5 WITH IT. MOST OF US THAT HAVE DEALT WITH BANKERS AND
6 CONSERVATIVES REALIZE HOW CONSERVATIVE BANKERS ARE. SO
7 THEIR TENDENCY IS TO LEAN TO THE VERY HIGH RESERVE RATIO.

8 ANOTHER AREA, I THINK, IN SECTION 8, IF WE
9 CAN HAVE THE NEXT SLIDE, YOU WILL SEE WE'LL BE TALKING
10 ABOUT INTEREST. ARE WE CONCERNED ABOUT THE LEVEL OF
11 INTEREST IN THE LOAN GUARANTEE AREA. OBVIOUSLY, THAT HAS
12 A BEARING FROM THE BANKER'S PERSPECTIVE ALSO.

13 HOW DO WE GO THROUGH THE LOAN APPLICATION
14 PROCESS. WE HAVE TO DEVELOP REGULATIONS FOR HOW THE
15 FORMS ARE DEVELOPED, THE KINDS OF FORMS THAT ARE
16 DEVELOPED, AND THE TIME FRAME THAT THE BOARD HAS FOR
17 ACTION ON THOSE APPLICATIONS.

18 THE BOARD ACTIONS. WE HAVE TO DEFINE IN
19 REGULATION WHAT THE BOARD ACTIONS ARE ON THOSE
20 APPLICATIONS, TIME FRAMES, ETC.

21 THE FUND CONDITION IS ALWAYS OF VERY
22 CONSIDERABLE IMPORT TO US BECAUSE IF WE HAVE DIFFERENT
23 RESERVE RATIOS, WE HAVE TO KNOW WHERE WE ARE AT ANY GIVEN
24 POINT IN TIME IN TERMS OF OUR LOAN GUARANTEES. ARE WE
25 CLOSE TO THAT RESERVE RATIO OR NOT. DO WE HAVE ANY MORE

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1 MONEY TO LOAN OUT AT DIFFERENT POINTS DURING THE YEAR.

2 DEFAULT CLAIM PROCEDURES. AGAIN, THESE ARE
3 NEW AREAS FOR THE BOARD, BUT IT'S A VERY IMPORTANT AREA
4 THAT WE'RE GOING TO BE GETTING INTO OVER THE NEXT FEW
5 YEARS IF WE WANT TO AVOID THE KINDS OF MISTAKES AND
6 CRITICISMS THAT WE'VE HAD IN THE PAST WITH THE WITH SB
7 650 PROGRAM IN SOME AREAS. WE'RE TRYING VERY, VERY
8 DILIGENTLY HERE TO PAY VERY CLOSE ATTENTION TO THESE KIND
9 OF ISSUES, SO DEFAULT CLAIM PROCEDURES.

10 BOARD MEMBER ARAKALIAN: CAN WE ASK A QUESTIONS?
11 DO YOU THINK IT'S PROPER TO ASK THEM AS WE GO ALONG, MR.
12 CHAIRMAN?

13 CHAIRMAN GALLAGHER: WE'VE ASKED EVERYBODY TO
14 HOLD THEIR QUESTIONING TILL THE END OF THE SECTION, AND
15 THEN WE'LL ASK QUESTIONS.

16 MR. OLDALL: TWO MORE ITEMS THAT I WANTED TO
17 POINT OUT BEFORE WE ACTUALLY GET INTO READING THE REGS
18 THEMSELVES. THE TERMS OF THE GUARANTEE ARE VERY
19 IMPORTANT, AS ARE THE CONDITIONS OF THE GUARANTEE. WHAT
20 WE'RE GOING TO DO TODAY IS GO THROUGH EACH OF THOSE 14
21 SECTIONS AS BRIEFLY, BUT THOROUGHLY, IF THAT MAKES THE
22 MOST AMOUNT OF SENSE, AS WE POSSIBLY CAN.

23 AT THIS POINT IN TIME, I WOULD LIKE TO DRAW
24 YOUR ATTENTION TO. I THINK -- I WAS GOING TO MOVE TO THE
25 FIRST AREA, WHICH IS ON DEFINITIONS: BUT, PERHAPS. MR.

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1 CHAIRMAN, MR. ARAKALIAN DID HAVE A QUESTION. IT MIGHT BE
2 APPROPRIATE TO DO IT NOW RATHER THAN WAIT ANOTHER TEN
3 MINUTES OR SO.

4 CHAIRMAN GALLAGHER: PERFECTLY APPROPRIATE NOW
5 THAT YOU'VE FINISHED YOUR COMMENTS. BEFORE WE MOVE ON TO
6 THE NEXT SPEAKER, MR. ARAKALIAN HAS A QUESTION. AND
7 WE'LL TAKE QUESTIONS FROM THE BOARD, AND THEN WE'LL ASK
8 THE AUDIENCE TO PARTICIPATE, IF THERE'S ANYONE THERE THAT
9 HAS A QUESTION.

10 BOARD MEMBER ARAKALIAN: I'D LIKE TO ASK A
11 QUESTION HERE CONCERNING WHOLE GENERAL THING. WHEN THIS
12 \$5 MILLION FROM THE 20 MILLION, AS IT'S PROJECTED, I READ
13 ORIGINALLY -- I THOUGHT I SAW IT JUST AS LOAN MONEY AS
14 OPPOSED TO LOAN GUARANTEE. ARE WE THE ONES WHO ARE
15 MAKING IT A GUARANTEE AS OPPOSED TO A LOAN BECAUSE IT
16 SEEMS TO ME IF YOU ARE GOING TO GUARANTEE IT, YOUR MONEY
17 IS ON THE LINE AND YOU CAN'T USE IT. THAT MONEY IS TIED
18 UP AS THOUGH YOU PUT IT OUT.

19 WE'RE PUTTING IN A MIDDLE MAN, THE BANK, TO
20 MAKE THE INTEREST MONEY. WE'RE GOING TO LAY OUT THE 5
21 MILLION BUCKS. WHY CAN'T WE BE THE ONES DO THE LOANING
22 AND MAKING THE INTEREST ON IT? BECAUSE IF IT DOESN'T GET
23 PAID, WE'RE GOING TO LOSE IT ANYWAY. IT DOESN'T MATTER
24 WHETHER YOU PUT IT OVER HERE AND TIE IT UP AND LOSE IT IF
25 IT'S NOT PAID OR TO LOAN OUT AND LOSE IT IF IT'S NOT

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1 PAID. OUR RISK FACTOR DOESN'T GO UP ONE IOTA, BUT OUR
2 INCOME COULD BE ENOUGH IMPROVEMENT THAT IT WOULD BE
3 WORTHWHILE TO DO IT AS A LOAN AS OPPOSED TO A LOAN
4 GUARANTEE.

5 CHAIRMAN GALLAGHER: I DON'T THINK UNDER THE LAW
6 WE HAVE ANY RIGHT TO DO THAT.

7 BOARD MEMBER ARAKALIAN: WE HAD MONEY TO LOAN
8 ONE MANY YEARS AGO. IT MIGHT BE A LITTLE MORE COMPLEX;
9 BUT ONCE YOU LAY OUT THE FORMAT FOR IT, FROM THEN ON, YOU
10 KNOW, THE INTEREST ON FIVE MILLION BUCKS IS GOING TO BE
11 OVER 50, 60 BUCKS.

12 CHAIRMAN GALLAGHER: THE LAW ITSELF SAYS THAT WE
13 MAKE A LOAN GUARANTEE. IT DOES NOT PUT US IN THE LOANING
14 BUSINESS.

15 BOARD MEMBER ARAKALIAN: SEE, I STARTED WITH. I
16 DIDN'T KNOW IF IT SPECIFIED LOAN OR LOAN GUARANTEE. IF
17 IT SPECIFIED LOAN, WE MIGHT HAVE BEEN THE ONES, I
18 THOUGHT, WHO TRANSLATED INTO A GUARANTEE BECAUSE IT
19 CERTAINLY WOULD BE BETTER TO DO THE LOANING. IT MAKES NO
20 SENSE TO ME TO GUARANTEE IT WITH NO MONEY BACK.

21 MR. OLDALL: THE ONLY ADVANTAGE YOU GET WITH THE
22 LOAN GUARANTEE IS THAT WITH A RESERVE RATIO, YOU CAN
23 LEVERAGE IT INTO A CERTAIN GREATER AMOUNT.

24 SECONDLY, TO ADMINISTER LOANS, WE WOULD
25 HAVE TO ACQUIRE CONSIDERABLY MORE STAFF TO GET INTO THE



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1 LENDING BUSINESS. AND AS CHAIRMAN GALLAGHER DID POINT
2 OUT, SAM, WE'RE RESTRICTED BY WHAT'S IN THE STATUTE AND
3 THAT SAYS LOAN GUARANTEES. ALTHOUGH I THINK EARLIER
4 VERSIONS OF THE BILL DID HAVE LOANS IN THERE.

5 BOARD MEMBER ARAKALIAN: I THOUGHT I HAD SEEN
6 THAT.

7 MR. EOWAN: AS A PRACTICAL MATTER, THE REASON
8 IT'S SPECIFIED LOAN GUARANTEE IS THAT THERE REALLY WASN'T
9 GOING TO BE ENOUGH MONEY IN THE FUND TO HAVE A VIABLE
10 LOAN PROGRAM. WHATEVER THE AMOUNT IS, COUPLE MILLION
11 DOLLARS --

12 BOARD MEMBER ARAKALIAN: IF YOU DON'T HAVE THE
13 MONEY IN THE FUND, WILL THE BANK ACCEPT THAT GUARANTEE?

14 MR. EOWAN: YES. SO IT BECOMES A LEVERAGE
15 ISSUE. THAT'S WHY WE ENDED UP WRITING THE BILL THAT WAY.

16 CHAIRMAN GALLAGHER: WELL, I THINK THERE'S
17 ANOTHER FACT, TOO, THAT'S INVOLVED. UNDER THIS PROGRAM,
18 YOU DO NOT HAVE TO GUARANTEE THE FULL LOAN. YOU CAN
19 GUARANTEE A PERCENT OF THE LOAN, WHICH MEANS THAT YOU
20 HAVE CONSIDERABLY MORE MONEY AND PERHAPS MORE CLIENTS
21 COULD BE GUARANTEED SOME BENEFIT.

22 AND I THINK THAT IF THAT SATISFACTORILY
23 ANSWERS YOUR POINT, IS THERE ANYONE ELSE ON THE BOARD HAS
24 A QUESTION OF MR. OLDALL?

25 BOARD MEMBER VARNER: MR. CHAIRMAN. IT SEEMS TO

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1 ME SAM IS TALKING ABOUT PUTTING THE MONEY OUT TO
2 INTEREST. THIS MONEY THAT YOU HAVE FOR LOAN GUARANTEES
3 IS GOING TO BE IN ONE FUND, SO IT WILL BE DRAWING
4 INTEREST THE SAME AS IF YOU HAD IT --

5 BOARD MEMBER ARAKALIAN: I BET YOU WE WON'T DRAW
6 AS MUCH INTEREST ON IT AS PEOPLE ARE GOING TO BE CHARGED.

7 BOARD MEMBER VARNER: I DON'T KNOW IF THAT'S
8 TRUE OR NOT. AT LEAST IT WILL BE DRAWING SOME INTEREST.

9 BOARD MEMBER ARAKALIAN: I WOULD ASSUME THAT
10 PROBABLY STILL GET MAYBE A 2-, 3-PERCENT SEPARATION. ON
11 FIVE MILLION BUCKS, THAT'S A BUNDLE OF BUCKS.

12 MR. OLDALL: AS A BUSINESSMAN, THAT'S AN ASTUTE
13 OBSERVATION, MR. ARAKALIAN.

14 MR. EOWAN: DO WE KNOW WHAT THE DIFFERENCE IS IN
15 THE INTEREST RATE?

16 MR. OLDALL: WE DON'T KNOW, FIRST OF ALL, WHAT
17 LOAN INTEREST RATES THE BANKERS ARE GOING TO CHARGE. WE
18 DO KNOW THAT THE MONEY ON THE FUND WILL BE DRAWING
19 INTEREST FROM -- AT THE FULL INVESTMENT MONEY RATE, WHICH
20 COULD BE, YOU KNOW, 7 OR 8 PERCENT, WHICH WILL BE 3 OR 4
21 PERCENT LOWER THAN WHAT THE INTEREST RATE WILL BE, I
22 THINK.

23 CHAIRMAN GALLAGHER: AS I READ THE LAW AND THE
24 REGS, THE BORROWER WILL NEGOTIATE WITH THE LENDING
25 INSTITUTION AS FAR AS THE INTEREST RATE ON THE LOAN IS



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1 CONCERNED.

2 MR. OLDALL: EXACTLY.

3 CHAIRMAN GALLAGHER: IT'S OBVIOUSLY GOING TO BE
4 TIED TO THE RISK OF THE LOAN AND WHAT HAVE YOU.

5 SO IS THERE ANYONE IN THE AUDIENCE THAT HAS
6 A QUESTION ON THE SUBJECT MR. OLDALL HAS COVERED? IF
7 NOT, YOU WANT TO INTRODUCE YOUR NEXT SPEAKER.

8 MR. EOWAN: MR. CHAIRMAN, THERE'S A GENTLEMAN IN
9 THE AUDIENCE, MR. JIM YOUNG, FROM THE DEPARTMENT OF
10 COMMERCIAL -- STATE DEPARTMENT OF COMMERCE THAT HAS BEEN
11 VERY HELPFUL TO OUR STAFF. AT SOME POINT, I THINK HE
12 WANTED TO MAKE SOME COMMENTS TO ADDRESS THE BOARD JUST TO
13 GIVE YOU HIS INSIGHT INTO THESE LOAN GUARANTEE PROGRAMS.

14 CHAIRMAN GALLAGHER: CAN WE HOLD IT UNTIL AFTER
15 NGUYEN OR WHOEVER IS THE NEXT SPEAKER, AND THEN WE'LL BE
16 GLAD TO OPEN IT UP. THANK YOU VERY MUCH.

17 MR. OLDALL: WE MAY PROCEED AT THIS POINT, I
18 THINK, TO PAGE 35 OF THE BOARD PACKET, WHERE WE NOW GET
19 INTO THE FIRST CUT OF THE DRAFT REGULATIONS.

20 AND, BASICALLY, WHAT WE USUALLY GO THROUGH
21 IS THE FORMAT WHERE WE TALK ABOUT THE STATUTORY
22 AUTHORITY, THE INTENT, AND THE GENERAL PROBLEM STATEMENT,
23 AND THEN WE ACTUALLY GET INTO THE LANGUAGE. AS REGARDS
24 THE DEFINITIONS, I THINK IT'S PRETTY OBVIOUS WHY WE HAVE
25 TO EXPLAIN SPECIAL TERMS THAT WE'RE USING.

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1 AND WE OUTLINE ON PAGE 36. IT'S ALSO SHOWN
2 ON THE SCREEN BEHIND YOU THE FOUR AREAS OF DEFINITION.
3 PROBABLY THE LAST ONE IS THE ONE WE'LL PAY THE CLOSEST
4 ATTENTION TO. APPROVED LENDING INSTITUTIONS, OBVIOUSLY,
5 MEAN THE BANKING ORGANIZATIONS, INCLUDING THE NATIONAL
6 BANKING ASSOCIATION AND STATE CHARTERED COMMERCIAL BANKS
7 AND TRUST COMPANIES, SAVINGS AND LOAN ASSOCIATIONS, STATE
8 INSURANCE COMPANIES, AND OTHER RETIREMENT AND INSURANCE
9 ORGANIZATIONS. AND, AGAIN, MOST OF THAT IS SPELLED OUT
10 IN THE STATUTE ITSELF.

11 AS FAR AS WE'RE CONCERNED, THE DEFINITION
12 OF BORROWER MEANS OWNER OR OPERATOR OF A SOLID WASTE
13 LANDFILL WHO APPLIES FOR A LOAN AND MEETS THE ELIGIBILITY
14 REQUIREMENTS SET FORTH IN SECTION 2 OF THESE REGULATIONS.
15 AND, OBVIOUSLY, WE'LL DEFINE THAT WHEN WE GET TO THAT
16 PARTICULAR SECTION. THE BORROWER INCLUDES A PROSPECTIVE
17 BORROWER WHERE THE CONTACT REQUIRES.

18 DEFAULT MEANS THE FAILURE OF A BORROWER OR
19 DEBTOR TO PAY WHEN DUE THE PRINCIPAL AND/OR THE INTEREST
20 OWED: ONE, ON AN INSTALLMENT, IF THE NOTE IS WRITTEN FOR
21 INSTALLMENT PAYMENTS; OR, TWO, ON MATURITY OF THE NOTE IF
22 A NOTE IS WRITTEN FOR A LUMP SUM PAYMENT; OR, THREE, ON
23 DEMAND OF THE LENDER IF THE LENDER HAS EXERCISED THE
24 NOTE'S ACCELERATION CLAUSE.

25 IN THE ABSENCE OF A CONDITION STATED ABOVE.

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1 FAILURE OF A DEBTOR TO COMPLY WITH TERMS OR CONDITIONS
2 ATTACHED TO A NOTE SHALL NOT IN ITSELF CONSTITUTE A
3 DEFAULT THAT WOULD ALLOW THE LENDER TO FILE A CLAIM
4 AGAINST THE GUARANTEE.

5 THE MAJOR DISCUSSION THAT WE'VE HAD AND
6 THIS GETS AROUND THE NEXT ITEM, WHICH IS THE ROUTINE
7 DEFINITION, AND THIS HAS BEEN COORDINATED WITH THE
8 STANDARDS AND REGULATIONS GROUP AS THEY HAVE BEEN
9 DEVELOPING THEIR REGULATIONS BECAUSE YOU WILL REMEMBER
10 THAT THERE'S A CERTAIN DIFFERENCE BETWEEN ROUTINE
11 CORRECTIVE ACTIONS AND NONROUTINE ACTIONS.

12 IF THE BOARD WILL BEAR WITH ME, I WILL
13 VERBATIM READ HERE, JUST FOR THE RECORDER'S PURPOSE, THAT
14 ROUTINE ACTIONS ARE, ONE, THOSE REQUIRED FOR PREPARATION
15 OF THE CLOSURE AND POSTCLOSURE PLANS REQUIRED BY SECTION
16 18255 OF THIS TITLE; TWO, THOSE ACTS WHICH ARE REQUIRED
17 BY SECTIONS 18261 AND 18265 OF THIS TITLE TO BE SET FORTH
18 IN THE CLOSURE AND POSTCLOSURE MAINTENANCE PLANS; OR,
19 THREE, MAINTENANCE OR ASSESSMENT ACTIVITIES REQUIRED BY
20 OTHER REGULATORY AGENCIES EXCEPT THOSE ASSESSMENT
21 ACTIVITIES WHICH ARE REQUIRED TO MITIGATE A SPECIFIC
22 IDENTIFIED SITUATION WHICH MAY POSE A THREAT TO THE
23 PUBLIC HEALTH OR THE ENVIRONMENT.

24 NONROUTINE ACTIONS ARE THOSE THAT ARE
25 NECESSITATED BY THE OCCURRENCE OF UNFORESEEN EVENTS WHICH

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1 PRESENT A THREAT TO THE PUBLIC HEALTH OR THE ENVIRONMENT
2 INCLUDING, BUT NOT LIMITED TO, CONTAMINATION, POLLUTION,
3 AND GAS MIGRATION.

4 THIS PARTICULAR DEFINITION RELATES BACK TO
5 AB 2020, WHERE IT SPECIFICALLY STATED THAT THESE MONIES
6 CANNOT BE USED TO FUND ROUTINE CORRECTIVE ACTIONS. SO
7 THAT'S WHY THAT PARTICULAR DEFINITION WAS INCLUDED IN
8 THERE.

9 HOPEFULLY, THE REST OF THE LANGUAGE
10 INCLUDED IN THE REGULATIONS IS CLEAR AND UNDERSTANDABLE
11 TO ALL PARTIES AND WON'T NEED TO BE SPECIFICALLY DEFINED.
12 IF, AS WE GO THROUGH TODAY, THERE ARE SOME OTHER USES OF
13 WORDS THAT WE FEEL NEED TO BE DEFINED OR THE BOARD HAS A
14 DISTINCT NEED FOR US TO CLARIFY, THEN WE WOULD PROPOSE
15 COMING BACK AT THE NEXT ITERATION WITH THOSE DEFINITIONS
16 INCLUDED.

17 BOARD MEMBER BROWN: ALAN, GOING BACK FOR JUST A
18 MOMENT TO THE DEFAULT SECTION, IT WOULD OCCUR TO ME THAT
19 THAT'S A RATHER TOUCHY AREA. IN SOME SENSE OF THE WORD
20 YOU ARE WRITING REGULATIONS BY WHICH A PERSON CAN QUALIFY
21 OR NOT QUALIFY FOR A LOAN BECAUSE, IN A SENSE, YOU ARE
22 SAYING WHAT CONSTITUTES A DEFAULT AND YOU ARE TELLING THE
23 BANK THAT THE GUARANTEE WILL BE GOVERNED BY CERTAIN
24 REGULATIONS.

25 AND WHEN THE BANK LOOKS AT THAT. THEY MAY



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1 OR MAY NOT WANT TO MAKE THE LOAN. DOES THAT MAKE SENSE
2 TO YOU? I'M WONDERING HOW FAR -- I'M NOT QUESTIONING
3 YOU. I'M JUST SAYING THAT THIS APPEARS TO ME TO BE AN
4 ITEM OR AN AREA IN WHICH WE'VE GOT TO BE VERY CAREFUL
5 THAT WE STRUCTURE LANGUAGE THAT IS BROAD ENOUGH TO ALLOW
6 LOANS TO BE MADE, BUT CERTAINLY NOT SO RESTRICTIVE THAT
7 THE BANKING INSTITUTIONS WON'T MAKE THE LOANS.

8 MR. OLDALL: THAT'S A VERY VALID POINT, MR.
9 BROWN. I THINK WE HAVE THESE PARTICULAR DRAFT
10 REGULATIONS AT THIS POINT IN TIME CIRCULATED TO SOME
11 SELECTED BANKERS WHO WERE ADVISING US ORIGINALLY. AND,
12 AGAIN, AT THE NEXT ITERATION WILL BE ABLE TO REPORT BACK
13 TO THE BOARD ON THAT PARTICULAR ISSUE.

14 BOARD MEMBER BROWN: THANK YOU.

15 MR. OLDALL: AT THIS POINT IN TIME, I WOULD LIKE
16 TO REINTRODUCE TO THE BOARD NGUYEN VAN HAHN, WHO CAME TO
17 US ABOUT SIX MONTHS AGO. AND WITHOUT WHOSE VERY, VERY
18 KNOWLEDGEABLE ASSISTANCE, WE WOULDN'T HAVE BEEN ABLE TO
19 HAVE COME THIS FAR IN THIS PARTICULAR PROCESS. AND I
20 WOULD LIKE TO TRANSFER OVER TO HIM NOW THE VERY IMPORTANT
21 AREA OF THE CRITERIA, WHICH YOU WILL REMEMBER IS THE
22 ISSUE, AGAIN, THAT IS OF MAJOR IMPORT WITH REGARDS TO THE
23 ADVISORY MEETING NEXT WEEK. MR. VAN HAHN.

24 CHAIRMAN GALLAGHER: THANK YOU, MR. OLDALL.
25 PLEASE PROCEED.

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1 MR. VAN HANH: GOOD MORNING, MR. CHAIRMAN,
2 MEMBERS OF THE BOARD. I'M NGUYEN VAN HANH. WITH THE
3 INTRODUCTION FROM MR. ALAN OLDALL, IF I MIGHT ASK, I
4 WOULD LIKE TO PROCEED TO THE LOAN GUARANTEE CRITERIA ON
5 PAGE 37 IN YOUR PACKAGE.

6 THIS PARTICULAR SECTION, LOAN GUARANTEE
7 CRITERIA, DESCRIBES THE UNIFORM ELIGIBILITY CRITERIA FOR
8 PARTICIPATION IN THE PROGRAM. AND THE KEY ISSUES IN THE
9 CRITERIA INCLUDE, PRIMARILY, PROPERLY PERMITTED
10 LANDFILLS, THE APPROPRIATE USE AND PROCEDURES INVOLVED.
11 AND IN THIS WE NEED TO TAKE A LOOK AT THE FACT THAT THE
12 GUARANTEES THAT WE PROPOSE HERE SHOULD ONLY BE USED TO
13 SECURE FINANCIAL FOR THE REQUIRED CORRECTIVE ACTIONS.

14 IN ADDITION, ELIGIBLE BORROWERS MUST HAVE A
15 PROVEN INABILITY TO SECURE THE NEEDED FINANCING WITHOUT A
16 LOAN GUARANTEE. FURTHER, THE LANDFILL OWNER OR OPERATORS
17 MUST HAVE A DEMONSTRATED ABILITY TO REPAY FOR THE LOAN.

18 WE ALSO BELIEVE THAT THE PROSPECTIVE
19 BORROWERS MUST ATTEMPT TO FINANCE CORRECTIVE ACTIONS WITH
20 CONVENTIONAL METHODS AND GIVE EVIDENCE THAT THE GUARANTEE
21 IS NEEDED. THE LENDERS FROM THEIR OWN PERSPECTIVE CAN
22 SATISFY THAT THE LOAN WOULD NOT BE MADE IN THE ABSENCE OF
23 THE GUARANTEE. IN THAT REGARD, COMPLETE DESCRIPTION OF
24 FINANCIAL STATEMENT WILL BE NEEDED.

25 MAY I DRAW YOUR ATTENTION TO THE PROPOSED



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1 REGULATORY LANGUAGE ON PAGE 38 IN YOUR PACKAGE. "THE
2 BOARD SHALL GUARANTEE A LOAN ONLY IF IT DETERMINES THAT
3 THE BORROWER MEETS THE FOLLOWING CRITERIA: THE BORROWER
4 HAS MET THE REQUIREMENTS, IF APPLICABLE, OF THE
5 GOVERNMENT CODE SECTION 66796.22(B)."

6 I WILL LIKE TO BRING TO YOUR ATTENTION THAT
7 IN CASE YOU HAPPEN TO HAVE A COPY OF AB 2448 THAT SHOULD
8 BE ON PAGE 4.

9 NEXT, "THE LOAN GUARANTEE, IF PROVIDED,
10 WILL BE USED TO SECURE A LOAN NEEDED TO IMPLEMENT A
11 CORRECTIVE ACTION." IN HERE, OF COURSE, THE CORRECTIVE
12 ACTION IS THE MAJOR OBJECTIVE OF THE LOAN GUARANTEE.

13 "THE BORROWER IS UNABLE TO SECURE ADEQUATE
14 FINANCES FOR A CORRECTIVE ACTION. THE LANDFILL OWNER OR
15 OPERATOR SHALL HAVE ATTEMPTED TO SECURE FINANCING THROUGH
16 CONVENTIONAL FUNDING MECHANISMS, INCLUDING, BUT NOT
17 LIMITED TO, INCREASED TIPPING FEES TO COVER THE COST OF
18 IMPLEMENTING THE CORRECTIVE ACTION. THE BORROWER WILL
19 PROVIDE WRITTEN EVIDENCE THAT THIS GUARANTEE IS NECESSARY
20 IN ORDER TO SECURE ADEQUATE FINANCES.

21 "IF THE FACILITY OR ANY SEGMENT OF THE
22 FACILITY IS IN THE PROCESS OF CLOSING, THE BORROWER IS
23 UNDERTAKING THE PLANNED CLOSURE AND POSTCLOSURE
24 MAINTENANCE ACTIVITIES." THIS PARTICULAR SUBSECTION OF
25 THE PROPOSED LANGUAGE HERE INDICATES TO US THAT THE

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1 PROPER CLOSURE AND POSTCLOSURE MAINTENANCE ACTIVITIES IS
2 CERTAINLY PLAYING A VITAL ROLE IN THE CRITERIA FOR
3 PROVIDING LOAN GUARANTEES.

4 LATER ON, MR. CHAIRMAN AND MEMBERS OF THE
5 BOARD, WE WILL TOUCH ABOUT UPON THIS CRITERIA AGAIN TO
6 SEE HOW THEY ARE INTERRELATED. AFTER ALL, WHEN WE
7 PROVIDE A LOAN GUARANTEE, WE WOULD HAVE TO LOOK INTO, NOT
8 ONLY THE PROGRAM OBJECTIVE AS MANDATED IN AB 2448, BUT WE
9 ALSO LOOKED INTO THE POINTS OF VIEW OF A LOAN GUARANTEE
10 FROM THE PERSPECTIVE OF THE BORROWERS AS WELL AS THE
11 LENDERS FROM THE LENDING COMMUNITY.

12 IF I MAY PURSUE, SUBSECTION E, "THE
13 BORROWER IS ABLE TO REPAY THE LOAN. THIS EVALUATION OF
14 THE BORROWER'S ABILITY TO REPAY THE LOAN SHALL BE BASED
15 ON THE BORROWER'S FINANCIAL STATEMENT FOR THE PREVIOUS
16 THREE YEARS. EACH OF THESE STATEMENTS SHALL CONSIST OF A
17 BALANCE SHEET, AN INCOME STATEMENT, A STATEMENT OF
18 CHANGES IN FINANCIAL POSITION, ALL OF WHICH WILL HAVE
19 BEEN PREPARED ACCORDING TO GENERALLY ACCEPTED ACCOUNTING
20 PRINCIPLES.

21 "IF THE LATEST COMPLETE FINANCIAL STATEMENT
22 IS MORE THAN SIX MONTHS OLD, AN INTERIM FINANCIAL
23 STATEMENT NOT OLDER THAN 60 DAYS WILL BE INCLUDED. IF
24 SUCH STATEMENT IS NOT AVAILABLE, THE BORROWER WILL
25 PROVIDE OTHER INFORMATION ACCEPTABLE TO THE BOARD WHICH

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1 ESTABLISHES A FINANCIAL ABILITY TO REPAY THE LOAN."

2 MIGHT I EXPRESS THE FACT THAT HERE WE ARE
3 TALKING ABOUT THE REGULATIONS FOR LOAN GUARANTEES, BUT
4 LOAN GUARANTEES ARE MADE IN REFERENCE TO LOANS. IN HERE,
5 AS THE BANKING COMMUNITY IS MAKING LOANS TO THE
6 BORROWERS, THE BANKING COMMUNITY IS HIGHLY SENSITIVE TO
7 THE ABILITY OF THE BORROWERS TO REPAY THE LOAN. THE WAY,
8 NORMALLY, THE BANKING COMMUNITY WILL GO ABOUT TO ASSURE
9 THIS ABILITY IS TO LOOK CLOSELY TO SCRUTINIZE THE
10 FINANCIAL STATEMENT, THE INCOME STATEMENT, AND ANY OTHER
11 DOCUMENTS THAT WOULD HELP THE BANKING COMMUNITIES, THE
12 LENDERS, TO FIND OUT EXACTLY WHAT KIND OF FINANACIAL
13 ABILITY OF THE BORROWERS TO REPAY THE LOAN.

14 THIS IS WHY THIS SECTION BRINGS TO YOUR
15 ATTENTION THE VARIOUS REQUIREMENTS IN TERMS OF FINANCIAL
16 REGULATION -- FINANCIAL STATEMENTS HERE.

17 BOARD MEMBER ARAKALIAN: WE STILL ASK QUESTIONS?

18 CHAIRMAN GALLAGHER: SURE YOU CAN.

19 BOARD MEMBER ARAKALIAN: NOW, IF OUR BOARD USES
20 THE CRITERIA FOR GIVING THE GUARANTEE BOTH OF
21 NECESSITY -- FIRST THE NECESSITY THAT THEY NEED IT FOR A
22 PROPER PURPOSE, I CAN UNDERSTAND THAT; BUT IF WE ARE
23 GOING TO ALSO BASE THEIR FINANACIAL ABILITY TO PAY, I
24 STOP AND WONDER IF THEY CAN MEET -- IF THEY CAN'T MEET
25 THE CRITERIA, FINANCIAL CRITERIA, TO BORROW WITHOUT OUR

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1 GUARANTEE AND OUR REQUIREMENT IS SIMILAR TO THE BANKS,
2 HOW, THEN, ARE THEY GOING TO QUALIFY WITH US?

3 WE WOULD HAVE TO LESSEN THEIR FINANACIAL
4 ABILITY OR WE'RE OF NO USE TO THEM. DOES THAT MAKE
5 SENSE? BECAUSE IF YOU HAVE TO MEET THE SAME CRITERIA FOR
6 THE LOAN FINANCIALLY WITH THEM, THE BANKER, AS FROM US,
7 OUR LOAN IS NOT WORTHWHILE. BUT IF THEY -- I CAN
8 UNDERSTAND MAYBE THE FINANCIAL REQUIREMENT WITH THE BANK;
9 BUT IF WE SAY WE HAVE TO GIVE THEM THE GUARANTEE OR WE
10 SHOULD GIVE THE GUARANTEE BECAUSE THE DON'T HAVE THE
11 FINANCIAL REQUIREMENTS TO MAKE THE LOAN, BUT THE
12 NECESSITY OF THE LOAN IS URGENT; THEREFORE, WE WOULD HAVE
13 TO BE IN A POSITION TO SAY WE'LL GUARANTEE IT EVEN THOUGH
14 IT DOESN'T LOOK LIKE YOU CAN PAY IT. OTHERWISE, WHAT DO
15 WE GAIN?

16 MR. VAN HANH: CERTAINLY, SIR, YOUR COMMENT'S
17 RIGHT AT THE HEART OF THE MATTER HERE. WHAT IT IS IS
18 THAT ON ONE HAND WE WOULD LIKE AND WE INSIST, IN THIS
19 CASE, THAT THE PROSPECTIVE BORROWERS PLEASE SEND TO US
20 AND TO LENDERS ALL OF THE RELATED FINANCIAL DOCUMENTS
21 ATTESTING TO THEIR ABILITY TO THE PAY. HOWEVER, THAT IS
22 FROM THE POINT OF VIEW OF THE BORROWERS.

23 FROM THE POINT OF VIEW OF THE LENDERS, THE
24 LENDING INSTITUTIONS TEND TO BE QUITE RISK AVERSE. IN
25 DOING SO, WHAT THEY NOT ONLY LOOKED INTO THE MATERIALS

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1 PRESENTED TO THEM, THE DOCUMENTS, BUT FROM THEIR OWN
2 JUDGMENT WHETHER THOSE MATERIALS, THE DOCUMENTS,
3 INFORMATION WILL BE ADEQUATE TO SATISFY THE FACT THAT
4 THEY WILL BE RECOVERING THEIR LOANS.

5 SO OUR LOAN GUARANTEE HERE COMES INTO PLAY
6 IN ORDER TO STRENGTHEN THE POSITION OF THE BORROWERS IN
7 SUCH A WAY THAT IT WOULD GIVE MORE SECURITY TO THE
8 LENDING COMMUNITIES. AND IN DOING SO ATTRACTING THEM OR
9 ENCOURAGING THEM TO MAKE THE LOAN. AND THE PURPOSES OF
10 GUARANTEES HERE IS TO BE SURE THAT THE LENDERS ARE
11 PROTECTED WHILE THE BORROWERS ARE GIVEN THE OPPORTUNITY
12 TO AVAIL THEMSELVES TO THE FINANCIAL ASSISTANCE.

13 BOARD MEMBER ARAKALIAN: I UNDERSTAND THAT, BUT
14 I DON'T THINK YOU A HUNDRED PERCENT ANSWERED THE QUESTION
15 THAT I ADDRESSED. AM I TO INTERPRET FROM THAT THAT WE
16 ARE GOING TO BE MORE LAX AND LESS STRINGENT IN THEIR
17 FINANCIAL POSITION TO PAY THAN THE BANK WOULD BE? WE ARE
18 GOING TO BE TAKING A BIGGER RISK.

19 WHAT? YOU KNOW, IF YOU ARE SAYING THE BANK
20 HAS TO HAVE THIS GUARANTEE. AND IF THEY DON'T HAVE
21 SUFFICIENT GUARANTEE -- I MEAN, SUFFICIENT FINANCIAL
22 STATEMENT, WE ARE GOING TO GUARANTEE IT. BUT BEFORE WE
23 GUARANTEE IT, WE ARE GOING TO CHECK THEIR FINANCIAL
24 STATEMENT. WELL, IF OUR STRINGENCY IN THIS IS AS GREAT
25 AS THE BANKS, IF THE FLUNKED IN THE FIRST PLACE. THEY'RE

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1 GOING TO FLUNK IN THE SECOND PLACE. THEREFORE, I HAVE TO
2 TRANSLATE FROM WHAT YOU ARE SAYING THAT WE'RE GOING TO BE
3 MORE LAX AND A LITTLE MORE GIVING. AND EVEN THOUGH IN
4 SOME CASES AND PROBABLY ALL CASES, FRANKLY, WE ARE GOING
5 TO HAVE GIVE A GUARANTEE WHEN THEY AREN'T SOLVENT ENOUGH
6 TO BE SURE OF PAYING IT. IF THE NEED FOR THE MONEY IS
7 GREAT ENOUGH, WE'RE GOING TO HAVE TO LESSEN THE
8 STRINGENCY OF THE FINANCIAL BACKING. I MEAN, OTHERWISE,
9 I DON'T SEE ANY PURPOSE IN IT.

10 MR. VAN HANH: MAY I RESTATE AND ADD A LITTLE
11 BIT MORE ON THE REMARK EARLIER? WE HAVE A SITUATION WITH
12 THE THREE PARTIES INVOLVED, THE LENDERS, THE BORROWERS,
13 AND THE BOARD. THE PEOPLE WHO WOULD MAKE THE FINAL
14 DECISIONS ON MAKING A LOAN TO THE BORROWERS WILL BE THE
15 BANKERS, NOT US. HOWEVER, OUR ROLE HERE IS ONLY TO
16 GUARANTEE THE LOANS MADE.

17 SO THE POINT I WOULD LIKE TO BRING TO YOUR
18 ATTENTION AND THE BOARD HERE IS THAT THE DECISION TO MAKE
19 A LOAN RESTS WITH THE BANKERS. AND BECAUSE THE DECISION
20 IS MADE BY THEM, THE BANKERS WILL BE THE PARTY WHO WOULD
21 SCRUTINIZE, EVALUATE THE FINANCIAL STATEMENTS AND OTHER
22 FINANCIAL INFORMATION TO BE BROUGHT FORWARD BY THE
23 BORROWERS. BECAUSE OF THEIR INTEREST IN HERE, THEY TEND
24 TO REVIEW EVERYTHING TO THE EXTENT OF THEIR EXPOSURE IN
25 THIS CASE, AS YOU WILL SEE LATER, THEY HAVE CERTAIN

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Barristers'
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1 PERCENTAGE IN THE LOAN THAT WE DO NOT GUARANTEE.

2 IN HERE, IF I MAY BE A LITTLE BIT AHEAD OF
3 MYSELF HERE, IS THAT WE INTEND, AS PROPOSED IN THE
4 REGULATIONS HERE, TO GUARANTEE UP TO 90 PERCENT OF THE
5 LOAN ONLY, NOT 100 PERCENT. THE REMAINING 10 PERCENT IS
6 THE EXPOSURE OF THE LENDING COMMUNITY BECAUSE, NUMBER
7 ONE, THEY ARE THE ONE WHO MAKE THE LOANS; NUMBER TWO,
8 THEIR INTEREST INVOLVES THE 10-PERCENT EXPOSURE THERE.
9 THEY WOULD USE THEIR REGULAR STANDARD BANKING PRACTICE TO
10 SCRUTINIZE THE LOAN.

11 IF I MAY COME BACK TO ADDRESS YOUR
12 QUESTION, IN THIS REGARD, THE BOARD WILL NOT BE NEITHER
13 MORE OR LESS STRINGENT. IT'S UP TO THE LENDING
14 COMMUNITY, SIR. SO IN THAT REGARD, WE -- OUR POSITION IS
15 NOT TO BE -- TO MAKE THE REGULATION MORE STRINGENT OR
16 LESS STRINGENT, BUT RATHER PROVIDE THE OPPORTUNITY FOR
17 THE LENDING COMMUNITIES TO DO THIS ON THEIR OWN WITH OUR
18 SUPPORT AND IN THIS CASE IN THE FORM OF A GUARANTEE.

19 BOARD MEMBER ARAKALIAN: I'LL HAVE TO ACCEPT
20 THAT BECAUSE YOU DIDN'T ADDRESS WHAT I ASKED. YOU MERELY
21 LAID OUT TO ME THE PROCEDURE, WHICH I'M AWARE OF. THE
22 QUESTION I ASKED WAS A LITTLE DIFFERENT, BUT WE'LL PASS
23 IT.

24 MR. EOWAN: LET ME SEE IF I CAN -- MR.
25 ARAKALIAN, LET ME SEE IF I CAN SOMEHOW CRYSTALIZE WHAT

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1 YOU'RE SAYING HERE. I THINK WHAT YOU ARE SAYING IS THAT
2 WE HAVE A RESPONSIBILITY TO CLEAN UP THE ENVIRONMENT WHEN
3 A CORRECTIVE ACTION IS NEEDED AND TO ENCOURAGE THAT ONE
4 OF THE REASONS WE HAVE THIS PROGRAM IS TO PROVIDE A
5 GREATER FINANCIAL MEANS TO CLEAN IT UP BECAUSE WE'VE HAD
6 MANY EXPERIENCES IN THE PAST WHERE PEOPLE TAKE A WALK.

7 AND IT TENDS -- THE PEOPLE THAT TEND TO
8 TAKE A WALK AND LEAVE THE UNCLEANNED-UP SITE ARE THOSE
9 THAT DON'T HAVE A STRONG FINANCIAL MEANS TO CLEAN IT UP.
10 AND I THINK ONE OF THE INTENTIONS OF THIS PROGRAM IS TO
11 GET SOME OF THOSE PEOPLE INTO A CLEAN-UP MODE; WHEREAS,
12 PERHAPS THEY MAY NOT HAVE THE MEANS IF WE DIDN'T HAVE
13 THIS PROGRAM.

14 BOARD MEMBER ARAKALIAN: I UNDERSTAND, GEORGE.
15 WHAT I'M SAYING IS THAT WE ARE GOING TO HAVE TO BE MORE
16 LENIENT IN THE FINANCIAL SECURITY OF THE BORROWER, ELSE
17 OUR -- WE'LL GET NOWHERE. WE WON'T BE AFFECTED. YOU
18 UNDERSTAND WHAT I'M SAYING?

19 MR. EOWAN: I UNDERSTAND EXACTLY WHAT YOU'RE
20 SAYING.

21 BOARD MEMBER ARAKALIAN: IF YOU GO TO THE BANK
22 AND CAN'T BORROW 50 BUCKS BECAUSE YOUR STATEMENT ONLY
23 SAYS YOU'RE WORTH 40, AND I LOOK AT THE SAME STATEMENT
24 SAYS YOU'RE WORTH \$40. AND I WON'T GUARANTEE YOU FOR THE
25 50. YOU HAVEN'T GOTTEN ANYWHERE. WHAT I HAVE TO SAY IS

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1 I'LL GUARANTEE IT EVEN THOUGH YOU'RE NOT WORTH IT BECAUSE
2 THE USE OF THE MONEY IS MORE IMPORTANT THAN THE RISK OF
3 THE MONEY. THAT'S THE ONLY POINT I WAS MAKING.

4 BOARD MEMBER BROWN: IT SEEMS TO ME, SAM,
5 CORRECT ME IF I'M WRONG, IT SEEMS TO ME THAT PART OF YOUR
6 PROBLEM WITH THIS DISCUSSION IS THAT YOU ARE UNDER THE
7 IMPRESSION, POSSIBLY, THAT WE, AS A BOARD OR SOME
8 COMMITTEE OF THIS BOARD, WILL BE THE FIRST CUT AT WHETHER
9 OR NOT WE PUT UP GUARANTEE MONEY. AND THAT'S NOT TRUE,
10 ACCORDING TO NGUYEN.

11 THE GUARANTEE WILL BE THERE FOR THE USE OF
12 THE APPLICANT UPON THE BANK'S APPROVAL. THE BANK WILL DO
13 ALL THE WORK WITH RESPECT TO DECIDING HOW WORTHY THE
14 PERSON IS. IF THE PERSON IS DEEMED WORTHY, OUR GUARANTEE
15 MONEY IS AUTOMATICALLY THERE. WE'LL HAVE NO CUT AT THAT.
16 DO I UNDERSTAND CORRECTLY?

17 MR. EOWAN: YEAH, YOU DO UNDERSTAND IT
18 CORRECTLY. I THINK, THOUGH, THE FACT THAT WE INDICATE WE
19 WOULD GUARANTEE THE LOAN HAS AN EFFECT ON THE BANK'S
20 DECISION.

21 BOARD MEMBER BROWN: NO QUESTION.

22 MR. EOWAN: AND I THINK WHAT MR. ARAKALIAN'S
23 POINT IS IS THAT WE WANT TO TARGET A GROUP THAT MAY BE ON
24 A BORDERLINE SITUATION THAN THE STRONG FINANCIAL ONES WHO
25 PROBABLY DON'T NEED IT ANYWAY. AND THAT'S A POLICY ISSUE

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1 THAT WE HAVEN'T REALLY ADDRESSED IN THE DRAFTING OF THESE
2 TO THE EXTENT THAT YOU ARE TALKING ABOUT. AND I THINK
3 IT'S CERTAINLY A POLICY ISSUE, BUT IT PUTS THE MONEY AT A
4 GREATER RISK. AND SO YOU ARE RAISING A POINT THAT REALLY
5 HASN'T BEEN FLUSHED OUT A LOT BECAUSE WE'VE BEEN THINKING
6 OF PUTTING OUR MONEY WHERE IT CAN DO THE MOST GOOD, BUT
7 ALSO THE LEAST RISK. THAT'S THE WAY WE'VE BEEN TRAINED
8 TO DEAL WITH THAT.

9 BOARD MEMBER ARAKALIAN: OF COURSE, WE'RE GOING
10 TO WORKING WITH -- THE GOOD RISKS AREN'T GOING TO COME TO
11 US. THEY'RE GOING TO MAKE IT ON THEIR OWN. IT'S THE BAD
12 RISK; OR NOT NECESSARILY BAD, BUT LESSER AND NOT GOOD
13 ENOUGH TO MEET THE BANK'S CRITERIA. THE WEAK SITUATION
14 IS GOING TO COME TO US AND WE'RE GOING TO HAVE TO TAKE A
15 RISK FACTOR IN GUARANTEEING IT.

16 BOARD MEMBER BROWN: IT WOULD SEEM TO ME
17 EVERYBODY WOULD COME TO US.

18 CHAIRMAN GALLAGHER: I DON'T THINK THERE'S GOING
19 TO BE ANY QUESTION ABOUT THAT. THAT'S THE DANGER OF THE
20 WHOLE THING, AND I WAS GOING TO WAIT UNTIL NGUYEN'S
21 COMMENTS WERE OVER TO SUGGEST THAT IN THE REGULATIONS
22 THAT WE WRITE WE OUGHT TO ADDRESS THAT ISSUE, IF WE CAN,
23 BECAUSE IT'S LIKE EVERYTHING ELSE. ONCE THE BANKING
24 COMMUNITY FINDS OUT THAT THERE IS \$20 MILLION AVAILABLE
25 FOR LOAN GUARANTEES, I DON'T CARE WHAT THE RISK LEVEL IS

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1 OF THE LOAN, EVERYBODY IS GOING TO WANT A PART OF THAT
2 ACTION.

3 THAT'S UNFORTUNATE BECAUSE IT LIMITS OUR
4 ABILITY TO HELP ANYONE. PEOPLE WHO COULD GET A LOAN AND
5 STAND ON THEIR OWN TWO FEET AND PAY IT BACK WILL BE TYING
6 UP SOME OF OUR LOAN GUARANTEE FUNDS, I THINK,
7 UNREASONABLY. AND THAT'S AN ISSUE. AND I AGAIN
8 APOLOGIZE, NGUYEN, FOR INTERRUPTING YOUR COMMENTS; BUT I
9 WOULD SUGGEST THAT IN OUR FUTURE WRITING OF THESE REGS,
10 THAT WE DO ADDRESS THAT ISSUE SO THAT WE PROTECT THAT \$20
11 MILLION TO GUARANTEE ONLY THOSE LOANS WHICH A GUARANTEE
12 IS ABSOLUTELY ESSENTIAL IN ORDER FOR THE LENDER TO GIVE
13 THE BORROWER HIS MONEY.

14 AND NOW WE'LL GO ON. AND I WOULD
15 APPRECIATE IF WE HOLD ALL THE COMMENTS UNTIL AFTER NGUYEN
16 IS FINISHED, AND THEN WE'LL THROW IT OPEN FOR GENERAL
17 COMMENTS. PLEASE PROCEED.

18 MR. VAN HANH: THANK YOU, MR. CHAIRMAN. WE
19 CERTAINLY WILL TAKE A LOOK AT AND TRY TO ADDRESS THE
20 CONCERNS HERE.

21 IF I MAY PROCEED, I WOULD LIKE TO DRAW THE
22 BOARD'S ATTENTION TO SUBSECTION F ON PAGE 38.

23 "THE LOAN TO BE GUARANTEED WILL BE SECURED
24 BY SUCH COLLATERAL AS THE BOARD MAY REQUIRE. INCLUDING,
25 WITHOUT LIMITATION, A MORTGAGE OR SECURITY INTEREST IN

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1 REAL ESTATE, BUILDINGS, OR PERSONAL PROPERTY OF THE
2 BORROWER, SUBJECT ONLY TO SUCH OTHER ENCUMBRANCES AS THE
3 BOARD MAY APPROVE.

4 "ASSIGNMENT OR PLEDGES OF LEASES AND
5 PERSONAL OR CORPORATE GUARANTEES. PERSONAL GUARANTEES OF
6 THE PRINCIPALS SHALL BE REQUIRED UNLESS COMPELLING
7 REASONS ARE PRESENTED WHICH JUSTIFY NOT REQUIRING SUCH
8 GUARANTEES.

9 "REAL ESTATE OR STATIONARY MACHINERY OR
10 EQUIPMENT PLEDGED AS A SIGNIFICANT PORTION OF THE
11 COLLATERAL FOR REPAYMENT OF THE GUARANTEED LOAN SHALL BE
12 LOCATED WITHIN THE STATE OF CALIFORNIA. REAL ESTATE
13 PLEDGED AS COLLATERAL SHALL NOT INCLUDE LAND WHICH HAS
14 BEEN USED AS A SOLID WASTE DISPOSAL SITE."

15 MAY I, AGAIN, DRAW YOUR ATTENTION TO THE
16 FACT THAT, AS CLEARLY STATED IN AB 2448, THE LAND ON
17 WHICH THE DISPOSAL SITE IS WILL NOT BE USED AS --
18 ACCEPTED BY THE BOARD AS COLLATERAL HERE.

19 WE ARE IN PRIORITY -- WELL, I WOULD LIKE TO
20 BRING TO YOUR ATTENTION THE FACT THAT IT IS ESSENTIAL TO
21 ESTABLISH THE PRIORITY FOR LOAN GUARANTEES DUE TO THE
22 LIMITED AMOUNT OF FUNDS AVAILABLE HERE.

23 IF I MAY STRAY A LITTLE BIT OUTSIDE OF OUR
24 CONTEXT HERE, I WOULD LIKE TO SAY IN THE REAL WORLD THE
25 ISSUE OF PRIORITIES ARE ALWAYS VERY, VERY IMPORTANT.

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1 ANYTIME A COMPANY AND MAJOR AGENCY GOVERNMENT HAVE
2 CERTAIN LIMITED AMOUNT OF FUNDS TO BE DISPENSED FOR A
3 MEMBER OF THE PROJECT, THE ISSUE OF PRIORITY OR RANKING
4 AMONG THE VARIOUS COMPETING APPLICANTS HERE PLAY A MAJOR
5 ROLE.

6 AND IN HERE OUR PRIORITY IS GIVEN TO
7 CORRECTIVE ACTIONS THAT WILL REMEDY THOSE SITUATIONS
8 REPRESENTING THREATS TO PUBLIC HEALTH, DEGRADATION OF THE
9 ENVIRONMENT, OR NUISANCE TO THE PUBLIC.

10 ALSO, THERE IS A POSSIBLE INCREASED COST TO
11 BE INCURRED BY THE BORROWERS IN CASE WE DELAY THE
12 PRIORITY ACTIONS. SO IN SETTING UP THE PRIORITY, THE
13 POSSIBLE INCREASE IN COSTS SHOULD COME INTO THE
14 PRIORITIES HERE. THE FACT THAT, IF WE DELAY THE
15 CORRECTIVE ACTIONS BY NOT PROVIDING THE LOAN GUARANTEES,
16 NOT ONLY THE COST OF CLEANING UP WOULD INCREASE, BUT ALSO
17 THE ISSUE OF THREAT TO PUBLIC HEALTH, NUISANCE TO PUBLIC,
18 AND SO ON ALSO ENTER INTO THE PICTURE.

19 SO, HERE, WE ARE TALKING ABOUT THE PRIORITY
20 AMONG THE CRITERIAS, WHICH ARE NOT CLEARLY WELL-DEFINED,
21 BUT RATHER THEY ARE INTERTWINED.

22 WE ALSO BELIEVE THAT THE PRIORITY SHOULD BE
23 GIVEN TO THE APPLICANT -- THE BORROWERS WHO DEMONSTRATE
24 THE BEST RECORD OF COMPLIANCE WITH THE EXISTING LAWS.
25 REGULATIONS, AND PERMITS IN OPERATING A LANDFILL.

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1 MAY I BRING YOUR ATTENTION TO THE PROPOSED
2 REGULATORY LANGUAGE HERE. THE ALLOCATION OF LOAN
3 GUARANTEE FUNDS BY THE BOARD SHALL BE BASED ON THE
4 FOLLOWING ORDER OF PRIORITY. A --

5 MR. OLDALL: PAGE 40.

6 MR. VAN HANH: -- "FIRST PRIORITY WILL BE GIVEN
7 TO APPLICATIONS FOR LOAN GUARANTEES NEEDED TO SECURE
8 FINANCIAL RESOURCES FOR THE MITIGATION OF IDENTIFIED
9 HAZARDS TO PUBLIC HEALTH, DAMAGE TO THE ENVIRONMENT, OR A
10 NUISANCE TO THE PUBLIC OF GREATEST SEVERITY, CREATED BY
11 SOLID WASTE LANDFILLS WHICH REQUIRE CORRECTIVE ACTIONS.

12 "B, IN THE EVENT THAT APPLICATIONS ARE MADE
13 TO MITIGATE HAZARDS OF EQUAL SEVERITY, PRIORITY WILL BE
14 GIVEN TO APPLICATIONS WHERE THE PROBABILITY OF AN
15 INCREASE IN THE COSTS ASSOCIATED WITH AN ANTICIPATED
16 CORRECTION ACTION IS GREATEST IF THE CORRECTIVE ACTION IS
17 POSTPONED.

18 "C, IN THE EVENT THAT A PRIORITY BETWEEN
19 APPLICATIONS CANNOT BE ESTABLISHED BY SUBSECTIONS (A) AND
20 (B), PRIORITY WILL BE GIVEN TO THOSE WITH THE BEST RECORD
21 OF COMPLIANCE WITH APPLICABLE LAW, REGULATIONS, AND
22 PERMITS REQUIRED IN THE OPERATION OF LANDFILL FACILITIES.

23 "D, IN THE EVENT THAT A PRIORITY BETWEEN
24 APPLICATIONS CANNOT BE ESTABLISHED BY SUBSECTIONS (A)
25 THROUGH (C), PRIORITY WILL BE GIVEN TO THOSE APPLICATIONS

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1 THAT ALLOW THE MAXIMUM NUMBER OF GUARANTEES TO BE MADE
2 WITHIN THE LIMITS OF THE LOAN GUARANTEE PROGRAM."

3 HERE, I WOULD LIKE TO STRESS THE FACT THAT
4 IN LIGHT OF THE LEGISLATIVE INTENT TO DEAL WITH THE ISSUE
5 OF LIVING UP TO CLEANING UP ENVIRONMENT HERE, THE OPTIMUM
6 USE OF FUNDS AVAILABLE IS OF PARAMOUNT IMPORTANCE.

7 IF MOST OF THE FUNDS ARE TO BE PROVIDED AS
8 GUARANTEES TO ONE OR A FEW SELECTED LANDFILL OWNERS AND
9 OPERATORS, THAT WOULD DEFEAT THE GENERAL INTENT OF THE
10 LEGISLATION, GENERAL PURPOSE OF THE LAW. IT WOULD BE IN
11 THE INTEREST OF THE STATE FOR OUR BOARD TO SEE THAT FUNDS
12 ARE DISTRIBUTED EFFECTIVELY TO HANDLE MANY -- AS MANY AS
13 POSSIBLE OF THE SITES THAT NEED CORRECTIVE ACTIONS. THIS
14 IS WHY WE STRESS THIS PARTICULAR ITEM.

15 REGARDING THE NEXT SECTION, TALKING ABOUT
16 THE LOAN GUARANTEE SITES --

17 MR. OLDALL: I THINK IT MIGHT BE APPROPRIATE,
18 MR. CHAIRMAN, IF THE BOARD MEMBERS HAD QUESTIONS AFTER
19 EACH SECTION, I THINK THAT'S THE WAY IT'S WORKED BEST IN
20 THE PAST. SO, PERHAPS, IF THERE ARE QUESTIONS ON THAT
21 PARTICULAR AREA, WE COULD DEAL WITH THEM NOW BEFORE WE
22 GET TOO FAR INTO THE NEXT SECTION.

23 BOARD MEMBER BROWN: IS THAT ALL RIGHT WITH YOU?
24 I DON'T KNOW WHAT SECTION THIS GOES TO, BUT I'LL POSE THE
25 QUESTION ANYWAY.

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1 IT OCCURS TO ME DURING NGUYEN'S
2 PRESENTATION, AND MAYBE THE LEGISLATION ADDRESSES THIS,
3 HOW DOES THIS PROGRAM, THIS LOAN GUARANTEE PROGRAM,
4 IDENTIFY THE DIFFERENCE BETWEEN A CORRECTIVE ACTION AND A
5 CLOSURE/POSTCLOSURE ACTION? LET'S SAY THAT THERE NEEDS
6 TO BE A CORRECTIVE ACTION TAKEN PLACE IN ORDER TO ALLOW
7 CLOSURE/POSTCLOSURE TO BEGIN. THE LINE GETS CLOSE, AND
8 HOW DO WE DECIDE WHEN WE'RE FINANCING CLOSURE/POSTCLOSURE
9 OR WHEN WE'RE FINANCING CORRECTIVE ACTION? I DON'T KNOW
10 IF THIS IS THE RIGHT PLACE TO POSE THAT QUESTION, BUT IT
11 OCCURRED TO ME.

12 MR. VAN HANH: CERTAINLY, SIR, IF I MIGHT
13 ADDRESS THAT -- WELL, CERTAINLY, I WOULD DEFER TO STAFF
14 COUNSEL HERE.

15 MS. CLOSE: THE STATUTE AUTHORIZES THE BOARD TO
16 MAKE LOAN GUARANTEES FOR CORRECTIVE ACTIONS. WE HAVE
17 TRIED TO DEFINE WHAT A CORRECTIVE ACTION AS OPPOSED TO
18 ROUTINE OR AS OPPOSED WHAT'S NOT A CORRECTIVE ACTION,
19 WHAT'S PART OF POSTCLOSURE MAINTENANCE, IN THE DEFINITION
20 OF ROUTINE, WHICH IS ON PAGE 37 OF YOUR PACKET, THE TOP
21 OF THE PAGE.

22 IF IT MEETS THIS DEFINITION OF ROUTINE,
23 THEN IT, BY OUR -- SOMEWHERE ELSE WE'VE PICKED UP FUNDS
24 IF IT'S NOT ROUTINE. WE WILL FUND NONROUTINE ACTIONS.
25 SO WE WILL FUND THOSE THAT DO NOT -- THAT ARE NOT

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1 REQUIRED FOR PREPARATION OF CLOSURE AND POSTCLOSURE PLAN,
2 THAT ARE NOT REQUIRED BY OUR OTHER REGULATIONS AS PART OF
3 WHAT HAS TO BE IN THE CLOSURE AND POSTCLOSURE PLAN, AND
4 THAT ARE NOT THE MAINTENANCE ASSESSMENT ACTIVITIES.

5 BOARD MEMBER BROWN: I GUESS WHAT I HEAR YOU
6 SAYING IS THAT THE FARTHER AWAY THAT THE CORRECTIVE
7 ACTION TAKES PLACE, FARTHER AWAY FROM CLOSURE, MAKES THE
8 CORRECTIVE ACTION MORE LEGITIMATE. IF A CORRECTIVE
9 ACTION IS NEEDED IN NOVEMBER AND CLOSURE IS TAKING PLACE
10 IN DECEMBER, IT'S OBVIOUS WE'RE GOING TO BE FINANCING A
11 CLOSURE ACTION AND NOT A CORRECTIVE ACTION.

12 IF THEY'RE IN TWO DIFFERENT YEARS --

13 MS. CLOSE: NOT NECESSARILY BECAUSE WHAT IS
14 REQUIRED TO BE IN THE CLOSURE AND POSTCLOSURE PLAN GOES
15 ON OVER A LONG PERIOD OF TIME, BUT WHAT'S REQUIRED TO BE
16 IN THOSE PLANS ARE THE THINGS THAT WE ANTICIPATED THE
17 LANDFILL, EVERY LANDFILL IS GOING TO HAVE TO DEAL WITH.

18 SO WHAT WE'RE TALKING ABOUT HERE ARE THOSE
19 THINGS THAT ARE NOT ANTICIPATED THAT WE HAVE NOT REQUIRED
20 THEM TO ADDRESS AND PLAN FOR IN THE FUNDING. IT'S REALLY
21 UNANTICIPATED.

22 MR. EOWAN: THEY HAVE TO -- I THINK THAT'S THE
23 KEY IS THE UNFORESEEN VERSUS WHAT YOU ANTICIPATE. AND WE
24 MAKE THE PRESUMPTION THAT EVERYTHING WE ANTICIPATE IS IN
25 THE CLOSURE PLAN. SO THAT WILL BE DOCUMENTED IN THAT

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1 FORM AHEAD OF TIME; AND THEN IF SOMETHING OCCURS THAT'S
2 NOT IN THAT PLAN, FOR EXAMPLE --

3 BOARD MEMBER BROWN: I CAN SEE THAT.

4 MR. EOWAN: THAT'S A FINE POINT.

5 CHAIRMAN GALLAGHER: USE AS AN EXAMPLE THE
6 WASHOUT AT LOPEZ CANYON. MIGHT THAT NOT BE A CORRECTIVE
7 ACTION? WHY DON'T --

8 MR. IWAHIRO: I BELIEVE, BASICALLY, WHAT YOU
9 UNDERSTAND RIGHT NOW IS THAT IF IT'S IN A CLOSURE PLAN,
10 THEN IT'S PART OF THE CLOSURE PLAN. IT'S NOT A
11 CORRECTIVE ACTION. I THINK THAT'S PROBABLY THE WAY WE
12 WOULD GO. VERY SIMPLY IN THAT REGARD. THERE MAY BE SOME
13 GRAY AREAS AT A LATER DATE WHENEVER WE START REALLY
14 WORKING ON THIS AND IMPLEMENTING IT. IF IT'S IN THE
15 CLOSURE PLAN, I WOULD ASSUME IT'S NOT A CORRECTIVE
16 ACTION.

17 BOARD MEMBER BREMBERG: HERB, IF -- WOULD THIS
18 LEAD, POSSIBLY, TO INADEQUATE CLOSURE PLANS OR SINS OF
19 OMISSION IN CLOSURE PLANS BY PEOPLE WHO WISH TO HAVE
20 SOMETHING FINANCED THROUGH US OR THIS SUPER FUND FEE OR
21 WHATEVER AND JUST DELIBERATELY OMITTING IT FROM A CLOSURE
22 PLAN SO IT COULD ALL OF A SUDDEN BE UNFORESEEN?

23 MR. IWAHIRO: I THINK WE SHOULD WATCH FOR THAT.
24 YOU ARE PROBABLY RIGHT IN THAT THEY MAY TRY TO DO THAT.
25 BUT I THINK WE SHOULD WATCH FOR THAT.



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1 ATTORNEY CONHEIM: WE HAVE THE RESPONSIBILITY TO
2 APPROVE OR DISAPPROVE CLOSURE PLANS SO THAT WE HAVE A
3 MECHANISM FOR CHECKING THAT POSSIBILITY.

4 MR. IWAHIRO: OUR REGULATIONS THAT WE'RE
5 DEVELOPING FOR THE CLOSURE PLAN WILL ADDRESS EACH ITEM
6 AND, HOPEFULLY, WE WILL CHECK THAT AGAINST WHAT'S IN THE
7 PLAN AND, HOPEFULLY, WE CAN MAKE SURE --

8 BOARD MEMBER BREMBERG: I'M BACK TO MY FRIEND
9 TOYON AGAIN BECAUSE OF THEIR HOPELESSLY INADEQUATE
10 CLOSURE PLAN WAS SOMEHOW RAMRODDED THROUGH. I CAN SEE
11 THEM RUNNING AROUND AND ASKING FOR MONEY FOR CORRECTIVE
12 ACTION IN A SIMILAR SITUATION, WHICH REALLY SHOULD HAVE
13 BEEN A VERY LEGITIMATE AND REQUIRED PART OF A CLOSURE
14 PLAN.

15 CHAIRMAN GALLAGHER: I THINK THERE ARE A NUMBER
16 OF THINGS THAT WE HAVE TO MITIGATE AGAINST THAT. FIRST
17 OF ALL, WE HAVE THE RIGHT TO APPROVE OR DISAPPROVE THE
18 CLOSURE PLAN, WHICH, OBVIOUSLY, WE'LL BE LOOKING INTO
19 THAT. AND, SECONDLY, WE'RE NOT GOING TO BE LOANING
20 ANYBODY ANY MONEY. IF THEY WANT TO GET MONEY, THEY'VE
21 GOT TO CONVINCED A LENDER FIRST THAT IT'S A LEGITIMATE
22 LOAN FOR A LEGITIMATE PURPOSE. AND WE HAVE THE RIGHT TO
23 REVIEW WHETHER OR NOT WE'RE GOING TO GUARANTEE THAT LOAN.
24 SO IT'S --

25 ATTORNEY CONHEIM: MR. CHAIRMAN. MEMBERS.

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1 REMEMBER THAT WHEN WE APPROVE CLOSURE PLANS, WE'RE NOT
2 DOING THAT IN A VACUUM. WE HAVE A LOT OF DATA ON THESE
3 SITES AND WE KNOW THEM FROM OUR REGULATORY EXPERIENCE.
4 SO THAT, NOTWITHSTANDING THE FACT, THAT SITES THAT CLOSED
5 UNDER WATER BOARD REGULATIONS MAY HAVE ADEQUATE OR
6 INADEQUATE CLOSURE PLANS, WE'VE LEARNED FROM THAT
7 EXPERIENCE, FROM OUR OWN REGULATORY EXPERIENCE. SO THAT
8 WE'LL BE IN BETTER SHAPE, I THINK, BECAUSE WE HAVE THE
9 COMPREHENSIVE PROGRAM, NOT ONLY TO GUARANTEE LOANS, BUT
10 TO APPROVE CLOSURE PLANS.

11 WE'RE STARTING FROM A POINT WHERE WE CAN
12 CONTROL THE APPROVAL FOR EITHER LOAN GUARANTEES OR
13 APPROVAL OF CLOSURE PLANS.

14 CHAIRMAN GALLAGHER: MR. BEAUTROW?

15 BOARD MEMBER BEAUTROW: WE SHOULD KEEP ASKING
16 OURSELVES QUESTIONS FROM THE PRACTICAL STANDPOINT. WHAT
17 ARE THE PROBLEMS THAT ARE GOING TO BE ASSOCIATED? IT'S
18 GOING TO BE LEACHATE, LANDFILL GAS, SETTLEMENT, THESE
19 KINDS OF THINGS.

20 I THINK THAT WE BETTER MORE CAREFULLY
21 DEFINE AND EXPAND ON THIS WHOLE THEME OF THE UNEXPECTED
22 OR THE UNANTICIPATED BECAUSE ARE WE GO TO SAY, FOR
23 INSTANCE, THAT SOME LANDFILL FIVE YEARS DOWN THE LINE
24 MIGHT ALL OF A SUDDEN DETECT LEACHATE? ARE WE GOING TO
25 HAVE TO DEMONSTRATE THAT THERE WAS NEVER ANY HISTORY OF

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1 THAT, AND ALL OF A SUDDEN THEY'VE GOT A LEACHATE PROBLEM?

2 OR I JUST DON'T UNDERSTAND IN PRACTICALITY,
3 NOW THAT WE'RE DISCUSSING THIS AND GETTING DOWN TO THE
4 WIRE, AS TO HOW THIS IS GOING TO BE OPERATIVE. I

5 CAN'T -- IN MY MIND, I'M HAVING TROUBLE IMAGINING THAT
6 THERE'S GOING TO BE UNANTICIPATED THINGS WHEN YOU TALK
7 ABOUT LANDFILLS BECAUSE YOU GOT DIFFERENTIAL SETTLEMENT.

8 CAN SOMEBODY GIVE ME SOME EXAMPLES OF HOW
9 THIS MIGHT WORK IN PRACTICALITY?

10 BOARD MEMBER ARAKALIAN: THE SAME SUBJECT, IF I
11 MAY, WE'RE ALMOST GOING TO HAVE TO, BEING PRACTICAL AGAIN
12 LIMIT, OURSELVES TO LOOKING AT THE SMALLER SITES WHO ARE
13 GOING TO HAVE PROBLEMS, AS OPPOSED TO ANY AND ALL SITES.
14 ALTHOUGH CAN'T SAY WE'RE NOT GOING TO LOOK AT THEM, BUT A
15 SITE LIKE GINGER -- MS. BREMBERG JUST MENTIONED, TOYON,
16 OR SOMETHING LIKE THIS, ANY OTHER LARGER ONES, IF THEY
17 HAVE A PROBLEM AND AND THE PROBLEMS ARE PRIMARILY GOING
18 TO BE IN THE LEACHATE AND GAS MIGRATION AREAS.

19 ON THESE GIANT SITES, YOUR FIVE MILLION
20 BUCKS WILL PROBABLY PARTIALLY GUARANTEE ONE OF THEIR
21 PROBLEMS AND YOU ARE OUT OF BUSINESS. I MEAN, WE'RE
22 TALKING ABOUT SUCH LARGE SUMS FOR THESE PROBLEMS AND
23 THESE LANDFILLS, THAT THE COST FACTOR IS SO HUMUNGOUS
24 THAT \$5 MILLION MAY SOUND LIKE A LOT OF MONEY WHEN YORE
25 TALKING ABOUT BUYING LUNCH, BUT WHEN YOU'RE TRYING TO

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1 CORRECT ONE OF THESE MIGRATION SITUATIONS IN A SIZABLE
2 LANDFILL, YOU MIGHT NOT HAVE ENOUGH FOR ONE, LET ALONE
3 MULTIPLE -- HELP IN MULTIPLE SITES.

4 I MEAN, SO YOU ARE ALMOST GOING TO HAVE TO
5 SAY WE'RE GOING TO LIMIT OURSELVES TO LOOKING AT THE
6 LITTLE PLACES WHO NEED 50,000 AND 100,000 AND 200,000,
7 WHICH ARE LARGE SUMS IN THEMSELVES, WHERE YOU CAN GET
8 MULTIPLE EFFECTIVENESS. YOU GO TO A LARGE PLACE -- I'VE
9 SEEN IN THE PAST -- LOOK WHEN BKK WAS CLEANING UP THEIR
10 ACT. THEY SPENT \$50 MILLION ON ONE SITE, NOT 5 MILLION.
11 AND WHAT THE DEVIL ARE YOU GOING TO DO? WHAT ARE THESE
12 AIR DAMS? WHAT ARE THESE LITTLE MONITORING SYSTEMS?
13 WHAT ARE THESE LITTLE GAS MIGRATION PROBLEMS? THOSE
14 THINGS GO FOR THE MILLIONS ON ONE SITE. WHAT THE DEVIL
15 ARE WE DOING WITH FIVE MILLION BUCKS.

16 CHAIRMAN GALLAGHER: SAM, A LITTLE BIT LATER ON,
17 I THINK THEY'RE GOING TO TALK ABOUT THE MAXIMUM AMOUNT
18 THAT A LOAN CAN BE GUARANTEED FOR.

19 BOARD MEMBER ARAKALIAN: I UNDERSTAND, JOHN.
20 WHAT I'M SAYING IS WE DON'T QUALIFY FOR ANY. IF WE PUT A
21 REAL LOW NUMBER, WE CAN'T FOOL WITH THE BIG ONES ANYWAY.

22 MR. OLDALL: THAT'S TRUE. LET'S JUST REMIND
23 EVERYBODY, AGAIN, MR. ARAKALIAN, THAT THE LARGEST PART OF
24 THE FUND THE BOARD HAS YET TO DEAL WITH OR DEVELOP
25 REGULATIONS ON, WHICH IS ABOUT \$8 MILLION ANNUALLY THAT

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1 WILL BE SPECIFICALLY FOR CORRECTIVE ACTION. EMERGENCY
2 CLEANUP, THE BOARD CAN CONTRACT OUT TO DO. SO THERE IS
3 THAT EIGHT MILLION PART OUT OF THE 20 MILLION ANNUALLY
4 THAT CAN BE DIVERTED JUST FOR THOSE LARGER AREAS, BUT WE
5 HAVEN'T EVEN GOT THERE YET IN OUR DEVELOPMENT OF THE
6 REGULATIONS. SO THAT'S SOMETHING THT WILL BE COMING UP
7 IN THE FUTURE.

8 CHAIRMAN GALLAGHER: YES, MR. VARNER.

9 BOARD MEMBER VARNER: MR. CHAIRMAN, I SAT HERE
10 AND LISTENED QUITE A BIT. WE'RE IN THE PROCESS OF MAKING
11 REGULATIONS FOR LOAN GUARANTEES. SO THERE'S A NUMBER OF
12 QUESTIONS IN MY MIND. I'LL GO BACK TO THE ONE THAT SAM
13 RAISED IN THE BEGINNING.

14 AND MY QUESTION HERE: WILL A LENDER BE
15 INCLINED TO APPROVE LOANS THAT THEY OTHERWISE WOULD NOT
16 APPROVE MERELY BECAUSE WE WILL GUARANTEE THOSE LOANS?
17 THAT'S A QUESTION IN MY MIND.

18 MR. OLDALL: I THINK, YES.

19 BOARD MEMBER VARNER: SO WE NEED, THEN, TO
20 DEVELOP SOME KIND OF A CRITERIA THAT -- TO TRY TO AVOID
21 THAT PROBLEM. THE LENDER THE OPPORTUNITY TO APPROVE A
22 LOAN JUST BECAUSE WE'RE GOING TO GUARANTEE IT THAT THEY
23 WOULD NOT OTHERWISE DO. THAT SEEMS TO BE A PROBLEM THAT
24 WE WILL HAVE TO FACE.

25 BOARD MEMBER BROWN: WHAT'S THE PROBLEM WITH



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1 THAT?

2 BOARD MEMBER VARNER: WELL, WHY SHOULD WE
3 GUARANTEE IT? IN OTHER WORDS, THEY SHOULD HAVE TO
4 GUARANTEE A LOAN ON THE SAME CRITERIA THAT IF THEY WERE
5 GOING TO BE RESPONSIBLE FOR THE WHOLE AMOUNT.

6 BOARD MEMBER BROWN: WHY?

7 BOARD MEMBER VARNER: OTHERWISE, THEN THEY COULD
8 GO OUT AND GUARANTEE A LOAN THAT THEY MIGHT KNOW WOULD
9 DEFAULT MERELY BECAUSE WE'RE GOING TO PAY FOR IT.

10 MR. OLDALL: WE'RE GOING TO HAVE THEM BUY IN AT
11 A CERTAIN LEVEL, TOO. WHEN WE GET TO THAT LEVEL, I THINK
12 THAT YOU WILL FIND OUT THAT IT'S LIKE THE MORAL HAZARD.
13 AS LONG AS THEY'VE GOT AN INVESTMENT IN THERE, ONE WOULD
14 HOPE THAT THEY'RE GOING TO BE A LITTLE BIT PRUDENT, TOO,
15 BEFORE THEY GIVE THEIR MONEY OUT. AS LONG AS THEY BUY
16 IN.

17 BOARD MEMBER VARNER: THAT'S THE QUESTION. HOW
18 MUCH WE CAN HOLD THEM ACCOUNTABLE.

19 MR. OLDALL: WE WILL BE GETTING TO THAT, MR.
20 VARNER, AS WE GO THROUGH THE REGS.

21 BOARD MEMBER VARNER: THEN AS WE'RE TALKING
22 HERE, OBVIOUSLY, WE'RE NOT GOING TO HAVE ENOUGH MONEY TO
23 GUARANTEE ALL LOANS: IS THAT CORRECT?

24 MR. EOWAN: THAT'S CORRECT.

25 BOARD MEMBER VARNER: SINCE THAT IS A FACT.

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1 THEN, WE CAN BE SELECTIVE. IT'S BEEN SUGGESTED THAT WE
2 CAN BE SELECTIVE.

3 MR. OLDALL: I THINK WITH RESPECT TO THE
4 STATUTE, MR. VARNER, IT DOES LEAD US TO REQUIRE THE KINDS
5 OF PRIORITIES THAT ARE BEHIND YOU AND ALSO IN THE PACKET
6 IN TERMS OF THREAT TO THE PUBLIC HEALTH AND THE
7 ENVIRONMENT, WHAT INCREASED COSTS WOULD RESULT IF THE
8 CORRECTIVE ACTION WERE TAKEN. AND BOTH THOSE TWO
9 FACTORS, OBVIOUSLY, WILL COME INTO PLAY TOGETHER WITH THE
10 WHOLE THING ABOUT IF THEY DEMONSTRATED A GOOD RECORD OF
11 COMPLIANCE IN THE PAST, THAT WOULD BE ANOTHER FACTOR THAT
12 WE WOULD LIKE TO WEIGH INTO THE POSSIBILITY OF THEM
13 QUALIFYING FOR THE LOAN GUARANTEE.

14 BOARD MEMBER VARNER: SO WE CAN BE SELECTIVE.
15 ALL RIGHT. THEN, THAT BRINGS ANOTHER QUESTION OF MINE
16 IN. OBVIOUSLY, WE'VE TALKED ABOUT A NUMBER OF DIFFERENT
17 PROBLEMS HERE THAT WE DON'T KNOW WHAT THEY'RE GOING TO
18 BE. BUT WITH THE AMOUNT OF MONEY WE'RE GOING TO HAVE
19 NOW, WE'RE NOT GOING TO BE ABLE TO DO ALL OF THEM.

20 SO THEN IT SEEMS TO ME, THEN, IF WE'RE
21 GOING TO BE SELECTIVE IN THIS, THEN THE LENDERS ARE ONLY
22 GOING TO LOAN ON THE ONES THAT WE'RE GOING TO BE
23 SELECTIVE ABOUT. SO THAT BRINGS THE PROBLEM OF WHAT
24 HAPPENS TO THE OTHERS?

25 MR. OLDALL: THAT EXACTLY, I THINK. WAS MR.

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1 ARAKALIAN'S POINT, WHERE YOU DO HAVE AN ENVIRONMENTAL
2 PROBLEM, PERHAPS WITH A SMALL OPERATOR, WHO IS NOT
3 FINANCIALLY ABLE TO QUALIFY. AND RIGHT NOW HE'S GOING TO
4 BE BETWEEN A ROCK AND HARD PLACE BECAUSE EVEN WITH OUR
5 LOAN GUARANTEE, WITH THE CRITERIA THAT WE HAVE, HE'S NOT
6 GOING TO GET, YOU KNOW, QUALIFIED TO PAY THAT, TO GET THE
7 LOAN GUARANTEE. BUT AT THE SAME SIDE, IF HE DIDN'T
8 QUALIFY AND HE WASN'T GOING TO PAY IT BACK, PROBABLY THEY
9 AREN'T THE KIND OF PEOPLE IN MANY WAYS THAT WE WANT TO BE
10 LOANING THE MONEY TO BECAUSE THEY'RE DEFEATING THE
11 PURPOSE OF US BEING ABLE TO REVOLVE THAT MONEY AROUND AND
12 MAKE IT PAY.

13 SO THAT'S THE HORNS OF THE DILEMMA WE'RE
14 ON. BUT THERE IS THE OTHER PART THAT WE POSSIBLY USE FOR
15 EMERGENCY CORRECTIVE ACTIONS. REMEMBER THE EIGHT MILLION
16 PART THAT I TALKED ABOUT. IF IT DOES BECOME AN EMERGENCY
17 SITUATION, THE BOARD NOW HAS THE AUTHORITY TO GO OUT AND
18 SAY THIS GUY DOESN'T QUALIFY, AN EMERGENCY EXISTS, AND
19 THEN WE CAN TAKE THE ACTION TO CLEAN IT UP AND THEN
20 SUBSEQUENTLY RETAIN THE RIGHT TO RECOVER THAT MONEY OVER
21 TIME FROM THAT THIRD PARTY.

22 BOARD MEMBER VARNER: THESE THINGS ARE ALL
23 HYPOTHETICAL, BUT MY POINT HERE IS, THEN, THAT WE CAN BE
24 SELECTIVE AND THE ONES THAT WE SELECT, THE LENDERS ARE
25 GOING TO BE SELECTIVE ALSO, I WOULD ASSUME. THEY

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1 CERTAINLY ARE NOT GOING TO GUARANTEE ANYTHING THAT WE
2 WOULDN'T GUARANTEE. SO THEN IT SEEMS TO ME IF -- AGAIN
3 THIS IS HYPOTHETICAL -- IF THIS IS THE CASE, THEN, WE
4 HAVE ANOTHER PROBLEM TO BE FACING DOWN THE LINE THAT YOU
5 MAY HAVE A WHOLE GROUP OF PEOPLE OUT THERE THAT ARE NOT
6 GOING TO BE COVERED UNDER THIS BUT ARE GOING TO BE
7 TREMENDOUS PROBLEMS. SO WHAT ARE WE GOING TO DO ABOUT
8 THAT?

9 MR. EOWAN: WELL, THAT'S A GOOD QUESTION. IN
10 FACT, IF YOU WANT TO TALK ABOUT ANTICIPATION, THAT'S A
11 GUARANTEED PROBLEM THAT WE'LL FACE. IF YOU LOOK AT THE
12 HISTORY OF THE SUPER FUND, THAT IS EXACTLY WHAT HAS
13 HAPPENED. AND THE MAJOR CRITICISM OF IT IS THEY AREN'T
14 CLEANING UP SITES FAST ENOUGH; THERE'S NOT ENOUGH
15 PROGRESS BEING MADE. AND THE REASON THAT IS HAPPENING IS
16 BECAUSE THEY'RE SO EXPENSIVE TO CLEAN UP, THERE JUST IS
17 NOT ENOUGH MONEY.

18 SO EPA HAS GONE THROUGH ELABORATE SYSTEMS
19 OF PLACING PRIORITIES ON WHICH SITES, YOU KNOW. AND IT
20 COMES DOWN TO A VERY SIMPLE THING, WHICH ONES NEED IT THE
21 MOST. AND THIS \$8 MILLION THAT WE HAVE DEDICATED
22 PRECISELY TO CORRECTIVE ACTION AND THE OTHER LOAN
23 GUARANTEE MONEY IS JUST A DROP IN THE BUCKET. AND
24 THAT'S -- EVENTUALLY WE'RE GOING TO HAVE TO COME DOWN TO
25 DOING, I THINK, THE SAME THING THAT THEY'VE DONE WITH THE

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1 SUPERISOR FUND AND FOCUS ON THOSE PROBLEMS THAT ARE THE
2 MOST SIGNIFICANT. AND --

3 BOARD MEMBER ARAKALIAN: A QUESTION I'D LIKE TO
4 ASK --

5 MR. EOWAN: -- REALIZE WE'RE GOING MISS THE REST
6 OF THEM.

7 CHAIRMAN GALLAGHER: MR. ARAKALIAN.

8 BOARD MEMBER ARAKALIAN: I'M NOT KNOWLEDGEABLE
9 ENOUGH ABOUT THIS, JUST A SMATTERING, WHICH IS NEVER
10 ENOUGH, CONCERNING GUARANTEES. WHEN YOU GUARANTEE MONEY
11 TO A LOAN TO A LENDER, ARE THERE VARIOUS KINDS OF
12 GUARANTEES?

13 LET ME TELL YOU WHAT I'M THINKING SO YOU
14 CAN ANSWER MY QUESTION SENSIBLY. MY QUESTION IS NOT
15 SENSIBLE IN A SENSE.

16 YOU KNOW, WHEN YOU GUARANTEE SOMETHING, IS
17 THE ONUS GOING TO BE ON THE LENDER TO TAP ALL RESOURCES
18 IN COLLECTING THEIR MONEY PRIOR TO ENACTING THE
19 "GUARANTEEER" TO PUT UP THE MONEY. TELL YOU WHAT I MEAN.
20 I HAVE IN THE PAST PERSONALLY -- OF COURSE, NOT THESE
21 KIND OF NUMBERS, BUT THE PRINCIPLE MIGHT CONCEIVABLY BE
22 THE SAME -- COSIGNED, WHICH IS A FORM OF GUARANTEE, FOR
23 LOANS, MODEST LOANS, 10-, \$15,000 STUFF. AND THE BANK
24 HAS CALLED ME IN THE PAST AND SAID, "YOU COSIGNED FOR A
25 LOAN FOR MR. X, AND HE'S THREE MONTHS LATE. AND WE DON'T



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1 WANT TO FOOL WITH IT ANYMORE, PAY UP THE MONEY."

2 AND I'VE SAID TO THEM, "WAIT, A MINUTE.
3 YOU SAY YOU HAVE ASSETS OF THE GUY. HE OWNS A HOUSE; HE
4 OWNS AN AUTOMOBILE, ETC. HAVE YOU GONE AFTER THESE
5 THINGS?" "NO. YOU GUARANTEED IT. YOU PAY THE MONEY.
6 HE HAS HIS ASSETS. YOU GO AFTER IT."

7 NOW, THAT PUTS US IN A POSITION OF NOW OF
8 REALLY BEING A COLLECTOR AS OPPOSED TO THE LENDER BEING
9 THE COLLECTOR. HE'LL IMMEDIATELY DEFAULT THE LOAN ON
10 WHATEVER THE SIMPLEST OR MINIMUM REQUIREMENT IS, LET'S
11 SAY, HYPOTHETICALLY, THREE MONTHS LATE. WE FORECLOSE THE
12 LOAN, WE'LL TAKE YOUR GUARANTEE, NOW YOU GO OUT AND
13 COLLECT HIS ASSETS AND MAKE IT UP.

14 IF WE DO THAT, SHOOT, WE ARE GOING PUTTING
15 OUR MONEY INSTANTLY EVERY TIME SOMEBODY DEFAULTS IN A
16 MINOR SENSE. IF THEY GO AND SAY, "OKAY. YOU'RE THREE
17 MONTHS LATE, MR. BORROWER. WE ARE NOW GOING TO TAKE AWAY
18 THE ASSETS YOU HAVE SHOWN US IN YOUR STATEMENT." AND
19 AFTER THEY DEplete ALL THAT, THE GUY IS SHORT X NUMBER OF
20 DOLLARS, THEN OUR GUARANTEE GOES IN EFFECT.

21 IF THERE A WAY OF PROTECTING YOURSELF AS
22 GUARANTEEER TO SPECIFY THAT WE WILL GUARANTEE IT WHEN ALL
23 ASSETS OF THE BORROWER HAVE BEEN DEPLETED AND YOU HAVE
24 COLLECTED ALL YOU CAN AND THEN WE COME UP WITH THE REST.
25 OR ARE WE GOING TO JUST GUARANTEE THE WHOLE THING AS SOON

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1 AS HE DEFAULTS HIS DAMN LOAN. ARE YOU SEEING WHAT I'M
2 SAYING? AND CAN YOU ANSWER THAT? I DON'T KNOW.

3 CHAIRMAN GALLAGHER: ISN'T THAT COVERED OVER ON
4 PAGES 15 AND 16 OR PAGE 50 AND 49?

5 MR. OLDALL: EXACTLY.

6 BOARD MEMBER ARAKALIAN: OTHERWISE, IT GETS LIKE
7 A DEEP POCKET SITUATION.

8 MR. VAN HANH: MR. CHAIRMAN, IF I MAY, LET ME
9 VERY BRIEFLY RESPOND TO THE CONCERN HERE WE CAN ELABORATE
10 GREATER IN THE MATERIALS.

11 I WOULD LIKE TO SAY THAT THE QUESTION IS
12 VERY PRACTICAL. HOWEVER, IN DEALING WITH SUCH A
13 QUESTION, WE CERTAINLY HAVE PROVIDED FOR FOLLOWING THE
14 SECTIONS TO DEAL WITH THAT. THAT WILL BE ON THE SECTION
15 OF TERMS AND CONDITIONS OF THE GUARANTEE. HOWEVER, THE
16 ISSUE HERE IS LITTLE BIT MORE THAN THAT.

17 HERE WE ARE NOT ONLY TALKING ABOUT THE FACT
18 THAT THE LENDERS THROUGH THIS REGULATIONS SHALL EXERCISE
19 DILIGENCE TO SECURE HIS INTEREST IN RECOVERING THE
20 DEFAULTED LOANS. THAT IS THE PRINCIPLE IN THE
21 REGULATION. BUT IN REALTY THE REAL WORLD PROVIDES
22 ADDITIONAL MECHANISM TO HANDLE THAT, AND THIS IS WHAT WE
23 CALL WORKOUT PROCEDURES WHEREBY, SUPPOSE A DEFAULT TAKES
24 PLACE. THE LENDER CAN DISCUSS THE MATTER WITH THE
25 BORROWERS AND A WORKOUT SESSION CAN BE INITIATED. USING

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1 THE STANDARD BANKING PRACTICE BEFORE IT REACH TO THE
2 POINT THAT WE INITIATE THE DEFAULT PROCEDURES, WHICH WILL
3 BE DISCUSSED IN DETAILS LATER.

4 CHAIRMAN GALLAGHER: THANK YOU. I DON'T KNOW IF
5 MR. BEAUTROW GOT HIS QUESTION ANSWERED, BUT I DO HOPE YOU
6 HAVE MADE NOTE OF WHAT HIS CONCERNS WERE SO THAT, AS WE
7 GO AROUND IN OUR SECOND CUT OF THIS, WE'LL TRY TO ADDRESS
8 THEM.

9 ARE THERE ANY OTHER QUESTIONS FROM BOARD
10 MEMBERS BEFORE WE TO PROCEED? WOULD YOU LIKE TO PROCEED
11 THEN, NGUYEN, PLEASE.

12 MR. EOWAN: WELL, I THINK THERE HAS BEEN SOME
13 GOOD DISCUSSION ON THESE POINTS, AND THE BOARD MEMBERS
14 HAVE RAISED GOOD QUESTIONS THAT GIVE US SOME FOCUS. BUT
15 I THINK IT'S ALSO RAISED MORE QUESTIONS IN OUR MINDS.
16 THE ONE THAT, I THINK, IS MAYBE THE BIGGEST QUESTION I
17 HAVE AS A RESULT OF THIS DISCUSSION SO FAR IS A POLICY
18 ISSUE REGARDING WHICH LOANS WE'RE GOING TO TARGET.

19 AND I'VE HEARD SOME BOARD MEMBERS SAY WE
20 SHOULD FOCUS ON THE NEED, THOSE THAT MAYBE WOULDN'T HAVE
21 THE ABILITY TO GET A LOAN, SHOULD BE FOCUSED AND TARGETED
22 ON. I'VE HEARD OTHER BOARD MEMBERS SAY, "WELL, YOU WANT
23 TO MINIMIZE YOUR RISK AND FOCUS ON OTHER APPLICANTS."
24 THAT IS -- AND I DON'T KNOW THAT WE'RE GOING TO RESOLVE
25 THAT QUESTION TODAY; BUT THAT IS STILL AN AREA WHERE I

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1 THINK WE NEED TO HAVE FURTHER DISCUSSION AND ALSO THE
2 STAFF NEED TO CONSIDER MORE DIRECTLY.

3 CHAIRMAN GALLAGHER: UNDER THOSE SECTIONS
4 DEALING WITH PRIORITIES ON LOANS, I THINK IF YOU LIMIT
5 FOR SOME TIME YOUR DISCUSSIONS ABOUT THOSE PARTICULAR
6 THINGS, IT WILL PROBABLY BE MORE PRODUCTIVE THAN JUST
7 TAKING IT ALL BECAUSE IT'S IN THE PRIORITIES SECTION
8 WHERE MOST OF THESE QUESTIONS THAT BOARD MEMBERS HAVE
9 ASKED ARE GOING TO HAVE TO BE ANSWERED.

10 I THINK WE SHOULD GO INTO THIS WITH ONE
11 THOUGHT IN MIND, GEORGE, AND THAT IS THAT UNDER -- NO
12 MATTER WHAT REGULATIONS YOU PROMULGATE, IT'S GOING TO
13 REQUIRE THE WISDOM OF JOB TO DETERMINE WHO AND WHAT LOANS
14 WILL BE GUARANTEED.

15 THIS IS NOT A SUPER FUND THAT'S GOING TO GO
16 OUT AND CLEAN UP EVERY PROBLEM THAT WE HAVE IN LANDFILLS.
17 AND IT GOES WITH THE TERRITORY. WE WILL BE CRITICIZED
18 BECAUSE WE'LL NOT ALWAYS MAKE THE DECISION THAT SOME
19 PEOPLE WOULD LIKE US TO MAKE, BUT WE SHOULD SPEND MORE
20 TIME LOOKING AT THAT PRIORITY SECTION. AND I THINK ONE
21 OF PHIL'S POINTS IS VERY GOOD; AND THAT IS, LET'S TRY TO
22 WRITE IT IN REAL WORLD LANGUAGE, NOT SOME ESOTERIC KIND
23 OF LANGUAGE, SOMETHING THAT IT'S REAL WORLD CONDITIONS.

24 MR. OLDALL: UNDERSTANDABLE TO OAL.

25 CHAIRMAN GALLAGHER: I DON'T KNOW IF OAL WILL



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1 UNDERSTAND REAL WORLD OR THE OTHER KIND. THAT'S NOT OUR
2 JOB.

3 NGUYEN, WILL YOU PROCEED, PLEASE.

4 MR. OLDALL: I THINK WE'RE ON SECTION 4 OF THE
5 LOAN GUARANTEE SIZE.

6 MR. VAN HANH: I WOULD LIKE TO BRING TO YOUR
7 ATTENTION THE NEXT SECTION, PRIORITY SECTION 3 ON PAGE 39
8 IN YOUR PACKAGE.

9 A COMBINATION OF FACTORS THAT WE HAVE
10 TOUCHED UPON LEAD TO THE NECESSITY TO REGULATE THE SIZE
11 OF THE LOANS.

12 MR. OLDALL: HE'S JUST TRANSITIONING AND SAYING
13 WHY WE NEED TO LIMIT THE SIZE OF LOAN.

14 MR. VAN HANH: AND HERE THE FACTORS WE SHOULD
15 TAKE A LOOK AT WOULD INCLUDE THE FACT THAT WE DO HAVE A
16 LIMITED AVAILABILITY OF THE LOAN GUARANTEE FUNDS, THE
17 FINANCIAL SECURITY OF THE ACCOUNT, AND THE COST
18 ASSOCIATED WITH THE LOAN APPLICATIONS FOR PROCESSING, AND
19 LOAN ADMINISTRATION INCURRED BY THE LENDERS.

20 I WOULD LIKE TO DRAW YOUR ATTENTION TO THE
21 PROPOSED REGULATORY LANGUAGE HERE. IN PART A WE HAVE THE
22 MINIMUM LOAN AMOUNT THAT WE'LL BE GUARANTEEING IS THE
23 SMALLEST AMOUNT WHICH AN APPROVED LENDING INSTITUTION IS
24 WILLING TO LOAN TO THE BORROWER. THE REASON THAT THIS
25 SUBSECTION IS HERE IS THAT WE BELIEVE, FROM THE POINT OF

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1 VIEW OF THE LENDING INSTITUTIONS, THE SMALLEST LOAN TO BE
2 GUARANTEED SHOULD BE LARGE ENOUGH TO MAKE IT WORTHWHILE
3 FOR THE LENDERS TO ENGAGE IN THIS BUSINESS.

4 THE FOLLOWING SUBSECTION B, REGARDING THE
5 MAXIMUM LOAN GUARANTEE AMOUNT, AND IN HERE WE ALSO WOULD
6 LIKE TO BRING TO YOUR ATTENTION THAT THE MAXIMUM LOAN
7 GUARANTEE AMOUNT SHALL BE SUBJECT TO THE TWO LIMITATIONS
8 HERE. AND FROM THE POINT OF VIEW OF THE BORROWER, THE
9 MAXIMUM LOAN AMOUNT ALLOWED HERE SHOULD BE DETERMINED BY
10 THE NEED FOR THE FUNDS IN THIS CASE.

11 BUT THEN WE ALSO HAVE TO DEAL WITH THE
12 CONCERNS THAT UNNECESSARY RISK WOULD ENSUE IF ALL OF THE
13 FUNDS WAS USED TO GUARANTEE LOANS TO A SINGLE OPERATOR OR
14 A VERY FEW OPERATORS. SO IF YOU TAKE A LOOK AT
15 SUBSECTION B-2, WHICH READS, "THE TOTAL LOAN GUARANTEE
16 AMOUNT AWARDED TO ANY ONE BORROWER WILL NOT EXCEED 50
17 PERCENT OF THE REMAINING BALANCE OF FUNDS IN THE ACCOUNT
18 ALLOCATED FOR LOAN GUARANTEES."

19 THE REASON FOR THIS PARTICULAR STATEMENT
20 HERE IS THAT WE WOULD LIKE VERY MUCH THAT THE
21 EFFECTIVENESS OF THE PROGRAM IS ENHANCED SO THAT NO
22 DEPLETION OR, RATHER, UNANTICIPATED DEPLETION OF THE
23 FUNDS AS WELL AS A -- WE ALLOW FOR THE BORROWERS WHO COME
24 IN LATE IN THE YEAR. IN DOING SO, THERE REMAINS THEIR
25 CERTAIN AMOUNT OF FUNDS TO REMAIN IN THE FUND.

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1 TOWARD THE END OF THIS PARTICULAR SECTION
2 HERE, WE LIKE TO BRING YOUR ATTENTION TO THE FACT THAT
3 THE ABILITY OF THE BOARD TO EXCEED THE STATED LIMIT, AS
4 WE JUST DISCUSSED, IS ALLOWED HERE SO THAT THE BOARD HAS
5 THE LIBERTY AND FLEXIBILITY TO REACT TO THE EXTREME
6 SITUATIONS. AND HERE THE BOARD MAY GUARANTEE A GREATER
7 AMOUNT IF IT DETERMINES THAT SUCH A GUARANTEE WOULD BE
8 NEEDED.

9 I WOULD BE MOST HAPPY TO ATTEMPT TO ADDRESS
10 ANY QUESTIONS YOU MAY HAVE BEFORE I TURN OVER THE
11 PRESENTATION TO MY COLLEAGUE HERE TO FOLLOW WITH THE
12 PRESENTATION.

13 CHAIRMAN GALLAGHER: MR. BEAUTROW.

14 BOARD MEMBER BEAUTROW: WHAT IF THEY HAVE A \$5
15 MILLION PROBLEM AND IT'S OBVIOUS THAT THEY CAN'T GET ALL
16 THE MONEY, BUT IS THERE ANY RELATIONSHIP TO THE SIZE OF
17 THEIR PROBLEM AND HOW TO GET THE MONEY? I DON'T SEE THAT
18 KIND OF A RELATIONSHIP. WE'RE TALKING WITH ABOUT A BIG
19 PROBLEM AND -- BUT THEY WOULD LIKE TO GET THE MAXIMUM
20 AMOUNT OF MONEY THAT THEY CAN GET. IS THERE ANY
21 RELATIONSHIP AT ALL TO THAT KIND OF A SITUATION?

22 MR. VAN HANH: FIRST OF ALL, WE DO HAVE A
23 RELATIONSHIP HERE, BUT NOT EXPLICITLY STATED IN THE FORM
24 OF POSITIVE OR DIRECT RELATIONSHIP AS SUCH. PLEASE
25 RECALL THE FACT THAT WE DO HAVE ONLY \$5 MILLION TO PLAY

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1 WITH. HOWEVER, JUDGING THE FACT THAT THE CORRECTIVE
2 ACTIONS MAY TAKE MUCH MORE MONEY TO DEAL WITH, AND UP TO
3 THIS POINT WE DO NOT KNOW FOR SURE WHAT KIND OF RANGE AND
4 FREQUENCY AND PROBABILITY INVOLVED IN TERMS OF THE
5 PRECISE AMOUNT NEEDED.

6 BECAUSE OF THAT, WE BELIEVE THAT THE
7 MAXIMUM AMOUNT OF \$1 MILLION HERE FOR THE LOAN GUARANTEE,
8 AS WE STATED, WE PROPOSE HERE UNDER SUBSECTION B-1, WHICH
9 ALLOWS US AT LEAST TO HAVE A SIX OR SEVEN SUCH LOANS A
10 YEAR IF EACH LOAN AMOUNTS TO THE MAXIMUM WHICH IS \$1
11 MILLION HERE.

12 NOW, SINCE --

13 BOARD MEMBER BEAUTROW: BUT LET ME INTERRUPT
14 THERE. BUT IF WE FOUND SOMETHING THAT HAD OUTSTANDING
15 MERIT AND WAS NEEDED FOR PUBLIC HEALTH AND SAFETY AND
16 BLAH, BLAH, BLAH, WE COULD THEN USE THIS OTHER THING FOR
17 A GREATER AMOUNT, LIKE \$2 MILLION OR SOMETHING, SO
18 THAT --

19 MR. OLDALL: THAT GIVES US THE FLEXIBILITY.

20 BOARD MEMBER BEAUTROW: -- FLEXIBILITY IF
21 THERE'S AN OVERRIDING CONCERN.

22 MR. VAN HANH: THAT IS THE LAST STATEMENT THAT
23 WE HAVE IN THE SECTION HERE THAT ALLOWS THE BOARD TO HAVE
24 THAT FLEXIBILITY, YES.

25 CHAIRMAN GALLAGHER: BEFORE WE MOVE TO SECTION



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1 5, CHAIR IS GOING TO CALL A TEN-MINUTE RECESS TO CHANGE
2 PAPER IN THE RECORDER AND ALLOW ALL OF YOU TO STRETCH AND
3 DO WHAT'S NECESSARY. SO IF THERE'S NO FURTHER QUESTIONS
4 OF NGUYEN, WE'LL CALL A RECESS. PLEASE BE BACK AND READY
5 TO GO TO WORK AT 20 MINUTES TO TWELVE, PLEASE.

6 (A BREAK WAS TAKEN.)

7 CHAIRMAN GALLAGHER: CALL THE MEETING BACK TO
8 ORDER, PLEASE. BEFORE WE MOVE INTO THE NEXT SECTION 5
9 FOR DISCUSSION, I'D LIKE TO REMIND EVERYONE TO PLEASE
10 SPEAK INTO YOU MICROPHONE. OUR REPORTER IS HAVING SOME
11 DIFFICULTY HEARING THOSE THAT ARE AT THE END OF THE
12 TABLES.

13 WE ARE NOW READY TO MOVE INTO SECTION 5.
14 NGUYEN, YOU WANT TO INTRODUCE YOUR COLLEAGUE?

15 MR. VAN HAHN: MR. CHAIRMAN, MEMBERS OF THE
16 BOARD, I WOULD LIKE TO PRESENT MR. DENNIS MYERS ON THE
17 STAFF OF THE FINANCE UNIT TO PRESENT THE NEXT SEVERAL
18 SECTIONS OF THE REGULATIONS.

19 HOWEVER, I DO HAVE A REQUEST HERE, IF I
20 MAY, MR. CHAIRMAN, A MEMBER IN OUR AUDIENCE HERE, MR. JIM
21 YOUNG, FROM THE DEPARTMENT OF COMMERCE, OFFICE OF SMALL
22 BUSINESS, MAY WISH TO COMMENT REGARDING THE SECTIONS JUST
23 PRESENTED. SO IF WE MAY, I WILL LIKE TO ASK FOR
24 PERMISSION FROM THE BOARD -- CHAIRMAN OF THE BOARD TO
25 HAVE MR. JIM YOUNG TO SAY A FEW WORDS RELATED TO THE

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1 SECTION ALREADY DISCUSSED, HERE.

2 CHAIRMAN GALLAGHER: IF YOU THINK THIS IS THE
3 APPROPRIATE TIME, WE ARE HAPPY TO WELCOME MR. YOUNG. MR.
4 YOUNG, THANK YOU FOR WAITING, AND WE ARE CERTAINLY
5 PLEASED TO HAVE YOUR COMMENTS NOW.

6 MR. YOUNG: THANK YOU. I MIGHT HAVE SOME
7 ADDITIONAL COMMENTS AFTER YOU FINISH THE SECTION, BUT I'D
8 LIKE TO ADDRESS RIGHT NOW A BRIEF COMMENT TOWARDS ONE OF
9 THE DEFINITIONS THAT WAS GIVEN EARLIER; AND THAT IS, AN
10 APPROVED LENDER.

11 IN YOUR REGULATIONS AS THEY'RE PROPOSED IT
12 LIMITS IT TO SAVINGS AND LOANS AND COMMERCIAL BANKS,
13 NATIONAL AND STATE CHARTERED BANKS. I WOULD LIKE TO
14 ENCOURAGE YOU TO OPEN THAT UP AND INCLUDE STATE AND
15 FEDERAL AGENCIES.

16 I HAVE PASSED OUT A PAPER TO YOUR STAFF
17 HERE, BRIEFING PAPER, THAT WAS DONE RECENTLY IN
18 CONJUNCTION WITH OUR OFFICE AND THE CALIFORNIA POLLUTION
19 CONTROL FINANCE AUTHORITY, WHEREBY WE'RE INTERESTED IN
20 GOING TO MARKET WITH SOME BONDS. AND THESE BONDS WOULD
21 BE, IN TURN, MADE AVAILABLE TO SMALL BUSINESSES, AND
22 LANDFILL OPERATORS WOULD, INDEED, QUALIFY AS A SMALL
23 BUSINESSES IN THOSE CASES. AND THESE BONDS COULD BE USED
24 AS -- WE COULD BECOME A DIRECT LENDER IN THIS PROGRAM.
25 AND WE WOULD LIKE TO HAVE OUR DIRECT LOANS GUARANTEED BY

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1 THIS PROGRAM. THAT'S, IN A NUTSHELL, WHAT I HAVE FOR A
2 COMMENT AT THIS POINT IN TIME.

3 CHAIRMAN GALLAGHER: THANK YOU. ANY QUESTIONS
4 OF MR. YOUNG?

5 MR. OLDALL: I WAS JUST GOING TO SAY THAT THE
6 STATUTE DOES NOT PREVENT THAT, MR. CHAIRMAN. SO I THINK
7 THAT'S A PRETTY GOOD IDEA.

8 BOARD MEMBER ARAKALIAN: I'M SORRY. I DIDN'T
9 GET WHO MR. YOUNG REPRESENTS.

10 MR. YOUNG: I WORK FOR THE STATE OF CALIFORNIA,
11 THE DEPARTMENT OF COMMERCE, IN PARTICULAR. WE CALL
12 OURSELVES THE OFFICE OF SMALL BUSINESS. AND I'VE BEEN
13 WORKING WITH THIS BOARD AND THE STAFF TO HELP THESE
14 REGULATIONS BECAUSE WE ARE INVOLVED IN A LOAN GUARANTEE
15 PROGRAM OURSELVES. WE HAVE SOME \$34 MILLION IN A TRUST
16 FUND TO BACK UP.

17 BOARD MEMBER ARAKALIAN: SO YOU HAVE EXPERTISE
18 IN THE AREA?

19 MR. YOUNG: YES, I HAVE. I ALSO HAVE BEEN
20 HELPFUL, I HOPE, IN THAT I COME FROM PRIVATE SECTOR.
21 ONLY WORKED FOR THE GOVERNMENT NOW ABOUT A YEAR AND A
22 HALF. BEFORE THAT I WAS 13 YEARS AS A COMMERCIAL LENDER.
23 I HAVE SOME APPRECIATION FOR THAT SIDE OF THE TABLE.

24 CHAIRMAN GALLAGHER: THANK YOU. AGAIN.

25 MR. BROWN.



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1 BOARD MEMBER BROWN: I JUST MIGHT -- COULD THIS
2 FUND THAT YOU SPEAK OF, WHICH WOULD BE FUNDED BY BONDS,
3 AM I CORRECT?

4 MR. YOUNG: YES.

5 BOARD MEMBER BROWN: BIG BONDS. COULD THAT BE
6 CONSIDERED A VEHICLE BY WHICH SMALLER OPERATORS WHO ARE
7 POSSIBLY LESS VIABLE BORROWERS AT COMMERCIAL BANKS COULD
8 ASSESS --

9 MR. YOUNG: YES. THAT'S EXACTLY WHERE I SEE
10 THIS IS THAT AS A COMMERCIAL LENDER, YOUR PROGRAM IS NOT
11 THAT ATTRACTIVE TO THE REAL COMMERCIAL BANKS. AND
12 SOMEONE CAME TO MY DESK, AS A COMMERCIAL LOAN OFFICER,
13 AND SAYS, "I NEED TO BORROW MONEY TO TAKE CARE OF
14 CORRECTIVE ACTION ON A LANDFILL," I GO -- SCARE YOU TO
15 DEATH. YOU'D WANT TO HIDE UNDER YOUR DESK. YOU WOULDN'T
16 REALLY WANT TO GET INVOLVED.

17 I SEE A LOT OF POTENTIAL HERE THAT THERE'S
18 A REAL NEED FOR THIS LOAN GUARANTEE PROGRAM; PLUS I THINK
19 THAT EVEN AFTER LOAN PROGRAM COMES TOGETHER, THERE'S
20 GOING TO BE SOME FOLKS OUT THERE THAT JUST AREN'T GOING
21 TO BE ABLE TO BORROW MONEY FROM A COMMERCIAL BANK. WE
22 HOPE TO FILL THAT GAP. THESE ARE PEOPLE THAT WOULD STILL
23 BASICALLY SHOW THE ABILITY TO REPAY; BUT BECAUSE OF THE
24 ENVIRONMENTAL ASPECTS OF THESE TRANSACTIONS AND THE
25 POSSIBILITY THAT THE LENDER MIGHT GET INVOLVED. LENDER

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1 LIABILITY, THAT'S A BIG ISSUE RIGHT NOW ESPECIALLY WHEN
2 YOU'RE DEALING WITH AN ENVIRONMENTAL ISSUE, THAT WE WOULD
3 PROBABLY BE LIKE A LENDER OF LAST RESORT. AND WE HAVE
4 THESE BOND FUNDS THAT WOULD BE AVAILABLE FOR A SMALL
5 BUSINESS LIKE THIS.

6 BOARD MEMBER BROWN: BOARD MEMBER VARNER AND I
7 WERE SPEAKING, I THINK, ABOUT THIS VERY ISSUE IN THE
8 HALLWAY EARLIER, SO MAYBE THAT HELPS A LITTLE BIT.

9 BOARD MEMBER VARNER: YES, THAT CERTAINLY DOES.

10 MR. YOUNG: AGAIN, I'D LIKE TO CIRCULATE MAYBE
11 AMONG THE BOARD MEMBERS A COPY OF THIS BRIEFING PAPER.
12 THIS PROGRAM IS BRAND NEW. ITS GENESIS WAS WITH ACTUALLY
13 THE AIR RESOURCES BOARD, AND THEY ARE TRYING TO GET SMALL
14 LOANS OUT TO SMALL BUSINESSES THAT ARE IMPACTED BY THOSE
15 KIND OF REGULATIONS. YOUR PROGRAM CERTAINLY WOULD BE
16 ELIGIBLE.

17 CHAIRMAN GALLAGHER: THANK YOU, AGAIN. ANY MORE
18 QUESTIONS FROM BOARD MEMBERS? IF NOT, LET'S PROCEED.

19 MR. OLDALL: ON BEHALF OF STAFF, MR. CHAIRMAN, I
20 WOULD LIKE TO THANK MR. YOUNG AND HIS OTHER COLLEAGUES
21 OVER THERE VERY MUCH FOR THE ASSISTANCE THAT THEY HAVE
22 GIVEN US UP TO DATE AND THEY CONTINUE TO DO SO ON OUR
23 DEVELOPMENT OF THESE REGULATIONS.

24 WITHOUT FURTHER ADO, I THINK WE CAN HAND IT
25 OVER NOW TO DENNIS, WHO WILL CONTINUE WITH THE NEXT ITEM.

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1 MR. MYERS: GOOD MORNING, AGAIN. MY NAME IS
2 DENNIS MYERS. I WORK FOR THE FINANCE UNIT UNDER MR. VAN
3 HAHN. I'LL BE PRESENTING TO YOU SEVERAL MORE SECTIONS OF
4 YOUR PROGRAM.

5 TO BEGIN WITH, I'LL TALK ABOUT OUR LOAN
6 GUARANTEE PERIOD. THIS SECTION DESCRIBES THE LENGTH OF
7 TIME WHICH THE BOARD WILL BE OBLIGATED TO GUARANTEE
8 INDIVIDUAL LOANS. DUE TO THE UNFAMILIARITY WE HAVE WITH
9 WHAT TYPES OF LOANS AND CORRECTIVE ACTIONS CAN BE
10 GUARANTEED BY THIS PROGRAM IN THE FUTURE, WE FELT IT WAS
11 IMPORTANT THAT WE LIMIT THE BOARD'S OBLIGATIONS WHEN
12 ENTERING INTO LOAN AGREEMENTS.

13 THE EXCESSIVE COST THAT SOME OF THESE LOANS
14 MIGHT COVER, WE MAY BE TALKING ABOUT VERY LENGTHY
15 REPAYMENT PERIODS, AND THIS MIGHT UNACCEPTABLY TIE THE
16 BOARD TO LOANS FOR A VERY LONG PERIOD OF TIME. SO THIS
17 FEATURE LIMITS THE BOARD'S GUARANTEE OF A LOAN TO A
18 SPECIFIC PERIOD OF TIME, NOT NECESSARILY THE LIFE OF THE
19 ENTIRE LOAN. THIS IS FEASIBLE BECAUSE DURING THE LIFE OF
20 MOST LOANS THE GREATEST RISK OF DEFAULT OCCURS DURING THE
21 EARLY YEARS OF THE LOAN. AFTER SEVERAL YEARS HAVE
22 PASSED, THE BORROWER HAS HAD OPPORTUNITY TO ADAPT HIS
23 OPERATIONS TO THIS ADDED COST; THEREFORE, THE RISK OF
24 DEFAULT SHOULD DECLINE OVER TIME. THEREFORE, IT IS
25 FEASIBLE THAT OUR GUARANTEE NEED NOT COVER THE ENTIRE

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1 LENGTH OF THE LOAN.

2 OUR ABILITY TO RENEW A GUARANTEE HAS BEEN
3 INCLUDED TO COVER INSTANCES WHERE THIS MAY BE REQUIRED BY
4 A LENDER. THUS, THERE'S NOT JUST AN OVERALL TIME LIMIT
5 ON HOW LONG THE GUARANTEE WILL LAST; THERE IS A
6 FLEXIBILITY THAT THE GUARANTEE COULD BE RENEWED UNDER
7 CERTAIN CIRCUMSTANCES.

8 IF I MAY BRING YOUR ATTENTION ON THE
9 PROPOSED REGULATORY LANGUAGE, OUR STANDARD LIMITATION FOR
10 A LOAN GUARANTEE IS 60 MONTHS OR FIVE YEARS. IF THE LIFE
11 OF THE LOAN IS SHORTER, OBVIOUSLY, THE LENGTH OF THE
12 GUARANTEE WOULD BE SHORTER THAN THAT.

13 SUBSECTION B, WE ALLOW THE POSSIBILITY THAT
14 THE GUARANTEE COULD BE RENEWED BEFORE IT EXPIRES IF THE
15 LENDER AND BORROWER DEEM THAT IS REQUIRED FOR SOME
16 REASON.

17 AND SUBSECTION C WE ALSO GIVE THE BOARD THE
18 FLEXIBILITY TO EXTEND GUARANTEES OF A GREATER LENGTH OF
19 TIME IF WE FEEL THAT THERE IS UNACCEPTABLE HAZARDS THAT
20 MAY BE INCURRED IF WE DON'T GET THE GUARANTEE.

21 ARE THERE ANY QUESTIONS ON THIS SECTION AT
22 THIS POINT?

23 IF I MAY PROCEED TO SECTION 6, WHICH IS OUR
24 PERCENTAGE OF THE GUARANTEE, THIS IS AN ISSUE THAT WE
25 TOUCHED ON BRIEFLY EARLIER ALREADY IN THAT, DUE TO THE

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1 FACT THAT WE HAVE A LIMITED AMOUNT OF FUNDS AVAILABLE --
2 (INTERRUPTION IN PROCEEDINGS.)

3 MR. MYERS: DUE TO THE FACT THAT THIS IS A NEW
4 PROGRAM AND WE HAVE LIMITED FUNDS AVAILABLE AND THAT WE
5 CANNOT FORESEE EXACTLY ALL THE COSTS THAT CAN BE INSURED
6 BY DIFFERENT CORRECTIVE ACTIONS WE MAY WANT TO COVER, WE
7 FELT THAT IT WAS APPROPRIATE TO LIMIT OUR GUARANTEE TO A
8 MAXIMUM PERCENTAGE OF THE LOAN REQUIRED.

9 THIS SERVES THE PURPOSE OF US RELYING ON
10 THE FINANCIAL COMMUNITY'S EXPERTISE IN SCRUTINIZING THE
11 LOAN AND ADMINISTERING IT IN THAT THEY ARE GOING TO BE
12 FACED WITH COVERING AT LEAST 10 PERCENT OF THE LOAN
13 ITSELF. THEY'RE NOT RELYING 100 PERCENT ON OUR
14 GUARANTEE; THUS, IT WILL NOT BE INDUCED TO BE LAX IN
15 THEIR PROCEDURES OR THEIR SCRUTINY.

16 THIS WAS A FEASIBLE -- THIS WAS A FEASIBLE
17 OPTION IN THAT SEVERAL OTHER PROGRAMS, OTHER TYPES OF
18 LOAN GUARANTEE PROGRAMS WITH THE FEDERAL GOVERNMENT AND
19 STATE, ALSO GUARANTEE LESS THAN THE FULL AMOUNT OF LOANS
20 AND SEVERAL REPRESENTATIVES FROM THE BANKING COMMUNITY
21 INDICATED THAT THIS TYPE OF OPTION WAS MORE THAN
22 ACCEPTABLE TO THEM.

23 WE ARRIVED AT A FIGURE OF 90 PERCENT AS
24 BEING THE TOP PERCENTAGE THAT WE LIKE TO GUARANTEE OF ANY
25 LOAN. THIS WOULD ENSURE THAT THE FINANCIAL INSTITUTION

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1 MAKING THE LOAN IS EXPOSED TO THE RISK OF THAT LOAN FOR
2 AT LEAST 10 PERCENT OF THE VALUE OF THAT LOAN.

3 DO YOU HAVE ANY QUESTIONS ON THIS SECTION?

4 CHAIRMAN GALLAGHER: ANY QUESTIONS? OKAY. WANT
5 TO MOVE RIGHT ON THEN, PLEASE.

6 MR. MYERS: IN SECTION 7, WE TALK ABOUT THE
7 RESERVE RATIO, THE PROPORTION OF FUNDS TO BE HELD IN
8 RESERVE IN OUR ACCOUNT TO THE TOTAL VALUE OF THE
9 GUARANTEES OFFERED. THIS ALLOWS US THE LEVERAGE TO
10 GUARANTEE GREATER AMOUNT OF LOANS THAN WE ACTUALLY HAVE
11 FUNDS IN THE ACCOUNT.

12 SINCE WE HAVE NO ESTABLISHED HISTORY FOR
13 THIS PROGRAM OR FOR THE INDUSTRY, IN GENERAL, UNDER THESE
14 TYPES OF LOANS, WE FELT THAT A HIGH RESERVE RATIO WAS
15 REQUIRED.

16 IT WAS EXPRESSED IN CERTAIN QUARTERS THAT
17 THE NEW LOAN PROGRAMS, ESPECIALLY ONES DEALING WITH VERY
18 RISKY ISSUES, SUCH AS ENVIRONMENTAL HAZARDS, THAT A
19 HUNDRED PERCENT GUARANTEE MIGHT BE THE ONLY WAY TO INDUCE
20 LENDERS TO PARTICIPATE IN THIS PROGRAM AND PROVIDE LOANS.

21 ANOTHER POINT OF VIEW IS THAT WE'VE ADOPTED
22 IN THIS PROGRAM IS THAT IF WE GUARANTEE LESS THAN A
23 HUNDRED PERCENT OF THE LOAN, WE'LL BE REQUIRING THE
24 LENDERS TO EXERCISE THEIR RIGHTS AND THEIR PROCEDURES IN
25 ADMINISTERING THE LOAN AS WELL.



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1 MR. OLDALL: IF I MIGHT INTERJECT HERE FOR A
2 POINT OF CLARIFICATION. IF THE BOARD MEMBERS, TO BE
3 CLEAR HERE, WHAT WE'RE PROPOSING IS UP TO RESERVE RATIO
4 EQUAL TO NOT LESS THAN 75 PERCENT. THIS, IN FACT, GIVES
5 US ABOUT 6.6 MILLION TO PLAY WITH INSTEAD OF THE FIVE.
6 IT LEVERAGES UP TO THAT LARGER AMOUNT. SO WE'RE TALKING
7 ABOUT JUST OVER SIX AND A HALF MILLION WITH THAT 75
8 PERCENT RATIO. BANKERS, OBVIOUSLY, WOULD PREFER US TO BE
9 AT A HUNDRED PERCENT AND THE OPERATORS WOULD PROBABLY
10 PREFER US TO BE SOMEWHERE LIKE 50 PERCENT THAT WOULD GIVE
11 US ABOUT 10 MILLION.

12 BUT SINCE WE HAVEN'T HAD ANY EXPERIENCE
13 WITH THE KIND OF PROGRAM BEFORE, THE GENERAL CONSENSUS
14 FROM MOST OF THE PEOPLE THAT WE DISCUSSED IT WITH FELT
15 THAT THAT 75 PERCENT WAS PROBABLY AN ACCEPTABLE LEVEL TO
16 WORK WITH TO BEGIN WITH ANYWAY.

17 MR. MYERS: DO YOU HAVE ANY QUESTIONS ON THIS
18 FEATURE OF OUR PROGRAM?

19 THE NEXT SECTION I CAN COVER IS THE LOAN
20 INTEREST RATE TO BE CHARGED ON LOANS. IN GUARANTEEING A
21 LOAN, WE'RE NOT PROVIDING DIRECT LOANS; THEREFORE, WE
22 HAVE NO DIRECT BENEFITS TO BE DERIVED BY REGULATING ANY
23 CERTAIN INTEREST RATE. AND DUE TO THE UNUSUAL NATURE OF
24 THESE LOANS THAT ARE GOING TO BE MADE AND THE LENDING
25 COMMUNITY'S UNFAMILIARITY WITH THE WASTE INDUSTRY AND

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1 CORRECTIVE ACTIONS OF THIS NATURE, WE FELT IT WAS PRUDENT
2 TO LEAVE THIS DETERMINATION UP TO NEGOTIATION BETWEEN THE
3 BORROWER AND THE LENDER SO THAT EACH CASE CAN BE HANDLED
4 ON ITS OWN MERITS.

5 THUS, WE WOULD NOT PRECLUDE ALL
6 PARTICIPATION FROM LENDERS BY SETTING AN ARBITRARY LIMIT
7 ON THE INTEREST RATE TO BE CHARGED. WE FELT THIS WOULD
8 ALLOW THE BORROWER/LENDERS THE FLEXIBILITY TO REACH THEIR
9 OWN AGREEMENTS CONCERNING INTEREST RATES WITHOUT THE
10 BOARD HAVING TO NULLIFY THE AGREEMENTS OR MESS UP A DEAL
11 THEY'VE MADE FOR WHICH ALL THEY NEED IS OUR GUARANTEE.

12 BOARD MEMBER BEAUTROW: I HAD A QUESTION,
13 PLEASE.

14 CHAIRMAN GALLAGHER: MR. BEAUTROW.

15 BOARD MEMBER BEAUTROW: IN PRACTICALITY, WILL
16 OUR INVOLVEMENT RESULT IN AN INTEREST RATE THAT WILL BE
17 MORE FAVORABLE JUST BY NATURE OF THE LOAN GUARANTEE
18 ASPECT? YOU KNOW, IN PRACTICAL TERMS, WILL IT OR WILL IT
19 NOT, OR DO WE KNOW?

20 MR. MYERS: THEORETICALLY, IT SHOULD. THAT'S
21 ONE OF SORT OF THE FEATURES WE'VE BEEN TOLD THAT THIS
22 PROGRAM IS SUPPOSED TO HAVE IS MAKE FINANCING MORE
23 ACCESSIBLE BY THE LANDFILL OPERATORS. AND THE RATES THAT
24 MIGHT BE CHARGED WITHOUT A GUARANTEE MIGHT BE SUCH THAT
25 THEY COULDN'T AFFORD A LOAN IF THEY WEREN'T ABLE TO MAKE

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1 IT. THUS, HAVING A GUARANTEE, THEY CAN MAKE THE RATE
2 MORE REASONABLE TO THE OPERATOR, THUS MAKING THE
3 FINANCING ACCESSIBLE.

4 BOARD MEMBER BEAUTROW: IS THIS ALL CONJECTURE
5 ON OUR PART AT THIS POINT IN TIME, OR HAVE WE DISCUSSED
6 THIS AT ALL?

7 MR. OLDALL: WE HAVE DISCUSSED IT WITH OTHER
8 PEOPLE. AND PARTICULARLY ONE AREA THAT'S BEEN AROUND FOR
9 MANY YEARS IS THAT FEDERALLY INSURED STUDENT LOAN PROGRAM
10 THAT THOSE OF US THAT WENT TO UNIVERSITY OFTEN PARTOOK
11 OF, AND IT WAS A LESSER RATE THAN YOU COULD HAVE GOT FOR
12 A PERSONAL LOAN.

13 BOARD MEMBER BREMBERG: MR. CHAIRMAN, WOULD
14 THIS, BY THE NATURE OF THE BEAST, INDICATE THAT A SMALL
15 BUSINESS OPERATOR WITH LESS COLLATERAL WOULD GET A HIGHER
16 RATE OF INTEREST THAN A LARGE BUSINESS WHICH REALLY
17 DIDN'T NEED IT, BUT WOULD BE COMING IN FOR THE GUARANTEED
18 LOAN? I CAN SEE THAT THIS WOULD BE THE PLACE WHEN THE
19 DEPARTMENT OF COMMERCE WOULD HAVE TO STEP IN BECAUSE I
20 WOULD SUSPECT THAT A GREAT MANY LENDING INSTITUTIONS,
21 THEIR EVALUATION SYSTEM IS ENTIRELY DIFFERENT FOR A LARGE
22 BUSINESS THAN IT IS FOR A SMALL OPERATOR.

23 MR. MYERS: ONE OF THE ADVANTAGES, WE HOPE, BY
24 HAVING THIS FEATURE, NOT DEALING TOO DIRECTLY WITH THE
25 INTEREST RATE CHARGED. THAT IT GIVES THE BORROWERS THE

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1 OPPORTUNITY TO GO LOOK FOR THE BEST RATE. IN OTHER
2 WORDS, WE WON'T BE TELLING THEM, "HERE'S THE MOST YOU ARE
3 GOING GET CHARGED," AND THEN HE'S STUCK WITH GOING TO ONE
4 OR ANOTHER PLACE TO GET THAT FLEXIBILITY TO FIND THE BEST
5 TERMS THEMSELVES.

6 BOARD MEMBER BREMBERG: A GREAT MANY OF THEM ARE
7 NOT TERRIBLY SOPHISTICATED, AND I THINK THAT ANYBODY WHO
8 COMES IN INITIALLY -- AND THIS COULD BE IN A GUIDELINE OR
9 SOMETHING -- SHOULD BE TOLD OF THE VARIOUS OPTIONS THAT
10 ARE AVAILABLE TO SMALL PEOPLE BECAUSE THE SOPHISTICATION
11 OF THE LEGAL STAFF OF THE BIG COMPANIES AND SO FORTH
12 WOULD KNOW ALL THE RAMIFICATIONS. AND A SINGLE OPERATOR
13 OF A SMALL, BUT VIABLE AND NECESSARY, LANDFILL REALLY
14 DOESN'T HAVE THE WHEREWITHAL TO HIRE A STAFF OF FINANCIAL
15 EXPERTS AND ATTORNEYS.

16 MR. OLDALL: EXACTLY, MS. BREMBERG. WE HAVE
17 BEEN CONTEMPLATING THOSE KIND OF ISSUES AND KEEPING A
18 RUNNING TAB BECAUSE WE WILL BE DEVELOPING A BROCHURE AND
19 SOME DOCUMENTATION THAT WE WILL BE SENDING OUT TO
20 EVERYBODY PRIOR TO THE PROGRAM'S INCEPTION. AND THAT'S
21 THE BEST MEDIUM WE FOUND TO COMMUNICATE THOSE KINDS OF
22 THINGS. WE'LL JUST ADD THAT TO OUR LIST. THANK YOU.

23 CHAIRMAN GALLAGHER: ANY FURTHER QUESTIONS? IF
24 NOT, PLEASE MOVE ON.

25 MR. MYERS: AS I JUST SUMMARIZED IN THIS

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1 SECTION, THAT OUR REASON FOR REGULATING OR CHOOSING NOT
2 TO REGULATE INTEREST RATE CHARGE IS JUST OUR
3 UNFAMILIARITY WITH THE TYPES OF LOANS AND LENDERS AND
4 BORROWERS THAT MAY BE ENCOUNTERED AND ALLOWING THE
5 FLEXIBILITY SO THAT OUR PROGRAM WILL NOT STAND IN THE WAY
6 OF AGREEMENTS BEING REACHED BY THE OPERATORS AND LENDERS.

7 WE DO RETAIN THE RIGHT, THOUGH, TO BE
8 INFORMED OF THE RATE THAT IS BEING CHARGED IF FOR NO
9 REASON THAN TO MONITOR THE BORROWER'S ABILITY TO REPAY.
10 WE WANT TO MAKE SURE HE'S NOT BEING CHARGED EXORBITANT
11 RATE SO THAT HE'LL FALL INTO DEFAULT LATER.

12 THAT'S THE END OF SECTION 8. DO YOU HAVE
13 ANY QUESTIONS?

14 MR. OLDALL: I THINK WE, HOPEFULLY, ADDRESSED
15 MOST OF THE ISSUES THT HAVE COME UP. I THINK WE'RE READY
16 TO MOVE ON THE AREA CONCERNING THE APPLICATIONS, MR.
17 CHAIRMAN.

18 I THINK WE'RE SWITCHING HORSES HERE, AND I
19 WOULD DRAW YOUR ATTENTION TO A GRAPHIC THAT WE HAVE PUT
20 TOGETHER THAT, HOPEFULLY, DECIPHERS SOME OF THE
21 APPLICATION AND THE AWARD PROCEDURE, WHICH, I THINK, MR.
22 VAN HAHN WILL BE WALKING US THROUGH NEXT.

23 MR. VAN HANH: WE AGAIN APOLOGIZE FOR THE FACT
24 THAT THE CHART IN FRONT OF YOU HERE MIGHT NOT BE VERY
25 CLEAR OR VISIBLE TO SOME OF YOU, ESPECIALLY FROM THE FAR

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1 CORNERS HERE .

2 WHAT WE HAVE HERE IS A VERY GENERAL WAY OF
3 PRESENTING THE PROCEDURE WHEREBY THE APPLICATION WILL BE
4 RECEIVED AND REVIEWED BEFORE THE GUARANTEES ARE AWARDED.
5 BASICALLY, WHAT WE HAVE IS THAT THE LANDFILL OPERATORS
6 WOULD SUBMIT THE APPLICATION TO US. WE ALSO HAVE THE
7 LENDERS IDENTIFIED. OR IN CASE WHERE APPROPRIATE, THE
8 BORROWERS MIGHT INDICATE TO US WHICH LENDERS OR LENDERS
9 ALREADY TENTATIVELY AGREED UPON THE CONDITION OF THE
10 LOANS WITH OUR GUARANTEES.

11 IF I MIGHT COME BACK TO AN ISSUE EARLIER IS
12 THAT WITHOUT THE GUARANTEE WE HAVE, THE LENDERS IN MOST
13 OF THE CASE HERE WOULD NOT PROVIDE THE LOANS. SO THIS IS
14 WHY THE ROLE OF THE BOARD IS IMPORTANT.

15 THE APPLICATION, IF I MAY DIRECT YOUR
16 ATTENTION TO PAGE 45 IN YOUR BOARD PACKAGE, PLEASE, WE
17 HAVE SEVERAL ITEMS TO LOOK AT WHEN WE TALK ABOUT THE
18 INFORMATION NECESSARY.

19 IN THE PROPOSED REGULATORY LANGUAGE HERE,
20 WE HAVE SEVERAL ITEMS TO DEAL WITH THE IDENTIFICATION OF
21 LENDERS AND BORROWERS. AND THIS IS ON PAGE 46 OF YOUR
22 PACKAGE. ITEM B-1 THROUGH 4 WOULD IDENTIFY THE BORROWERS
23 AND THE LENDERS. ITEM B-5 AND 6 WOULD LOOK INTO THE
24 BUYER'S AFFILIATIONS REGARDING THE BUSINESS RELATIONSHIP
25 WITH OTHER ENTITIES INVOLVED, SUCH AS PARENT



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1 CORPORATIONS, SUBSIDIARY DIVISION, OWNERSHIPS, AND SO ON,
2 AND, ALSO, OTHER PRINCIPAL OFFICERS INVOLVED IN SUCH
3 BUSINESS AFFILIATION.

4 THE REASON THAT WE INCLUDED THE SUBSECTIONS
5 HERE IS TO PROVIDE THE LENDERS AND US THE NECESSARY
6 INFORMATION TO KNOW ABOUT THE BUSINESS OPERATIONS OF THE
7 BORROWERS.

8 SUBSECTION 8 THROUGH 9 DEAL WITH THE
9 LANDFILL OPERATIONS TO PROVIDE US WITH THE ESSENTIAL
10 INFORMATION ABOUT THE LOCATION, THE CURRENT PERMIT, AND
11 THE CLOSURE AND POSTCLOSURE MAINTENANCE PLANS. THIS
12 HELPS US TO HAVE AN IDEA WHAT TYPE OF LANDFILL OPERATION
13 OWNERS AND OPERATIONS THAT WE ARE DEALING WITH.

14 ALSO, IN THIS REGARD, IT WOULD PROVIDE US
15 WITH A BETTER IDEA IN TERMS OF THE CORRECTIVE ACTION TO
16 BE FINANCED BY OUR GUARANTEE AS THE MAJOR OBJECTIVE OF
17 THE GUARANTEE PROGRAM.

18 SUBSECTION 10 AND 11 -- 10 DEALS WITH THE
19 AMOUNT OF THE LOAN, AND THEN THE FOLLOWING SUBSECTION 11
20 THROUGH 14 DEAL WITH THE NEED, THE PRIORITY THAT WE
21 INDICATED EARLIER. OF COURSE, THIS ESSENTIAL BUSINESS OF
22 INFORMATION HAVE TO BE PRESENT THEMSELVES IN THE FORM OF
23 THE APPLICATION PACKAGE.

24 BOARD MEMBER BEAUTROW: COULD WE ASK THAT ON 13
25 THERE, A WRITTEN RECORD OF THE SUBJECT LANDFILL'S



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1 COMPLIANCE WITH APPLICABLE LAWS AND SO FORTH, YOU KNOW,
2 WE'RE DEPENDING UPON THEM TO COME UP WITH THIS
3 INFORMATION, WHICH MAY OR THEY MAY CHOOSE TO HAVE
4 EVERYTHING AND THEY -- I'D LIKE TO SUGGEST THAT -- I KNOW
5 THAT THE SWAT BUSINESS IS IN FULL SWING AND THEY'VE GONE
6 THROUGH THIS RANKING ONE AND SO FORTH. CAN WE SAY AND
7 INCLUDING ALL DOCUMENTS, YOU KNOW, SWAT REPORTS OR -- IN
8 OTHER WORDS, MAKE SOME KIND OF A REFERENCE TO THAT THEY
9 ARE SUPPOSED TO HAVE ATTACHMENTS FROM SOME REGULATORY
10 AGENCY TO INDICATE --

11 MR. VAN HANH: CERTAINLY. THE DOCUMENTS, AS YOU
12 INDICATED, CAN BE AND SHOULD BE INCLUDED HERE. IF I MAY
13 REQUEST ANY REWORDING THAT THE BOARD MAY SUGGEST HERE, OR
14 DO YOU WISH THE STAFF TO TAKE A LOOK?

15 BOARD MEMBER BEAUTROW: I'M JUST SUGGESTING THAT
16 INSTEAD OF JUST LEAVING IT UP TO HIM TO PROVIDE WHATEVER
17 WRITTEN INFORMATION, YOU OUGHT TO PUT THE ONUS TO FURNISH
18 INFORMATION LIKE THIS.

19 BOARD MEMBER BREMBERG: MR. CHAIRMAN, ON NO. 12,
20 A WRITTEN COMMITMENT FROM THE BORROWER THAT THE LOAN
21 GUARANTEE IS TO BE USED, WHAT TYPE OF ENFORCEMENT DO WE
22 HAVE IF THIS IS NOT NECESSARILY FOLLOWED THROUGH WITH
23 ACCURATELY, AS WE KNOW IT HASN'T BEEN IN THE PAST?

24 MR. VAN HANH: FIRST OF ALL, IN THE FINANCIAL
25 CONTROL MECHANISMS AVAILABLE TO US HERE IS THE AUDIT



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1 SYSTEM.

2 BOARD MEMBER BREMBERG: YEAH. BUT THIS IS UP
3 FRONT. THIS IS IF PROVIDED. THIS IS WHILE WE'RE STILL
4 APPLYING, AND ANYBODY CAN WRITE AND SAY I INTEND TO DO
5 THAT. AND IF THEY DON'T, OR IF THEY'RE NOT -- WHAT
6 ENFORCEMENT OTHER THAN SNATCHING BACK THE MONEY AND
7 TAKING OVER A LANDFILL THAT WE DON'T WANT TO TAKE OVER DO
8 WE HAVE?

9 MR. VAN HANH: I BELIEVE THAT, FIRST OF ALL, WE
10 WOULD LOOK INTO THE TYPE OF CORRECTIVE ACTIONS AS
11 IDENTIFIED AND LOOK INTO THE WRITTEN COMMITMENTS THAT
12 THE --

13 BOARD MEMBER BREMBERG: I'M TALKING ABOUT NO.
14 12.

15 ATTORNEY CONHEIM: MR. CHAIRMAN, THE WORDS "IF
16 PROVIDED" PROBABLY SHOULD BE STRUCK FROM THE LANGUAGE.
17 THEY'RE NOT NECESSARY. AND THEY REFER TO THE LOAN
18 GUARANTEE, NOT THE WRITTEN COMMITMENT. I THINK THAT'S
19 UNCLEAR IN THAT REGULATION -- IN THAT DRAFT.

20 BOARD MEMBER BREMBERG: CAN I STRIKE IT THEN?

21 ATTORNEY CONHEIM: PLEASE.

22 MR. VAN HANH: IF I MAY PROCEED HERE, THE
23 SUBSECTION AND ITEMS NO. 15 THROUGH 17 REFERS TO THE
24 FINANCIAL INFORMATION THAT WE JUST MENTIONED, AND 18 IS
25 SUMMARY OF THE PURPOSE AND OBJECTIVE OF THE CORRECTIVE

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1 ACTIONS. OF COURSE, THAT DEALS WITH OBJECTIVE WE
2 MENTIONED EARLIER.

3 THE COST IN SUBSECTION 19 AND B AND THE
4 VERY LAST SECTION THERE IS INTENDED FOR THE BOARD TO
5 RECOVER PARTIALLY OR ALL OF THE COST OF ADMINISTERING THE
6 PROGRAM HERE. HOWEVER, IT SHOULD BE NOTED THAT IT IS THE
7 INTENTION IN THE PROPOSED LANGUAGE HERE TO STRUCTURE THE
8 FEE IN SUCH A WAY THAT IT WOULD NOT PENALIZE THOSE WHICH
9 NEED LARGE AMOUNT OF LOANS AND LOAN GUARANTEE; BUT AT THE
10 SAME TIME, IT ALSO PREVENTS PEOPLE FROM SUBMITTING
11 REPEATEDLY INCOMPLETE APPLICATIONS AND SO FORTH. SO IN
12 HERE IT READS A NONREFUNDABLE APPLICATION FEE OF \$250 OR
13 ONE-TENTH OF ONE PERCENT OF THE AMOUNT TO BE GUARANTEED.

14 BOARD MEMBER ARAKALIAN: \$250 WILL BUY HIM UP TO
15 A \$250,000 APPLICATION. MILLION DOLLARS, FOR EXAMPLE,
16 WOULD COST A G.

17 BOARD MEMBER BREMBERG: HOW ABOUT MAKING IT READ
18 WHICHEVER IS GREATER?

19 BOARD MEMBER ARAKALIAN: I SAY THAT WOULD COVER
20 UP TO --

21 BOARD MEMBER BREMBERG: NEVER LESS THAN \$250.

22 MR. VAN HANH: MAY I ADDRESS THAT ISSUE? PLEASE
23 BE AWARE OF THE FACT THAT THE LENDERS THEMSELVES IN
24 PROVIDING THE LOAN MAY REQUEST FOR CERTAIN FEE THERE
25 ALREADY. HERE WE ARE TALKING ABOUT THE WORK FROM THE

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1 BOARD, THE GUARANTEE HERE. OF COURSE, A SUBSTANTIAL
2 AMOUNT OF WORK WOULD BE DEALT WITH OR HANDLED BY THE
3 BOARD IN CONJUNCTION WITH THE LENDERS AND BORROWERS.
4 THIS DOES NOT PRECLUDE THE LENDERS FROM IMPOSING CERTAIN
5 FEE IN THEIR STANDARD PRACTICE. IF WE STRUCTURE THE FEES
6 HERE VERY HIGH, IT WOULD BE, I MIGHT SAY,
7 COUNTERPRODUCTIVE IN TERMS OF THE SMALL BORROWERS WHO
8 ARE, IN THE FIRST PLACE, IN NEED OF FINANCIAL HELP.

9 BOARD MEMBER BREMBERG: I UNDERSTAND THAT
10 COMPLETELY, BUT I ALSO UNDERSTAND THAT IT IS NOT THE
11 INTENT, NOR, AS I READ THE BILL, THAT WE SHOULD SUBSIDIZE
12 APPLICATIONS. AND THE \$250 IS PROBABLY A PARTIAL SUBSIDY
13 OF THE PROCESSING THAT WE HAVE TO GO THROUGH. AND I
14 REALLY THINK THAT IT SHOULD BE NOT LESS THAN \$250 OR THE
15 PERCENTAGE POINT, WHATEVER YOU WANT, BECAUSE WE WOULD
16 FIND OURSELVES DOING ALL THE WORK FOR APPLICANTS IF THERE
17 WERE, YOU KNOW, IT CAME OUT TO BE A \$100, \$50, 10,
18 WHATEVER. I THINK IT SHOULD BE NOT LESS THAN.

19 CHAIRMAN GALLAGHER: NOT LESS THAN 250.

20 BOARD MEMBER BREMBERG: AND THE PERCENTAGE COULD
21 COME INTO PLAY.

22 BOARD MEMBER ARAKALIAN: IT SAYS THAT; HE JUST
23 WORDS IT DIFFERENTLY. SAYS AN APPLICATION FEE OF \$250 OT
24 THEN, OR IF IT'S GREATER, IT CAN GO TO THE OTHER, BUT THE
25 MINIMUM WOULD BE 250. IT SPECIFIES APPLICATION OF 250.

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1 BOARD MEMBER BREMBERG: SAM, IF I COULD PICK UP
2 ON IT, ANY DULL TOOL COULD PICK UP ON IT AND WORK IT OUT
3 SO THAT THEY DIDN'T OWE WHAT IT COSTS.

4 MR. VAN HANH: SO THE LANGUAGE HERE IS REVISED
5 TO READ A NONREFUNDABLE APPLICATION FEE OF NOT LESS THAN
6 \$250 AND SO ON.

7 BOARD MEMBER VARNER: WHY DON'T YOU JUST SAY A
8 MINIMUM FEE?

9 MR. OLDALL: WE CAN FIX IT.

10 CHAIRMAN GALLAGHER: IN OTHER WORDS, IT NEEDS TO
11 BE REWRITTEN.

12 MR. OLDALL: IT ALSO PAYS OUR SALARIES, SO WE'LL
13 REWRITE IT.

14 MR. VAN HANH: ARE THERE ANY OTHER FURTHER
15 QUESTIONS REGARDING THIS SECTION HERE?

16 CHAIRMAN GALLAGHER: MOVING RIGHT ALONG.

17 MR. VAN HAHN: THE NEXT SECTION, SECTION 10, FOR
18 THE BOARD'S ACTIONS ON APPLICATIONS, I WOULD LIKE TO DRAW
19 YOUR ATTENTION TO THE CHART WE HAVE UP THERE FOR YOU.
20 IT'S NOT VERY DETAILED, BUT AT LEAST IT GIVES YOU THE
21 OVERALL IMPRESSION OF THE PROPOSED REGULATORY LANGUAGE
22 WOULD DEAL WITH THIS PROCEDURE HERE. AND IT ALLOWS 60
23 DAYS FROM THE RECEIPT OF THE APPLICATION THAT THE BOARD
24 SHALL APPROVE, MODIFY, OR DENY THE APPLICATION OF LOAN
25 GUARANTEES. THE REST OF IT IS MORE OR LESS FOLLOWING THE

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1 STANDARD PRACTICE IN THE APPLICATION PROCESS OF A LOAN
2 GUARANTEE.

3 IF I MAY, I WOULD LIKE TO POINT TO YOUR
4 ATTENTION THE FACT THAT IN SUBSECTION D THE FOCUS HERE IS
5 THAT THE TERMS OF THE LOAN GUARANTEES SHALL BE MET BEFORE
6 THE BOARD APPROVES THE LOAN GUARANTEES HERE.

7 MAY I ASK IF THERE ARE ANY QUESTIONS
8 REGARDING THIS PARTICULAR SUBSECTION?

9 CHAIRMAN GALLAGHER: I HAVE ONE CONCERN, NGUYEN,
10 AND THAT IS THAT IT REQUIRES BOARD ACTION ON APPROVAL OR
11 DISAPPROVAL. AND I'M WONDERING IF THIS TIME FRAME ALLOWS
12 THIS? ARE WE GOING TO HAVE TO CONVENE SPECIAL BOARD
13 MEETINGS IN ORDER TO COVER THIS? CAN WE FEEL ASSURED
14 THAT THE NECESSARY WORK BY STAFF IS GOING TO BE COMPLETED
15 SO THAT THESE THINGS COULD BE APPROVED AT REGULAR BOARD
16 MEETINGS? I'M CONCERNED ABOUT THE LOGISTICS.

17 MR. OLDALL: WE THOUGHT ABOUT THAT.
18 UNFORTUNATELY, IT'S TOUGH TO GET A HANDLE ON WHETHER
19 WE'RE GOING TO GET FOUR APPLICATIONS OR 40 APPLICATIONS
20 AND HOW WELL THEY'RE GOING TO BE DOCUMENTED THE FIRST
21 TIME AROUND. WE'RE TREADING NEW GROUND. THERE ARE
22 OPTIONS WE HAVE THOUGHT OF, PERHAPS, WITH A SUBCOMMITTEE
23 OF THE BOARD, IF IT BECOMES A SIGNIFICANT WORKLOAD, JUST
24 LIKE WE DID WITH THE BUDGET THAT WORKED OUT WELL THIS
25 YEAR. THAT'S A DISTINCT POSSIBILITY.

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1 I WOULD LOVE TO SAY, "YEAH, WE'VE GOT THAT
2 CRYSTAL BALL, MR. GALLAGHER; BUT I THINK, YOU KNOW, WE'RE
3 GOING TO WORK IT DOWN TOGETHER, AND OBVIOUSLY WE'RE NOT
4 GOING TO REQUIRE YOU TO KEEP COMING IN AT ODD HOURS TO
5 MEET THESE APPLICATION DEADLINES OR WHATEVER. I THINK WE
6 CAN WORK IT OUT AT LEAST THE FIRST YEAR OR SO.

7 CHAIRMAN GALLAGHER: OKAY.

8 MR. VAN HANH: MR. CHAIRMAN --

9 CHAIRMAN GALLAGHER: MR. EOWAN WANTS TO COMMENT,
10 I GUESS.

11 MR. EOWAN: I HAD A SMALL POINT TO MAKE.
12 COUNSEL ADVISES ME THAT THERE'S NOTHING MAGIC ABOUT THE
13 60 DAYS, AND WE COULD INCREASE THAT TO 90 DAYS. YOU
14 DON'T WANT TO -- WE DO HAVE A REQUIREMENT TO ACT
15 EXPEDITIOUSLY BY OTHER LAW, BUT HE THINKS THAT 90 DAYS
16 WOULD BE ACCEPTABLE AND ALSO ALLOW US THE FLEXIBILITY.
17 WE COULD ACT FASTER THAN 90 DAYS, HOPEFULLY, IF THE
18 WORKLOAD ALLOWED IT.

19 CHAIRMAN GALLAGHER: IF WE CHANGE THESE, DO WE
20 NOT HAVE TO TAKE THEM BACK THROUGH THE OAL AND ALL OF
21 THAT?

22 ATTORNEY CONHEIM: NOT NOW. WE'RE IN THE
23 PROCESS OF DRAFTING SO THAT THE LANGUAGE THAT GOES TO OAL
24 COULD CONTAIN ANY NUMBER WITHIN SOME LIMITS. WE'LL GO
25 BACK AND RECONSIDER THE ISSUE OF 60 DAYS AND THINK IT

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1 THROUGH AGAIN, AND WE'RE GOING TO BRING THESE THINGS BACK
2 TO YOU ONE MORE TIME AT LEAST. AND THAT'S ANOTHER ISSUE
3 WE NEED TO DEAL WITH AT YOUR REQUEST.

4 CHAIRMAN GALLAGHER: BE SURE THAT WE'VE GIVEN
5 OURSELVES ENOUGH TIME. I WOULD NOT WANT TO SLOW THE
6 PROCESS DOWN, BUT I'VE SEEN THESE TIME FRAMES GET BENT
7 ALL AROUND. I'D LIKE NOT TO HAVE TO DO THAT IN THIS
8 CASE.

9 MR. EOWAN: ONE QUESTION THAT I HAVE IS I'M NOT
10 SURE WHAT HAPPENS IF YOU DON'T ACT IN THAT PERIOD OF
11 TIME.

12 ATTORNEY CONHEIM: THE STATUTE DOES NOT PROVIDE
13 FOR ANY AUTOMATIC APPROVAL AND THERE'S NONE PROVIDED FOR
14 IN THE REGULATION. WHEN YOU PUT A REQUIREMENT LIKE THIS
15 IN -- A REGULATORY REQUIREMENT LIKE THIS IN THE LAW, BUT
16 IT HAS NO AUTOMATIC REMEDY, THEN YOU CREATE A REMEDY THAT
17 SOMEBODY CAN SUE FOR AND THAT'S ALL.

18 MR. EOWAN: IF YOU DON'T ACT WITHIN 60 DAYS, IF
19 WE LEFT IT AT 60, NOTHING HAPPENS. IT'S NEITHER APPROVED
20 NOR DISAPPROVED.

21 CHAIRMAN GALLAGHER: I'M WONDERING, THEN, DO WE
22 EVEN NEED A TIME SPECIFIC FOR APPROVAL.

23 MR. EOWAN: DO WE NEED THAT?

24 ATTORNEY CONHEIM: WE DON'T KNOW. WELL, I DON'T
25 KNOW THE ANSWER TO THAT.



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1 MR. EOWAN: WE'LL RESEARCH THAT.

2 CHAIRMAN GALLAGHER: I SHOULDN'T HAVE ASKED THE
3 QUESTION. I'M SORRY.

4 ATTORNEY CONHEIM: I THINK THAT WE HAVE TO BE
5 SENSITIVE, MR. CHAIRMAN, NOT ONLY TO THE PERMIT FOR
6 FORMAT THAT PUTS SOME OUTWARD LIMITATIONS ON THE KINDS OF
7 APPROVALS THAT THE BOARD WOULD MAKE, BUT ALSO TO THE --
8 IN THE COMMERCIAL CONTEXT OF BANKING AND LENDING AND THAT
9 MARKET, IF WE STRETCH IT OUT INDEFINITELY, THEN IT ISN'T
10 A VIABLE PROGRAM, AND IT ALSO DOESN'T MEET THE GOALS OF
11 CLEANUP. SO SOMEWHERE IN THERE IS A MOTIVATION TO FIX A
12 TIME SO THAT WE GIVE SOME ASSURANCE TO OUR REGULATED
13 PUBLIC THAT THERE'S A WELL-OPERATED PROGRAM. AND THAT'S
14 THE REASON WHY YOU GO FOR MORE SPECIFICITY.

15 CHAIRMAN GALLAGHER: LET ME ASK AN ADDED
16 CONFUSION QUESTION. LEGALLY, BASED UPON THE LANGUAGE IN
17 THE LAW, COULD A SUBCOMMITTEE OF THE BOARD MAKE APPROVAL
18 OF LOANS -- OUR LOAN GUARANTEES, EXCUSE ME?

19 ATTORNEY CONHEIM: I DON'T THINK SO. I THINK
20 YOU CAN RECOMMEND -- A SUBCOMMITTEE OF THE BOARD COULD
21 RECOMMEND TO THE BOARD, BUT I THINK IT'S A BOARD APPROVAL
22 ACTION. I'LL RECHECK THAT.

23 CHAIRMAN GALLAGHER: ALL RIGHT. FINE. MOVE ON
24 NOW.

25 MR. VAN HANH: THE NEXT SECTION, MR. CHAIRMAN.



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1 MEMBERS OF THE BOARD, SECTION 11 IS ON REPORT OF FUNDS
2 CONDITION.

3 AUDITING AND REPORTING PROCEDURES ARE
4 NEEDED AS A CHECK TO ASSURE THAT THE FUNDS ARE USED
5 PROPERLY FOR THE PURPOSES INTENDED. THE REPORT ON THE
6 CONDITION OF THE LOANS ARE REQUIRED TO INDICATE THE
7 CURRENT FINANCIAL POSITION OF THE BORROWERS AND THE LOAN
8 GUARANTEE FUND.

9 THE REPORT OF FUND CONDITIONS WILL COVER
10 REQUIREMENTS CONCERNING THE LOAN COMMISSION TO VERIFY THE
11 TERMS OF THE LOAN, REPAYMENT SCHEDULE, MONTHLY PAYMENT,
12 AND OTHER INFORMATION NECESSARY. HERE I MIGHT ADD THAT
13 THE REQUIREMENT FOR THE LENDER TO REPORT ON THE LOAN
14 CONDITIONS MONTHLY, THE WAY IT WAS ORIGINALLY DRAFTED WAS
15 SET TO BE TOO BURDENSOME AND EXPENSIVE FOR THE LENDERS.
16 SO HERE WE ARE TRYING TO TIGHTEN IT A LITTLE BIT MORE.

17 THE FREQUENCY OF REPORTING IS UNSPECIFIED
18 HERE, AS IT IS ANTICIPATED THAT THE REPORTING WILL BE
19 INITIATED BY THE BOARD ON A SCHEDULE THAT IT DESIRES.

20 THE PROPOSED REGULATORY LANGUAGE HERE DEALS
21 WITH THIS ISSUE, AND THE EMPHASIS HERE IS ON THE AUDIT BY
22 THE BOARD AT ANY TIME AS THE BOARD DEEM WARRANTED. AND
23 THESE LOAN GUARANTEES HERE SHALL BE SUBJECT TO AUDIT BY
24 THE BOARD FROM THE TIME THE GUARANTEE IS ISSUED UNTIL
25 THREE YEARS AFTER THE GUARANTEE HAS EXPIRED.

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1 AS AN ADDITIONAL ITEM HERE, SUBSECTION B,
2 THE LENDER SHALL VERIFY IN WRITING THE CONDITION OF THEIR
3 LOANS UPON REQUEST BY THE BOARD. THE VERIFICATION SHALL
4 CONSIST OF THE TERMS OF THE LOAN, REPAYMENT SCHEDULE,
5 MONTHLY PAYMENTS, AND ANY OTHER INFORMATION NEEDED TO
6 MONITOR THE FINANCIAL CONDITIONS OF THE LOANS GUARANTEED.

7 MAY I ASK IF THERE ARE ANY QUESTIONS IN
8 REGARD TO THAT SECTION?

9 CHAIRMAN GALLAGHER: IF NOT, LET'S GO RIGHT ON.

10 MR. VAN HANH: I WOULD LIKE TO ASK DENNIS MYERS
11 TO CONTINUE THE PRESENTATION.

12 CHAIRMAN GALLAGHER: MR. MYERS.

13 MR. MYERS: I'M GOING TO DISCUSS WITH YOU THE
14 DEFAULT CLAIM PROCEDURES SECTIONS AND THE GUARANTEE TERMS
15 OF OUR REGULATIONS.

16 SECTION 12 BEGINS ON PAGE 49 OF YOUR BOARD
17 PACKAGE AND DESCRIBES THE PROCEDURES TO BE TAKEN IN THE
18 EVENT A BORROWER FAILS TO MAKE A PAYMENT OR DEFAULTS ON
19 HIS LOAN. THIS SECTION IS NEEDED IN ORDER TO ASSURE THE
20 LENDING COMMUNITY THAT WE HAVE ADEQUATE PROCEDURES
21 ESTABLISHED TO TAKE CARE OF SITUATIONS IN WHICH THE
22 BORROWER CANNOT MAKE HIS PAYMENTS.

23 THESE PROCEDURES ARE NOT BURDENSOME, AND
24 THEY ARE STREAMLINED SO THAT THE LENDER KNOWS HIS
25 OBLIGATIONS IN THE EVENT OF A DEFAULT. THEY ARE ALSO

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1 STRUCTURED TO ALLOW TIME FOR THE BOARD TO TAKE ACTION AND
2 TO CONSIDER WHETHER OR NOT THE GUARANTEE CLAIMS SHOULD BE
3 PAID.

4 IT WAS STATED -- THE OPINION WAS GIVEN TO
5 US FROM THE LENDING COMMUNITY THAT EXCESSIVE
6 COMMUNICATION WITH THE BOARD FROM THE LENDER IS SOMETIMES
7 UNNECESSARY AND EXPENSIVE AND THAT WE SHOULD PUT FORTH
8 THE MINIMUM REQUIREMENTS ON THEM TO NOTIFY US.

9 UNDER THAT RECOMMENDATION, OUR PROCEDURES
10 REQUIRE ONLY A MAILED NOTICE TO THE BOARD AFTER THE 45TH
11 DAY OF A MISSED PAYMENT, THE FORWARDING OF LOAN DOCUMENTS
12 AND RECORDS ON THE 60TH DAY AFTER A MISSED PAYMENT, AND A
13 FILING OF OFFICIAL CLAIM FOR PAYMENT ON THE 90TH DAY
14 AFTER A MISSED PAYMENT.

15 UNDER THE PROPOSED REGULATORY LANGUAGE,
16 ASKING FOR THE FIRST MAILED NOTICE TO BE MAILED TO THE
17 BOARD NO LATER THAN THE 45TH DAY ALLOWS THE LENDER
18 FLEXIBILITY TO WAIT AND SEE IF A SECOND PAYMENT WILL BE
19 MISSED AS WELL AS HE CAN NOTIFY AS SOON AFTER THE MISSED
20 PAYMENT AS HE DESIRES.

21 BY THE 60TH DAY, HE SHOULD HAVE MAILED TO
22 US ALL RECORDS CONCERNING THE LOAN AND ITS PAYMENT
23 HISTORY. BUT HE CANNOT FILE A CLAIM BEFORE THE 90TH DAY
24 OF A DELINQUENCY. THAT GIVES US, THE BOARD, THREE -- AT
25 LEAST A MONTH AND A HALF FROM THE NOTICE WE RECEIVE. BUT

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1 ALSO THREE MONTHS AFTER A PAYMENT HAS BEEN MISSED, BEFORE
2 WE RECEIVE AN OFFICIAL REQUEST TO PAY THE GUARANTEE.

3 WITHIN 45 DAYS AFTER THE RECEIPT OF THE
4 CLAIM, WE INTEND TO ANNOUNCE WHETHER WE SHALL PAY THE
5 GUARANTEE OR NOT. THAT GIVES THE BOARD A MONTH AND A
6 HALF, AND AT LEAST ONE BOARD MEETING WILL OCCUR DURING
7 THAT TIME TO CONSIDER THEIR CLAIM.

8 BOARD MEMBER ARAKALIAN: EXCUSE ME. YOU SAID WE
9 WOULD DETERMINE WHETHER WE WERE GOING TO PAY IT OR NOT?
10 WHAT CHOICE WOULD WE HAVE IF WE'VE GUARANTEED IT?

11 MR. MYERS: TERMS AND CONDITIONS OF THE LOAN
12 GUARANTEE ITSELF, SUCH AS THE REPORTING REQUIREMENTS OF
13 THE LENDER, THAT WE WOULD HAVE TO CERTIFY HAVE BEEN MET.
14 OR IF THE BORROWER IS TRULY IN THE DEFAULT, DURING THE
15 TIME FRAME THAT WE FIRST RECEIVED THE FIRST NOTIFICATION
16 UNTIL THAT POINT, WE'D BE INVESTIGATING THE BACKGROUND OF
17 THE MISSED PAYMENT, WHY IT WAS, WHY IT OCCURRED, AND MAKE
18 SURE IT'S NOT A TEMPORARY SITUATION THAT COULD BE
19 REMEDIED OTHER THAN GOING THROUGH THE DEFAULT PROCEDURES.

20 CHAIRMAN GALLAGHER: IF I MAY INTERRUPT, I THINK
21 THIS IS GOING TO BE ONE OF THE ISSUES ON WHICH WE'RE
22 GOING TO FIND A CONSIDERABLE AMOUNT OF INTEREST ON THE
23 PART OF THE BOARD. AND I'M WONDERING IF IT CANNOT BE A
24 TERM AND CONDITION PUT UPON BY THE LENDER THAT HE HAS
25 SOME EVIDENCE TO SHOW THAT HE HAS MADE ALL EFFORT

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1 POSSIBLE TO COLLECT THE MONEY BECAUSE -- BEFORE HE COMES
2 TO US FOR THE GUARANTEE.

3 OTHERWISE, WE BECOME THE COLLECTING AGENCY
4 RATHER THAN THE LENDER. AND IT'S MY CONSIDERED OPINION
5 THAT WE DON'T WANT TO GET OURSELVES IN THAT KIND OF A
6 POSITION. THE LENDER SHOULD UNDER ANY CIRCUMSTANCES HAVE
7 TO SHOW US EVIDENCE THAT HE'S MADE EVERY REASONABLE
8 EFFORT TO COLLECT THE MONEY BEFORE WE WILL PAY OFF THE
9 GUARANTEE.

10 I'M SURE MR. ARAKALIAN AND I, MR. BROWN,
11 ALL OF US HAVE SOME CONCERN ABOUT THAT. RIGHT?

12 BOARD MEMBER ARAKALIAN: YEAH. EVERY EFFORT
13 DOESN'T MEAN --

14 BOARD MEMBER CALLOWAY: MR. CHAIRMAN, I JUST
15 WANTED TO CLARIFY A LITTLE BIT THERE MY UNDERSTANDING OF
16 WHAT SAM WAS SAYING THAT THERE SHOULD BE SOME WAY THAT
17 THEY SHOULD GO AFTER THEIR ASSETS, YOU KNOW, BEFORE THEY
18 COME TO US. AND, IN OTHER WORDS, MEANING TO -- AS YOU
19 SAID, EXHAUST ALL THE POSSIBILITIES, INCLUDING ATTACHING
20 THEIR ASSETS OR WHATEVER.

21 I MEAN, I DON'T KNOW THE LEGAL LANGUAGE YOU
22 ARE GOING TO HAVE TO PUT IN THIS. IN OTHER WORDS, THEY
23 SHOULD GO AFTER THEIR ASSETS OF THE -- THAT THEY PUT UP
24 TO GUARANTEE THIS LOAN BEFORE WE GET INTO IT. OTHERWISE,
25 THEY'LL TAKE THESE ASSETS AND THEY'LL PUT THEM OFF IN

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1 ANOTHER BLIND TRUST OR WHATEVER AND THEY CAN'T BE
2 TOUCHED. I THINK IT WAS A GOOD POINT THAT SAM POINTED
3 OUT AWHILE AGO.

4 CHAIRMAN GALLAGHER: I THINK YOU UNDERSTAND WHAT
5 OUR CONCERNS ARE.

6 MR. OLDALL: EXACTLY. I THINK THAT KIND OF
7 PERMEATES THE NEXT COUPLE AREAS, TOO, INCLUDING SECTION
8 14, WHEN WE FINALLY GET THERE, WHICH IS THE CONDITIONS OF
9 THE GUARANTEE. I THINK WE NEED, IN LIGHT OF SOME OF THE
10 COMMENTS THAT WE'VE HEARD TODAY, GET IN THOSE KIND OF
11 ISSUES THAT MR. CALLOWAY AND MR. ARAKALIAN RAISED.

12 BOARD MEMBER ARAKALIAN: I THINK IT SHOULD BE A
13 DEFINITE GUARANTEE TO SEE TO IT THAT THE BANK DOESN'T
14 LOSE MONEY, BUT NOT A DEEP POCKET SITUATION WHERE THEY
15 COME TO US IMMEDIATELY AND TAKE THE MONEY AND THEN HAVE
16 THE ONUS OF COLLECTING IT FROM THE ASSETS TO US. IF WE
17 ARE GOING TO HAVE THE RESPONSIBILITY OF COLLECTING THE
18 MONEY OR COLLECTING THE ASSETS AND THE RESPONSIBILITY OF
19 PUTTING OUT THE MONEY, WE MIGHT AS WELL BE THE PROFITEER
20 FROM IT. WHAT THIS SAYS IS THEY'LL MAKE THE MONEY; WE'LL
21 TAKE THE GUFF. I DON'T LIKE IT.

22 MR. OLDALL: THAT SHOULD ACTUALLY BE IN THE LOAN
23 GUARANTEE CONTRACTS THEMSELVES.

24 BOARD MEMBER ARAKALIAN: ABSOLUTELY. OTHERWISE,
25 THEY JUST COME TO US IMMEDIATELY AS SOON AS X NUMBER OF

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1 DAYS, WHATEVER IT IS, 45 TO 60 DAYS EXPIRES, THEY JUST
2 AUTOMATICALLY GET THEIR MONEY AND WALK AND PUT THE
3 INCONVENIENCE AND THE ONUS OF COLLECTING ASSETS WHICH
4 HAVE BEEN PLEDGED BY THE LENDER ORIGINALLY TO THE BANK.
5 THE BANK ONLY HOLDS THAT TO PASS ON TO US. THEY AREN'T
6 GOING TO EXERCISE THE COLLECTION OF IT. THAT'S NOT FAIR
7 AT ALL. I DON'T LIKE IT.

8 CHAIRMAN GALLAGHER: WE HAVE A BREAK AT THE
9 MOMENT, AND IT'S GOING TO BE NECESSARY FOR US TO TAKE A
10 SHORT LUNCH BREAK. AND I THINK THIS IS AN APPROPRIATE
11 TIME TO DO IT. OUR LOVELY SECRETARIES TELL US THAT THERE
12 IS A CAFETERIA HERE IN THE BUILDING ON THE SIXTH --
13 FOURTH FLOOR AT THE END OF THE HALL FOR THOSE OF YOU WHO
14 WANT TO UTILIZE THOSE FACILITIES. I CAN'T TELL WHERE YOU
15 COULD GET LUNCH OUTSIDE IN A REASONABLE PERIOD OF TIME.

16 BOARD MEMBER BEAUTROW: THE HOLIDAY INN IS RIGHT
17 ACROSS THE STREET THERE AND MIGHT BE OFFPEAK.

18 CHAIRMAN GALLAGHER: I'M JUST POINTING OUT WE'RE
19 GOING TO HAVE TO BE BACK HERE NO LATER THAN 1:30. WE
20 HAVE TO CONTINUE ON. WE HAVE A CLOSED SESSION BEFORE 3
21 O'CLOCK, AND WE DEFINITELY HAVE TO BE OUT OF THIS ROOM BY
22 3 O'CLOCK. SO I'M GOING TO DECLARE THAT MEETING IN
23 RECESS FOR LUNCH. PLEASE GET BACK HERE AT 1:30. AND
24 WE'LL TAKE UP WHERE WE LEFT OFF.

25 (LUNCH BREAK TAKEN.)

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1 CHAIRMAN GALLAGHER: CALL THE MEETING BACK TO
2 ORDER.

3 MR. OLDALL: I THINK WE'RE ON ITEM 13, LUCKY 13.

4 CHAIRMAN GALLAGHER: PAGE 50 OF YOUR PACKET.

5 MR. MYERS: SECTION 13 COVERS THE TERMS OF THE
6 GUARANTEE ITSELF. SINCE THIS PROGRAM DOES NOT HAVE THE
7 FULL FAITH AND CREDIT OF THE STATE OF CALIFORNIA BACKING
8 IT, IT'S NECESSARY TO LAY OUT THE EXACT LIMITATIONS OF
9 OUR COVERAGE AND OUR FINANCIAL OBLIGATIONS.

10 THIS SECTION MERELY STATES THE EXTENT OF
11 THE FINANCIAL COMPENSATION WE'LL OFFER IN THE EVENT OF A
12 DEFAULTED LOAN AND LAYS IT OUT TO THE BORROWERS. IT
13 REASSERTS THE LIMITATION THAT WE WILL ONLY PURCHASE NO
14 MORE THAN 90 PERCENT OF THE OUTSTANDING PRINCIPAL BALANCE
15 OF THE LOAN THAT'S GUARANTEED AND EQUAL PERCENTAGE OF THE
16 ACCRUED UNPAID INTEREST, THE INTEREST ACCRUED BETWEEN THE
17 TIME THAT THE FIRST PAYMENT IS MISSED AND THE GUARANTEE
18 IS ACTUALLY PURCHASED.

19 THE BOARD'S OBLIGATION TO PURCHASE THE
20 INTEREST ONLY GOES UNTIL THE TIME THE BOARD ANNOUNCES ITS
21 INTENTION TO PURCHASE THE GUARANTEE FROM THE LENDER.
22 THIS SAFEGUARD WAS NECESSARY BECAUSE AFTER WE ANNOUNCE
23 OUR INTENTION HOW MUCH TIME IT TAKES FOR THE TREASURER
24 AND DEPARTMENT OF FINANCE ACTUALLY TO TRANSMIT THE MONEY.
25 WE REALLY HAVE NO CONTROL OVER IT.

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1 AT THIS POINT, WE'RE LIMITING OURSELF TO
2 THE INTEREST ACCRUED TO THE POINT THE BOARD DETERMINES IT
3 WILL PURCHASE THE GUARANTEE. IN THE EVENT THAT WE ARE --
4 WE OR THE BORROWER ARE COLLECTING COLLATERAL IN THE EVENT
5 OF A DEFAULT, THE RECOVERY OF FUNDS FROM COLLECTION OF
6 COLLATERAL WILL BE SHARED BETWEEN THE BOARD AND THE
7 LENDER IN PROPORTION OF THE RISK THAT WAS ASSUMED BY BOTH
8 PARTIES.

9 OUR FINAL PASSAGE MERELY INFORMS THE
10 BORROWER THAT OUR OBLIGATION IS LIMITED ONLY TO THE
11 AMOUNT OF FUNDS AVAILABLE IN OUR ACCOUNT THAT IS
12 AVAILABLE FOR LOAN GUARANTEES AND THAT THE STATE IS NOT
13 LIABLE FOR ANY CLAIMS IN EXCESS OF THE AMOUNT OF FUNDS WE
14 HAVE CONTROL OVER IN THE STATE FUND.

15 THAT CONCLUDES THIS SECTION. ARE THERE ANY
16 QUESTIONS ABOUT OUR TERMS?

17 CHAIRMAN GALLAGHER: ANY QUESTIONS BY BOARD
18 MEMBERS? ANYONE OUT IN THE AUDIENCE HAVE ANY QUESTIONS
19 ON THIS SECTION? IF NOT, LET'S MOVE RIGHT ON.

20 MR. MYERS: I'D LIKE TO INTRODUCE, AGAIN, MR.
21 VAN HANH, WHO WILL COVER SECTION 14.

22 MR. VAN HANH: MR. CHAIRMAN, MEMBERS OF THE
23 BOARD, IN VIEW OF THE BOARD'S RESPONSIBILITY TO MAINTAIN
24 THE SECURITY OF THE FUND, THE CONDITIONS OF THE
25 GUARANTEES ASSUME GREAT SIGNIFICANCE. AN INDEPENDENT

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1 ENTITY MAY BE ENGAGED BY THE BOARD, IF NECESSARY, TO
2 EXAMINE THE LOANS TO ASSURE THAT IT MEETS THE
3 REQUIREMENTS AS WE SPECIFIED HERE. ALSO, IF NEED BE,
4 PROVIDE THE BOARD AND THE STAFF WITH THE NECESSARY
5 EXPERTISE, AT LEAST AT THE EARLY STAGE OF THE PROGRAM, SO
6 THAT THE SECURITY OF THE FUND, ALL OF THE ASPECT,
7 STANDARD PRACTICE IN THE LENDING COMMUNITY WOULD BE
8 OBSERVED.

9 THE CONDITIONS, AS STATED HERE, IN TERMS OF
10 INDEPENDENT AGENCIES, BUT THE USE OF SUCH AN INDEPENDENT
11 AGENCY IS ONLY AN OPTION. IT'S NOT STATED IN
12 REGULATIONS. THE PROPOSED REGULATORY LANGUAGE IN THIS
13 CASE WOULD READ, "THE BOARD SHALL HONOR ITS GUARANTEE TO
14 THE LENDER IF THE DEBTOR IS IN DEFAULT AS DEFINED IN
15 SECTION 1-C, THE LENDER HAS MET THE CONDITIONS FOR THE
16 ISSUANCE OF THE GUARANTEE, AND HAS OBSERVED THE LENDER'S
17 REPORTING REQUIREMENTS AS SET BY THE BOARD, SPECIFIED IN
18 SECTION 11 AND 12." LASTLY, "THE LENDER HAS COMPLIED
19 WITH THE TERMS OF THE LOAN GUARANTEE AGREEMENT."

20 MAY I ASK IF THERE ARE ANY QUESTIONS OF
21 CONCERN REGARDING THIS SECTION?

22 CHAIRMAN GALLAGHER: ANY QUESTIONS? I HAVE ONLY
23 ONE COMMENT THAT BECAUSE OF THE CONSIDERABLE CONCERN
24 VOICED BY THE MEMBERS OF THE BOARD, WE SHOULD GO BACK TO
25 11 AND 12 AND TIGHTEN UP THE LANGUAGE THERE AS MUCH AS WE

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1 CAN TO MAKE DAMN SURE THAT THE LENDER HAS DONE EVERYTHING
2 CONCEIVABLE, INCLUDING THE APPROPRIATION OF ANY
3 PROPERTIES OR ANYTHING ELSE, BEFORE THEY COME TO US FOR
4 EXERCISING THE GUARANTEE.

5 MR. OLDALL: EXACTLY, MR. CHAIRMAN. MADE THAT
6 NOTE. WE WILL HAVE THE STAFF TO INCORPORATE THAT THE
7 NEXT TIME WE COME BACK.

8 SO, BASICALLY, THAT CONCLUDES THE
9 PRESENTATION. I KNOW IT'S BEEN LENGTHY, BUT WE REALLY DO
10 APPRECIATE THE INPUT WE'VE RECEIVED TODAY, AND I THINK
11 THAT STANDS US IN GOOD STEAD TO GO BACK AND RETHINK SOME
12 OF THOSE AREAS.

13 I REMIND YOU AGAIN THAT THE ADVISORY
14 COMMITTEE WILL MEET NEXT WEEK, THAT THE CHAIRMAN IN THAT
15 COMMITTEE GO OVER THE CRITERIA, SECTION 2 OF THESE, WITH
16 THEM. WE WILL REPORT BACK AT THE NEXT BOARD MEETING
17 REGARDING THE RESULTS OF THEIR DELIBERATIONS. AND THEN,
18 OF COURSE, WE'LL BE BRINGING THESE BACK TO YOU AGAIN IN
19 THE EARLY NEW YEAR TOGETHER WITH ANY NEXT ITERATION AND
20 THE OTHER REGULATIONS AS WE'VE BEEN THROUGH THEM.

21 CHAIRMAN GALLAGHER: I WANT TO SAY THAT --

22 BOARD MEMBER BREMBERG: BEFORE YOU MAKE YOUR
23 CLOSING GLORY LAUD AND HONOR SPEECH, I WOULD JUST LIKE TO
24 FIND OUT AND VERIFY THAT IN MY OWN MIND WE ARE REQUIRED
25 TO ACCEPT THE CRITERIA FROM THIS COMMITTEE. IS THAT THE



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1 WAY I READ UP HERE IN FRONT?

2 MR. EOWAN: NO. YOU'RE NOT REQUIRED TO.
3 THEY'RE REQUIRED TO GIVE IT TO YOU, BUT YOU ARE NOT
4 REQUIRED TO ACCEPT IT.

5 BOARD MEMBER BREMBERG: BECAUSE THE WORD
6 "REQUIREMENT" WAS USED A COUPLE OF TIMES, AND IT WAS KIND
7 OF AMBIVALENT AS FAR AS WHO WAS REQUIRED TO DO WHAT.

8 MR. OLDALL: THE EXACT LANGUAGE IS THE COMMITTEE
9 SHOULD ESTABLISH DETAILED CRITERIA FOR SELECTING GRANT
10 RECIPIENTS AND FOR MAKING LOAN GUARANTEES AND SHALL MAKE
11 RECOMMENDATIONS TO THE BOARD THEREON.

12 BOARD MEMBER BEAUTROW: I DON'T KNOW WHETHER YOU
13 ARE GOING TO HAVE TIME FOR THIS. THIS IS JUST A
14 SUGGESTION. WHEN IT COMES TIME FOR THE COMMITTEE TO
15 REVIEW THIS, IS THERE SOME WAY THE STAFF COULD PUT
16 TOGETHER A HYPOTHETICAL PACKAGE? IN OTHER WORDS,
17 LANDFILL A, B, C, WITH -- IN OTHER WORDS, WE MAKE UP
18 THESE REGULATIONS AND WE TRY TO THINK OUR WAY THROUGH IT,
19 BUT WE DON'T WANT TO LAY AN EGG EITHER.

20 IS THERE SOME WAY OF MAKING A DRY-RUN
21 THROUGH THIS WITH SOME KIND OF A HYPOTHETICAL PACKAGE
22 THAT YOU COULD SAY, "HERE'S WHAT A TYPICAL PACKAGE IS
23 GOING TO LOOK LIKE AND HERE ARE THE ELEMENTS." RATHER
24 THAN JUST STRICTLY-- IN OTHER WORDS. JUST AN AID TO MAKE
25 SURE THAT THIS THING IS GOING TO FUNCTION. AND --



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1 BECAUSE WE'RE GOING TO THROW SOMETHING OUT ON THE STREET
2 HERE AND IT'S NEVER BEEN DONE BEFORE IN THE STATE, I
3 DON'T THINK, IN THIS PARTICULAR VEIN.

4 MR. OLDALL: NOT IN THIS AREA.

5 BOARD MEMBER BEAUTROW: THIS IS JUST A THOUGHT,
6 AND I DON'T KNOW WHETHER IT'S PRACTICAL OR NOT.

7 MR. OLDALL: WE HAD THOUGHT, INITIALLY, I
8 MENTION IN RESPONSE TO A QUESTION MS. BREMBERG HAD, ABOUT
9 PUTTING PUBLICATION OUT AHEAD OF THE GAME TO EVERYBODY,
10 OUTLINING MOST OF THE CRITICAL FEATURES AND WALKING THEM
11 THROUGH THE PROCESS SO THAT THEY DIDN'T GET TAKEN, THEY
12 DIDN'T FEEL THAT THEY WERE OBLIGATED TO GO TO ONE
13 INSTITUTION, THOSE KIND OF THINGS.

14 I'M TRYING TO THINK IN PARALLEL WITH WHAT
15 WE DID IN THE OTHER REGULATIONS PROCESS, WHERE WE WERE
16 TRYING TO FIT OR DESIGN A FORM TO COLLECT INFORMATION.
17 AND BILL ORR'S GROUP WORKED THROUGH A COUPLE OF DRY-RUNS
18 THERE FILLING IN TYPICAL INFORMATION.

19 MR. EOWAN: RATHER THAN THINKING ON OUR FEET, TO
20 ANSWER YOUR QUESTION, IT'S A GOOD IDEA.

21 BOARD MEMBER BEAUTROW: CAN YOU EXPLORE IT?

22 MR. EOWAN: AND WE WILL LOOK AT IT AND SEE IF
23 IT'S PRACTICAL. IF WE'RE SMART ENOUGH TO SIMULATE THE
24 REAL WORLD IN THAT RESPECT, WE'LL DO IT. THAT'S A GOOD
25 IDEA.

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1 CHAIRMAN GALLAGHER: I WANT TO COMPLIMENT THE
2 STAFF FOR THE WORK THAT THEY'VE DONE BECAUSE WE REALIZE
3 THAT THIS IS PLOWING SOME VERY NEW GROUND. I THINK
4 YOU'VE ALL DONE A GREAT JOB, AND THESE CRITICISMS HAVE
5 BEEN INTENDED TO BE HELPFUL, AND WE'LL HOPE THAT WE WILL
6 COME OUT WITH SOME REAL LIVABLE AND USABLE REGS.

7 SO THANK YOU, AGAIN, VERY MUCH FOR YOUR
8 PRESENTATION. IT WAS INTERESTING AND WELL PUT.

9 MR. EOWAN: THANK YOU. THANK YOU FOR YOUR
10 COMMENTS.

11 MR. VAN HANH: THANK YOU, SIR.

12 CHAIRMAN GALLAGHER: NOW, MR. EOWAN, ARE WE
13 READY TO MOVE ON TO NO. 2? I'M BEGINNING TO GET
14 CONFUSED.

15 MR. EOWAN: I WOULD SUGGEST, MR. CHAIRMAN, IN
16 LIGHT OF THE AGENDA, WE GO TO 3 AND 4 BEFORE ANYTHING
17 ELSE. THAT WOULD BE HELPFUL.

18 CHAIRMAN GALLAGHER: WHO'S HANDLING NO. 3?

19 MR. EOWAN: MR. IWAHIRO IS GOING TO DO NO. 3,
20 AND MR. PECK, I BELIEVE, WILL DO NO. 4.

21 MR. IWAHIRO: YES. ON NO. 3, MR. ORR AND MYSELF
22 HANDLING IT. LET ME JUST KIND OF INTRODUCE YOU TO THE
23 SUBJECT; AND, THAT IS, I THINK YOU RECALL THAT WE DID PUT
24 OUT A REQUEST FOR A BID REGARDING SOME HELP FROM A
25 CONSULTANT TO DEVELOP THE REGULATIONS FOR FINANCIAL

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1 ASSURANCES FOR LANDFILLS IN TERMS OF CLOSURE AND
2 POSTCLOSURE.

3 AND WE DID PUT OUT THAT BID. WE'VE GOTTEN
4 RESPONSES FROM FIVE COMPANIES ON THAT BID; AND WITH THE
5 HELP OF THE CHAIRMAN, WE DID SET UP A COMMITTEETEE OF
6 STAFF AND BOARD MEMBERS TO REVIEW THOSE.

7 AND I BELIEVE ALL OF YOU HAVE BEEN SENT
8 COPIES. THERE WAS ACTUALLY QUITE A STACK OF PROPOSALS ON
9 THIS PARTICULAR ISSUE. SO NOW, THE COMMITTEE HAS LOOKED
10 THE PROPOSALS OVER; AND, BILL, ON BEHALF OF THAT
11 COMMITTEE, IS GOING TO REPORT ON IT AND GIVE YOU A LITTLE
12 MORE BACKGROUND ON THIS PARTICULAR ISSUE.

13 MR. ORR: THANK YOU, MR. IWAHIRO.

14 I'D LIKE TO EXPAND JUST BRIEFLY ON THE
15 PROCESS THAT WE HAVE BEEN INVOLVED IN SINCE THE BOARD
16 APPROVED THE ISSUANCE OF THE IFB AT THEIR SEPTEMBER BOARD
17 MEETING.

18 BASICALLY, THE APPROVAL WAS TO ISSUE AN IFB
19 FOR FINANCIAL DEVELOPMENT ASSISTANCE IN TWO PRIMARY
20 AREAS.

21 THE FIRST ONE WOULD BE FOR THE CLOSURE AND
22 POSTCLOSURE FINANCIAL ASSURANCES. THEY'RE PART OF AB
23 2448, AND THE OTHER HAS TO DO WITH THE OPERATING
24 LIABILITY PROVISIONS OF AB 3527.

25 WE PREPARED FOR SUBMISSION TO THE



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1 CALIFORNIA CONTRACTS REGISTRY A NOTICE THAT APPEARED IN
2 THEIR REGISTRY ON SEPTEMBER 22D OF 1988. INVITATIONS TO
3 BID -- FOR BIDDING WERE SENT TO 25 INTERESTED PARTIES
4 BEFORE THE DEADLINE FOR THE RECEIPT OF THE BIDS. FIVE
5 PROPOSALS WERE RECEIVED FROM THESE 25 INTERESTED PARTIES
6 BY OCTOBER 21ST, WHICH WAS THE BID DEADLINE.

7 AS WAS MENTIONED, COPIES OF ALL THE
8 PROPOSALS WERE SENT TO ALL THE BOARD MEMBERS. A REVIEW
9 PANEL WAS CONVENED INCLUDING BOARD STAFF AND TWO BOARD
10 MEMBERS. THE COMPOSITION OF THAT COMMITTEE INCLUDED
11 MEMBERS LES BROWN AND GINGER BREMBERG, BOB CONHEIM,
12 GENERAL COUNSEL, AND MYSELF, CAREN TRGOVCICH OF THE
13 STANDARDS AND REGULATIONS UNIT, AND NGUYEN VAN HANH OF
14 THE FINANCE UNIT.

15 THE PANEL MEMBERS REVIEWED EACH OF THE
16 PROPOSALS AND THE SUBMITTED SAMPLE WORK PRODUCTS THAT
17 WERE PART OF THE ITEM B. ON NOVEMBER 9TH, THE PANEL
18 CONVENED IN SACRAMENTO AND DELIBERATED OVER ALL THE
19 PROPOSALS.

20 IN ADDITION, CLARIFICATION INTERVIEWS WERE
21 HELD ON THE 9TH OF NOVEMBER TO FINE-TUNE SOME QUESTIONS
22 THAT THE COMMITTEE HAD DEVELOPED REGARDING METHODOLOGY,
23 APPROACH, WORK EXPERIENCE, AND WORK PRODUCTS, AND ANY
24 OTHER QUESTIONS THAT MAY HAVE COME UP AS A RESULT OF
25 REVIEWING THE PROPOSALS.

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1 THE SAME DAY THE PANEL SCORED EACH OF THE
2 PROPOSALS USING THE BID RATING SHEET THAT'S CONTAINED IN
3 THE IFB. AN EXAMPLE OF THAT IS ON PAGE 60 OF THE BOARD
4 PACKET.

5 WHAT I'LL BE REPORTING TO YOU ON TODAY ARE
6 THE RESULTS OF THAT SCORING PROCESS IN TERMS OF
7 PRELIMINARY RECOMMENDATIONS OF THE REVIEW PANEL. A MEMO
8 WAS DISTRIBUTED THIS MORNING THAT SUMMARIZES THE FINDINGS
9 OF THE REVIEW PANEL FOR YOUR CONSIDERATION.

10 AS A RESULT OF THE SCORING -- PRELIMINARY
11 SCORING BY THE REVIEW PANEL, ONE QUALIFIED BIDDER WAS
12 DETERMINED FROM THE FIVE PROPOSALS THAT WERE SUBMITTED
13 WHICH BASICALLY MET THE 80-POINT CRITERIA OUT OF A
14 HUNDRED TO BE DETERMINED AS A QUALIFIED BIDDER.

15 IF YOU LOOK AT THE FIRST PAGE OF THE MEMO
16 DATED NOVEMBER 16TH, THE PROPOSALS WERE RECEIVED FROM ICF
17 INCORPORATED, MAGUIRE/GUYER, WHICH IS A JOINT VENTURE,
18 PEAT MARWICK MAIN & COMPANY, RESOURCE DECISIONS, AND
19 SMITH BARNEY. THERE WERE SEVERAL SUBCONTRACTORS INVOLVED
20 IN COLLABORATION WITH SOME OF THESE PRIMARY BIDDERS.

21 THE BASIC SCORING INDICATED THAT THERE WAS
22 ONE QUALIFIED BIDDER, WHICH WAS ICF INCORPORATED. AND
23 THE FOLLOWING PAGES SORT OF SUMMARIZE THE REVIEW PANEL'S
24 RECOMMENDATIONS AND HOW THEY CAME UP WITH THOSE SCORES
25 BASED ON THAT SCORING SHEET.

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1 IN TERMS OF THE MEMO AND THE PARTICIPATION
2 ON THE REVIEW PANEL BY TWO BOARD MEMBERS, DO YOU HAVE
3 ANYTHING TO ADD AT THIS TIME IN TERMS OF THE
4 RECOMMENDATIONS OF THE REVIEW PANEL?

5 CHAIRMAN GALLAGHER: MR. BEAUTROW.

6 BOARD MEMBER BEAUTROW: I REVIEWED ALL OF THESE
7 VOLUMINOUS MATERIAL MYSELF. AND I CAME TO THE
8 INDEPENDENT CONCLUSION, WITHOUT EVEN DISCUSSING IT WITH
9 THE STAFF OR ANYBODY, THAT THE NO. 1 RATED -- RANKED
10 FIRM, ICF, WAS, INDEED -- HAD FILLED THE REQUIREMENTS.
11 AND YOU DON'T -- THERE'S ONLY TWO POINTS DEDUCTED TO
12 ACTUALLY TO COME WITH A 98 WITH A POSSIBLE HUNDRED IS
13 PRETTY DOGGONE GOOD. I DON'T THINK YOU'VE EVER DONE THAT
14 BEFORE. I CONCUR WITH -- INDEPENDENTLY WITH THAT.

15 BOARD MEMBER BREMBERG: MR. CHAIRMAN.

16 CHAIRMAN GALLAGHER: MRS. BREMBERG.

17 BOARD MEMBER BREMBERG: AS A MEMBER OF THAT
18 REVIEW COMMITTEE, I WOULD JUST LIKE TO SAY THAT CAREN AND
19 BILL CERTAINLY DID A SUPER JOB OF SETTING THE ENTIRE
20 THING UP, BUT IT'S ALWAYS VERY INTERESTING WHEN AN
21 APPLICANT OR WHATEVER YOU CALL IT HAS MADE A MISTAKE.
22 AND SOME OF THEM DO A WONDERFULLY, BEAUTIFUL FANDANGO TAP
23 DANCING AND EVERYTHING TO TRY TO INDICATE THAT WE'RE THE
24 ONES WHO MADE THE MISTAKE AND NOT THEM. THERE WAS ONE
25 WHO MADE THE TERRIBLE MISTAKE, ADMITTED IT UP FRONT. AND

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1 PROCEEDED TO GIVE US ENOUGH ADVICE TO LAST FOR 300 YEARS
2 HOW TO DO IT IN THE FUTURE. BUT IT WAS AN INTERESTING
3 EXPERIENCE.

4 CHAIRMAN GALLAGHER: SOMETHING WE'LL USE MORE OF
5 IN THE FUTURE. ANY MORE QUESTIONS? COMMENTS BY ANYONE?

6 ATTORNEY CONHEIM: MR. CHAIRMAN AND MEMBERS, THE
7 ACTION WE'RE ASKING YOU TODAY TO DO IS FIRST TO REVIEW
8 AND WE'RE ASKING YOU TO ACCEPT STAFF'S RECOMMENDATIONS ON
9 THE SCORING. AND TO THAT END, WE'RE ASKING YOU TO
10 APPROVE THE RATINGS THAT HAVE BEEN PRESENTED TO YOU BY
11 THE COMMITTEE, WHICH CONTAINS STAFF AND TWO MEMBERS OF
12 THE BOARD.

13 SECONDLY, BASED ON YOUR DECISION IN THAT, I
14 WILL ASK THE CHAIRMAN TO OPEN THE SEALED BIDS,
15 SUBMITTED -- SEALED COST BIDS SUBMITTED BY THE QUALIFYING
16 PROPOSER OR PROPOSERS. SO THOSE ARE THE ACTIONS THAT, IN
17 SUMMARY, THAT WE'RE ASKING YOU TO DO AT THIS TIME, AND
18 THAT WOULD BE CONSISTENT WITH THE PUBLIC CONTRACT CODE
19 AND THE INVITATION FOR BID THAT WAS -- THAT YOU APPROVED
20 TO BE RELEASED. IT WAS RELEASED. AND THOSE ARE THE
21 ACTIONS WE'RE ASKING YOU TO TAKE.

22 BOARD MEMBER BEAUTROW: I MOVE THAT WE ACCEPT
23 THE COMMITTEE'S REVIEW AND RANKING OF THE FIRMS.

24 BOARD MEMBER CALLOWAY: SECOND.

25 CHAIRMAN GALLAGHER: IT'S BEEN MOVED AND



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1 SECONDED THAT WE ACCEPT BOARD STAFF AND SUBCOMMITTEE
2 RECOMMENDATIONS. ALL THOSE IN FAVOR? ALL THOSE OPPOSED?
3 SO ORDERED. WE'RE NOW READY TO OPEN THE BIDS.

4 BOARD MEMBER BROWN: MR. CHAIRMAN, I ONLY WANTED
5 TO SAY THAT BECAUSE WE'RE REVIEWING TWO, WE MIGHT OUGHT
6 TO HAVE SPECIFIED THAT THIS WAS THE FINANCIAL ONE AND NOT
7 THE OTHER.

8 ATTORNEY CONHEIM: WE ARE ONLY CONSIDERING --
9 FOR THE RECORD, I THINK WE'RE ONLY CONSIDERING THE
10 FINANCIAL ASSISTANCE BID AT THIS TIME. WE'LL REPEAT THIS
11 PROCESS MOMENTARILY WITH THE PUBLIC INFORMATION ONE.

12 BOARD MEMBER CALLOWAY: THAT'S ITEM NO. 3 ON OUR
13 AGENDA WE'RE TALKING ABOUT?

14 MR. EOWAN: THAT'S CORRECT.

15 ATTORNEY CONHEIM: NOW, IN PRESENTING THE -- I'M
16 GOING TO PRESENT TO THE CHAIRMAN ONLY THE BID FOR ICF
17 INCORPORATED BECAUSE YOU HAVE BECAUSE YOU HAVE -- HAVE
18 YOU VOTED YET?

19 CHAIRMAN GALLAGHER: YES.

20 ATTORNEY CONHEIM: BECAUSE YOU HAVE VOTED TO
21 ACCEPT RATINGS WHICH SHOWED THAT THE OTHER FOUR WERE
22 DISQUALIFIED, WE ARE NOT LEGALLY INTERESTED IN THEIR COST
23 PROPOSALS AT THIS TIME, AND WE WILL RETURN THESE TO THEM
24 UNOPENED.

25 NOW, AT THIS TIME I WANT TO GIVE THIS TO



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1 THE CHAIRMAN AND ASK HIM TO OPEN IT. WE HAVE NOT SEEN
2 IT; YOU HAVE NOT SEEN IT. AND YOU NOW HAVE THE POWER --
3 YOU WILL NOW HAVE TO MAKE A DECISION AS TO WHETHER YOU
4 WANT TO AWARD THE CONTRACT. IF THIS IS NOT A RESPONSIVE
5 BID; AND WE HAVEN'T SEEN IT EITHER, THEN YOU COULD MAKE
6 THAT DECISION AS WELL. I DON'T EXPECT A PROBLEM WITH ANY
7 OF THE BIDS, BUT THAT IS A PART OF YOUR RESPONSIBILITY AT
8 THIS POINT.

9 BOARD MEMBER BEAUTROW: IS THE ONLY MISSING ITEM
10 HERE THE PRICE? IS THAT WHAT WE'RE TALKING ABOUT, NOT TO
11 EXCEED \$50,000?

12 BOARD MEMBER BROWN: PROBLEM IS I FEEL AS THOUGH
13 WE'RE CHOOSING A MISS AMERICA AND BOB IS BERT PARKS.

14 CHAIRMAN GALLAGHER: I WOULD SAY THAT IT IS AN
15 APPROPRIATE BID. YOU WANT TO ANNOUNCE IT, BOB?

16 ATTORNEY CONHEIM: BILL, I WANT YOU TO LOOK AT
17 IT TO MAKE SURE THAT IT'S USED THE RIGHT FORMAT, AND --

18 THE BOTTOM LINE IS \$44,022 AND WE HAVE
19 REVIEWED THE ACTUAL FORMAT. AND FOR THE RECORD, ALL OF
20 THE -- THE BID IS ACTUALLY WRITTEN ON THE FORM THAT WAS
21 INCLUDED IN THE IFB, AND ALL OF THE PARTS OF THAT FORM
22 ARE FILLED OUT SO THAT, ON THE SURFACE, IT IS AN
23 APPROPRIATE BID, AND I HAVE GIVEN YOU THE COST FIGURE,
24 \$44,022.

25 BOARD MEMBER BEAUTROW: MOVE WE ACCEPT THE BID



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1 OF ICF. AND YOU WANT THAT STATED AS BEING A RESPONSIVE.

2 BOARD MEMBER CALLOWAY: SECOND.

3 CHAIRMAN GALLAGHER: IT'S BEEN MOVED AND
4 SECONDED THAT WE ACCEPT THE BID FOR THE AMOUNT SPECIFIED.
5 ALL THOSE IN FAVOR? OPPOSED? SO ORDERED.

6 ATTORNEY CONHEIM: I TAKE IT, JUST FOR
7 CLARIFICATION, THAT THIS VOTE REPRESENTS YOUR DECISION TO
8 AWARD THE CONTRACT TO ICF INCORPORATED. THIS NOW -- AS
9 SOON AS THIS IS POSTED -- WE'LL CALL BACK UP TO THE
10 BOARD. AS SOON AS THIS IS POSTED, WE WILL BEGIN A
11 FIVE-DAY -- FIVE-WORKING-DAY WAITING PERIOD, AND THEN WE
12 ARE FREE AFTER THAT POINT IF THERE ARE NO PROTESTS TO
13 ACTUALLY AWARD THE CONTRACT, SIGN THE CONTRACT.

14 CHAIRMAN GALLAGHER: THANK YOU. READY NOW FOR
15 ITEM 4?

16 MR. EOWAN: YES, MR. CHAIRMAN. CHRIS?

17 MR. PECK: THANK YOU, MR. CHAIRMAN, BOARD
18 MEMBERS. THERE ARE A LOT OF SIMILARITIES BETWEEN THIS
19 ITEM AND THE ONE THAT YOU JUST CONSIDERED. IN FACT, IN
20 MANY WAYS, ONLY THE DATES, NAMES, AND SCORES ARE
21 DIFFERENT. SO, JUST TO SUMMARIZE REAL QUICK, I DON'T
22 WANT TO REINVENT THE WHEEL HERE.

23 THIS INVITATION FOR BIDS WAS PUBLISHED IN
24 THE STATE CONTRACTS REGISTRY AS REQUIRED BY STATE
25 CONTRACTS LAW. WE MAILED 58 INVITATIONS TO BID THAT

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1 REQUESTED IT SPECIFICALLY. WE RECEIVED FIVE PROPOSALS BY
2 THE OCTOBER 13TH DEADLINE. AND WE, AS IN THE CASE OF THE
3 PREVIOUS ITEM, SENT COPIES OF THE ITEM AND ALL RESPONSES
4 TO ALL THE BOARD MEMBERS TO REVIEW.

5 MEETING ACTUALLY THE WEEK BEFORE THE PANEL
6 THAT CONSIDERED THE FINANCIAL IFB, OUR REVIEW PANEL,
7 CONSISTING OF BOARD MEMBER LES BROWN, JOELLEN JACKSON,
8 OUR DIRECTOR OF LEGISLATION AND PUBLIC AFFAIRS, AND
9 MYSELF CAME TO THE CONCLUSION, AFTER REVIEWING AND
10 DISCUSSING ALL FIVE PROPOSALS, REVIEWING ALL THE
11 COLLATERAL MATERIALS WHICH INCLUDED VIDEO TAPES AND
12 CASSETTE TAPES, PUBLIC SERVICE ANNOUNCEMENTS, PRINT
13 MATERIALS THAT ALL FIVE BIDDERS HAD SUBMITTED IN SUPPORT
14 OF THEIR RESPONSES AND CLARIFYING INTERVIEWS WITH EACH
15 ONE OF THEM, WE CAME TO THE CONCLUSION THAT RAY MCNALLY
16 AND ASSOCIATES WAS THE ONE QUALIFIED BIDDER. I USE THE
17 TERM "QUALIFIED" VERY CAREFULLY HERE.

18 THERE ARE A LOT OF GOOD THINGS ABOUT ALL
19 THE PROPOSERS. THIS IS A TOUGH BUSINESS. I DON'T WANT
20 TO SAY THAT THESE PEOPLE ARE NOT QUALIFIED. THE REVIEW
21 COMMITTEE FELT UNANIMOUSLY THAT THE ONE FIRM PROPOSER
22 WHICH WAS UNIQUELY QUALIFIED FOR THE SET OF
23 RESPONSIBILITIES THAT WE WERE GOING TO HAND TO THIS
24 CONTRACTOR WAS RAY MCNALLY AND ASSOCIATES.

25 THERE IS ATTACHED TO OUR COMMITTEE MEMO TO

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1 THE BOARD WHICH IS NOVEMBER 14TH A DETAILED ANALYSIS OF
2 WHERE AND WHY WE MARKED PEOPLE DOWN IN USING THE BID
3 RATING SHEET, WHICH APPEARS ON PAGE 68 OF THE BOARD
4 PACKET.

5 SO I WOULD RECOMMEND -- I GUESS, THE
6 COMMITTEE RECOMMENDS TO THE BOARD THAT YOU ADOPT THESE
7 RATINGS AND ALLOW US TO OPEN THE BIDS. THE COURIER
8 BROUGHT THEM DOWN FROM SACRAMENTO.

9 BEFORE WE CLOSE, EITHER LES OR JOELLEN WANT
10 TO MAKE ANY ADDITIONAL COMMENTS TO THE COMMITTEE?

11 BOARD MEMBER CALLOWAY: IF THERE ARE NO
12 COMMENTS, MR. CHAIRMAN, I WOULD MOVE THAT WE ACCEPT THE
13 RECOMMENDATION OF THE COMMITTEETEE.

14 BOARD MEMBER BREMBERG: SECOND.

15 CHAIRMAN GALLAGHER: MR. CALLOWAY HAS MADE A
16 MOTION THAT WE ACCEPT THE STAFF RECOMMENDATIONS ON THIS
17 ELECTION OF RAY MCNALLY AND ASSOCIATES AS THE MOST
18 QUALIFIED OF THE BIDDERS THAT WERE INVOLVED AND MS.
19 BREMBERG HAS SECONDED. WE'RE NOW READY FOR A VOTE? ALL
20 THOSE IN FAVOR? OPPOSED? PASSED AND SO ORDERED.

21 ARE WE READY NOW TO OPEN THAT ONE BID?

22 ATTORNEY CONHEIM: THE ONE BID HERE -- THIS IS
23 SEALED SO TIGHTLY THAT IT MAY BE DIFFICULT.

24 MR. PECK: FOR THE RECORD. THE MAXIMUM PRICE ON
25 THIS CONTRACT IS \$100,000.



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1 BOARD MEMBER BEAUTROW: MAY I ASK A QUESTION?
2 ON THE PREVIOUS ONE WE SAID FOUR OUT OF THE FIVE WERE
3 NOT -- DIDN'T SUBMIT THE COMPLETE PACKAGE AND YOU
4 DECLINED TO OPEN THE ENVELOPES. BUT WHAT ABOUT -- IS
5 THERE ANY -- THESE WERE ALL QUALIFIED, BUT YOU'RE ONLY
6 OPENING ONE OR WHAT?

7 ATTORNEY CONHEIM: MR. CHAIRMAN, TWO POINTS OF
8 CLARIFICATION. ON THE PREVIOUS BID, WE DID NOT SAY THAT
9 THEY HAD SUBMITTED INCOMPLETE PACKAGES. THE COMMITTEE
10 RECOMMENDED THE SCORES THAT YOU HAD BEFORE YOU, AND THEY
11 WERE -- THE FOUR WERE LOW RATED, LOWER THAN THE MANDATORY
12 80 POINTS TO QUALIFY, BUT THAT DIDN'T INDICATE AND EXCEPT
13 WHERE THE NARRATIVE INDICATED THAT SOMETHING WAS
14 INCOMPLETE.

15 BUT THE SITUATION IS SIMILAR WITH THE
16 PUBLIC INFORMATION BID, THAT ALL OF THE PROPOSALS WERE
17 RATED. NONE OF THEM -- NONE OF THE TEN WERE DISQUALIFIED
18 AND NOT RATED. ALL OF THEM WERE RATED, AND ONLY ONE IN
19 EACH GROUP WAS DEEMED QUALIFIED AND RECOMMENDED TO YOU AS
20 QUALIFIED.

21 IS THAT RESPONSIVE TO YOUR QUESTION?

22 MR. BEAUTROW: I'M NOT SURE. I REMEMBER WHAT I
23 ASKED. THAT WASN'T THE ANSWER.

24 ATTORNEY CONHEIM: THE PROPOSAL FOR MCNALLY WAS
25 SUBMITTED ON THE PROPER ATTACHMENT THAT WAS PROVIDED IN

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1 THE IFB AND ALL OF THE CATEGORIES WERE COMPLETED. THE
2 BOTTOM LINE IS \$84,000.

3 BOARD MEMBER ARAKALIAN: THIS IS LIKE ACADEMY
4 AWARDS, OPENING THE ENVELOPE.

5 CHAIRMAN GALLAGHER: WHICH IS WITHIN THE LIMITS
6 THAT WERE ESTABLISHED IN THE REQUEST.

7 BOARD MEMBER CALLOWAY: MR. CHAIRMAN, I WOULD
8 MOVE THAT THE CONTRACT BE AWARDED TO RAY MCNALLY AND
9 ASSOCIATES FOR \$84,000.

10 CHAIRMAN GALLAGHER: MR. CALLOWAY HAS MADE A
11 MOTION. WILL YOU REPEAT THE MOTION, MR. CALLOWAY, SO
12 THAT --

13 BOARD MEMBER CALLOWAY: MR. CHAIRMAN, I MOVE
14 THAT THE CONTRACT BE AWARDED TO RAY MCNALLY AND
15 ASSOCIATES FOR \$84,000.

16 CHAIRMAN GALLAGHER: HAVE A SECOND, PLEASE?

17 BOARD MEMBER BREMBERG: SECOND.

18 CHAIRMAN GALLAGHER: IT'S BEEN MOVED AND
19 SECONDED THAT WE AWARD THE CONTRACT TO RAY MCNALLY AND
20 ASSOCIATES. ALL THOSE IN FAVOR? OPPOSED? PASSED AND SO
21 ORDERED.

22 ATTORNEY CONHEIM: AND NOW, AS SOON AS WE REPORT
23 THIS BACK UP TO SACRAMENTO AND THEY POST IT, PHYSICALLY
24 POST THE AWARD, IT WILL BEGIN A FIVE-DAY WAITING PERIOD
25 FOR PROTESTS, AT THE END OF WHICH, IF THERE ARE NONE, WE

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1 MAY SIGN THE CONTRACT.

2 CHAIRMAN GALLAGHER: IS THE SAME COMMITTEE GOING
3 TO BE CONVENED TO HEAR ALL THE PROTESTS?

4 BOARD MEMBER CALLOWAY: WITH THE SALARY WE PAY
5 THOSE PEOPLE, OF COURSE, THEY DON'T MIND RECONVENING A
6 COUPLE TIMES.

7 ATTORNEY CONHEIM: THE PROTESTS ARE HEARD BY A
8 HEARING OFFICER ASSIGNED BY THE DEPARTMENT OF GENERAL
9 SERVICES, WHICH IN THE PAST HAS BEEN A DEPUTY DIRECTOR OF
10 THE DEPARTMENT OF GENERAL SERVICES. THAT STILL APPEARS
11 TO BE THE PROCESS.

12 CHAIRMAN GALLAGHER: I WAS ONLY BEING FACETIOUS
13 ANYWAY. THANK YOU.

14 NOW, WE'RE GOING TO HAVE A CLOSED SESSION,
15 SO I'LL HAVE TO ASK THAT THE ROOM BE CLEARED. THOSE OF
16 YOU WHO HAVE AN INTEREST IN ITEM NO. 1, YOU MAY WANT TO
17 STAND BY IN THE HALL. WE MAY HAVE SOME TIME, BUT AT THIS
18 POINT IN TIME IT LOOKS DOUBTFUL WE WILL HAVE ANY
19 ADDITIONAL TIME TO SPEND BECAUSE IT IS ABSOLUTELY
20 NECESSARY TO CLEAR THIS ROOM BY A SPECIFIED HOUR. AND
21 THERE ARE SOME CONNECTIONS THAT NEED TO BE MADE WITH THE
22 COUNTY SUPERVISORS GROUP OVER AT DEL CORONADO.

23 SO THANK YOU ALL FOR COMING IN, AND AS SOON
24 AS THE ROOM IS CLEARED, WE'LL GO INTO CLOSED SESSION.

25 (END OF PROCEEDINGS.)

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REPORTER'S CERTIFICATE

I, BETH C. DRAIN, HEREBY CERTIFY THAT ON THE 16TH DAY OF NOVEMBER, 1988, I DID REPORT IN SHORTHAND THE TESTIMONY AND PROCEEDINGS OF THE FOREGOING HEARING; THAT AT THE CONCLUSION OF THE ABOVE-ENTITLED MATTER, I DID TRANSCRIBE MY SHORTHAND NOTES INTO TYPEWRITING; AND THAT THE FOREGOING TRANSCRIPT IS A TRUE AND CORRECT COPY OF MY SHORTHAND NOTES THEREOF.

Beth C. Drain

CERTIFIED SHORTHAND REPORTER

CERTIFICATE NO. 7152



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