CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: June 19, 2007
Executive Summary
Request for Initial Resolution

Prepared by: Deanna Hamelin

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Mottra Corporation and/or its Affiliates</th>
</tr>
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<tbody>
<tr>
<td>Project</td>
<td>Paramount, Montebello, &amp; Downey (Los Angeles County), Irvine, San Juan Capistrano (Orange County)</td>
</tr>
<tr>
<td>Amount Requested</td>
<td>$11,700,000</td>
</tr>
<tr>
<td>Application No.</td>
<td>798 (SB)</td>
</tr>
<tr>
<td>Initial Resolution No.</td>
<td>07-06</td>
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</table>

**Type of Business:** Mottra Corporation and/or its Affiliates (the “Company”) provides refuse collection and disposal services for the cities of Downey, Pico Rivera, Cerritos, Bellflower, Paramount, Lomita, Commerce, Seal Beach, Bell Gardens, Montebello, Long Beach, Los Angeles, and unincorporated areas of Los Angeles County.

**Project Description:** Bond proceeds will be used to finance the construction of a new building and renovation of an existing structure at Paramount Resource Recycling, an existing material recovery facility (MRF), to allow for more efficient operations. The Company also must update and expand its fleet and retrofit a majority of its existing waste collection vehicles with cleaner burning fuel consumption equipment. The Company also plans to acquire additional containers to be used throughout its service areas. In addition, the Company intends to acquire construction and demolition (C&D) processing equipment to enhance its recycling capacity (the “Project”). The new and retrofitted waste collection vehicles and mobile C&D processing equipment may be housed from time to time at any one of the Company’s operating locations in Montebello, Downey, Irvine, San Juan Capistrano, and Paramount.

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

**Waste Diversion.** The new containers that the Company plans to purchase will encourage consumer participation with the separation of recyclables and, thereby, will assist in diverting or minimizing the amount of material destined for the landfills.

**Ratepayer Benefits.** The availability of tax exempt financing has allowed the Company to minimize rate increases that would otherwise have been necessary to pay for the capital improvements required to meet Assembly Bill (AB) 939 goals.

**Pollution Control:** The Company represents that the Project will generate the following pollution control benefits described below.

**Air Quality.** The Company intends to purchase new waste collection vehicles that are California Air Resources Board (CARB) compliant and will meet mandates set forth by the South Coast Air Quality Management District. The new vehicles will provide a reduction in nitrogen oxides and other particulate matter as compared with the diesel trucks that are currently used.
**Water Quality.** The proposed recycling facilities will be operating on concrete surfaces and will not operate on exposed ground areas. This will prevent any seepage of contaminants into the ground water.

**Energy Efficiency.** The new waste collection vehicles are more fuel efficient and, therefore, reduce consumption of fossil fuels.

**Permits:** The Company has provided the Authority with copies of all required discretionary permits.

**Financing Details:** The Company anticipates the issuance of a negotiated, tax-exempt, variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with a direct pay Letter of Credit from a bank that is rated at least “A-” or better from Fitch rating agency.

**Financing Team:**

- **Underwriter:** Westhoff, Cone & Holmstedt
- **Bond Counsel:** Orrick, Herrington & Sutcliffe
- **Financial Advisor:** Andrew S. Rose

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

**Staff Recommendation:** Staff recommends approval of Initial Resolution No. 07-06 for Mottra Corporation and/or its affiliates for an amount not to exceed $11,700,000.

*Note:* An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.
MOTTRA CORPORATION
Bond Amount: $11,700,000
Paramount, Montebello, & Downey (Los Angeles County), Irvine, San Juan Capistrano (Orange County)
Application No. 798 (SB)
June 19, 2007

STAFF SUMMARY – CPCFA
Prepared by: Deanna Hamelin

ISSUE:
Mottra Corporation and/or its Affiliates (the “Company”) requests approval of Initial Resolution No. 07-06 for an amount not to exceed $11,700,000 to construct a new building and renovate an existing structure at Paramount Resource Recycling, the Company’s MRF. Bond proceeds will also be used to acquire new waste collection vehicles, retrofit existing waste collection vehicles, purchase additional containers, and acquire mobile construction and demolition equipment.

CDLAC Allocation. The Company has applied for CDLAC allocation which will be considered at the July 25, 2007 meeting.

BORROWER:
Mottra Corporation was incorporated in California in 1992. The Company provides refuse collection and disposal services to the cities of Downey, Pico Rivera, Cerritos, Bellflower, Paramount, Lomita, Commerce, Seal Beach, Bell Gardens, Montebello, Long Beach, Los Angeles, and unincorporated areas of Los Angeles County.

The principal stockholders of the Company are as follows:

- Tom Blackman .................. 50%
- Art Kazarian ..................... 50%
- Total: ............................. 100%

Mottra Corporation is the owner of Calmet Services, Inc. and is affiliated with the following Companies:

- Calmet Properties LLC (property holding company)
- Tierra Verde Industries
- E-Recycling of California
- Mottra Properties (property holding company)
- Paramount Resource Recycling

Some of the owners of the Company own some interest and common ownership in other enterprises, including the companies listed below, but there is no majority control of those entities.

- Big Bear Disposal - owned 33.33% by Tom Blackman, 33.33% by Art Kazarian, and 33.34% by Gino Scopesi.
• **OSO Grande, LLC** – owned 30% by Tom Blackman, 30% by Gino Scopesi, and 40% by Kris & Gary Kazarian.

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

**Prior Actions and Financings.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Date of Bond Issue</th>
<th>Original Amount</th>
<th>Amount Outstanding as of 6/15/2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mottra Corporation</td>
<td>05/29/2002</td>
<td>$5,500,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Calsan, Inc. 1996B *</td>
<td>12/04/1996</td>
<td>$18,700,000</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTALS:</strong></td>
<td></td>
<td><strong>$24,200,000</strong></td>
<td><strong>$3,000,000</strong></td>
</tr>
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* CalMet Services, Inc. acquired $5,000,000 of Calsan’s Authority debt as a result of purchasing certain of its assets.

**PROJECT INFORMATION:**

The Company provides refuse collection and waste disposal services to the cities of Downey, Pico Rivera, Cerritos, Bellflower, Paramount, Lomita, Commerce, Seal Beach, Bell Gardens, Montebello, Long Beach, Los Angeles, and unincorporated areas of Los Angeles County. Bond proceeds will be used to finance the construction of a new building and renovation of an existing structure at Paramount Resource Recycling, an existing material recovery facility (MRF), to allow for more efficient operations. The Company also must update and expand its fleet and retrofit a majority of its existing waste collection vehicles with cleaner burning fuel consumption equipment. The Company also plans to acquire additional containers to be used throughout its service areas. In addition, the Company intends to acquire construction and demolition (C&D) processing equipment to enhance its recycling capacity (the “Project”). The new and retrofitted waste collection vehicles and mobile C&D processing equipment may be housed from time to time at any one of the Company’s operating locations in Montebello, Downey, Irvine, San Juan Capistrano, and Paramount.

The anticipated Project and issuance costs are listed below:

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>Containers</td>
<td>$5,500,000</td>
</tr>
<tr>
<td>Waste collection vehicles</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Mobile C&amp;D Processing equipment</td>
<td>700,000</td>
</tr>
<tr>
<td>Including conveyors, screens, sort lines, crushers, and grinders</td>
<td></td>
</tr>
<tr>
<td>Sort-line</td>
<td>650,000</td>
</tr>
<tr>
<td>New Building Construction and Site Improvements</td>
<td>650,000</td>
</tr>
<tr>
<td>Waste collection vehicle retrofitting</td>
<td>620,000</td>
</tr>
<tr>
<td>Letter of Credit Fee</td>
<td>324,637</td>
</tr>
<tr>
<td>Bond Issuance Expenses</td>
<td>234,000</td>
</tr>
<tr>
<td>Contingency Fee</td>
<td>21,363</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$11,700,000</strong></td>
</tr>
</tbody>
</table>
Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

**PUBLIC BENEFITS:**
The Company represents that the Project is designed to generate the public benefits described below.

**Waste Diversion.** The new containers that the Company plans to purchase will encourage consumer participation with the separation of recyclables and, thereby, will assist in diverting and/or minimizing the amount of material destined for the landfills.

**Ratepayer Benefits.** The availability of tax exempt financing has allowed the Company to minimize rate increases that would otherwise have been necessary to pay for the capital improvements required to meet Assembly Bill (AB) 939 goals.

**POLLUTION CONTROL:**
The Company represents that the Project will generate the pollution control benefits described below.

**Air Quality.** The Company intends to purchase new waste collection vehicles that are CARB compliant and will meet mandates set forth by the South Coast Air Quality Management District. The new vehicles will provide a reduction in nitrogen oxides and other particulate matter as compared with the diesel trucks that are currently used.

**Water Quality.** The proposed recycling facilities will be operating on concrete surfaces and will not operate on exposed ground areas. This will prevent any seepage of contaminants into the ground water.

**Energy Efficiency.** The new waste collection vehicles are more fuel efficient and, therefore, reduce consumption of fossil fuels.

**PERMITTING & ENVIRONMENTAL APPROVALS:**
The Company has provided the Authority with copies of all required discretionary permits.
ANTICIPATED TIMELINE:
The Company anticipates starting the equipment purchases in July 2007. Project completion is anticipated by July 2009.

FINANCING DETAILS:
The Company anticipates the issuance of a negotiated, tax-exempt, variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with a direct pay Letter of Credit from a bank that is rated at least “A-” or better from Fitch rating agency.

FINANCING TEAM:
- Underwriter: Westhoff, Cone & Holmstedt
- Bond Counsel: Orrick, Herrington & Sutcliffe
- Financial Advisor: Andrew S. Rose

RECOMMENDATION:
Staff recommends approval of Initial Resolution No. 07-06 for Mottra Corporation and/or its affiliates for an amount not to exceed $11,700,000.
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
MOTTRA CORPORATION AND/OR ITS AFFILIATES

June 19, 2007

WHEREAS, the California Pollution Control Financing Authority ("Authority"), a public
instrumentality, is authorized and empowered by the provisions of the California Pollution
Control Financing Authority Act ("Act") to issue bonds for the purpose of defraying the cost of
facilities for the disposal of solid and liquid waste products, including resource recovery and
energy conversion facilities; and

WHEREAS, Mottra Corporation, a California corporation, and/or its affiliates (the
"Company") has submitted an application (the “Application”) requesting that the Authority assist
in financing the expansion and renovation of existing buildings and facilities, construction of
new buildings and facilities and the acquisition and installation of equipment for solid waste
processing facilities and facilities to support solid waste collection, and acquisition of solid waste
collection vehicles and carts, as more fully described in the Application (collectively, the
"Project") to be owned and operated by the Company, and have presented an estimate of the
maximum cost of such Project as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste
disposal facilities and equipment which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the
Act that the Project be acquired at the earliest practicable date, but the Company requires
satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority
will be made available to finance such Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain
expenditures in connection with the Project prior to the issuance of indebtedness for the purpose
of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority
reasonably expects that debt obligations in an amount not expected to exceed $11,700,000 will
be issued and that certain of the proceeds of such debt obligations will be used to reimburse the
Company for its prior expenditures for the Project; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations
require the Authority to declare its reasonable official intent to reimburse prior expenditures for
the Project with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing
Authority as follows:
Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to $11,700,000 principal amount of bonds of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Project. Each bond shall contain a statement to the following effect:

"Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond."

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the bond proceeds to finance the Project; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is hereby authorized to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and to meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute "some other similar official action" towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on June 19, 2010 unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company’s application, and an explanation of the status of the Project.
EXHIBIT A

NUMBER: 798 (SB)

LOCATION: 7230 Petterson Lane, Paramount, CA 90723

Trucks will be housed at the location above or at: 7237 Petterson Lane, Paramount, CA 90723; 9821 Downey Norwalk Road, Downey, CA 90241; 6900 & 7420 Marine Way, Irvine, CA 92618; and 31748 La Pata Avenue, San Juan Capistrano, CA 92675

Carts and bins will be located at customers’ sites in the company’s service territory in Los Angeles and Orange Counties

TYPE: Solid Waste Disposal

AMOUNT: Up to $11,700,000