

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 25, 2009
Request for Initial Resolution

Prepared by: *Doreen Smith*

Applicant: Waste Resources, Inc. and/or its Affiliates	Amount Requested: \$50,930,000
Project	Application No.: 00819(SB)
Location: Gardena (Los Angeles County)	Initial Resolution No.: 09-03

Summary. Waste Resources, Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$50,930,000 to finance land acquisition, construction and equipment for a Material Recovery Facility (MRF) expansion and Transfer Station. The Company provides refuse collection and disposal services in Gardena. The Company anticipates that the project will provide waste diversion and environmental benefits.

Borrower. The Company incorporated in California in August 2003 and provides refuse collection and disposal services in Los Angeles County.

Waste Resources, Inc. owns 100% of Waste Resources Gardena, Inc. and Waste Resources Recovery, Inc. The majority owner of Waste Resources, Inc. also owns a controlling interest in Pacific Waste, Inc. in Hawaii which owns Aloha Waste Systems, Inc.

The principal stockholders of the Company are as follows:

Kosti Shirvanian.....	80%
Oakmark Automotive Holdings.....	4%
Various (less than 3% each).....	16%
Total:.....	100%

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. None for this project; however, in November 2003 the Company received an IR for a project in the City of Los Angeles. No bonds were issued for that project.

Project Description. The Company plans to expand its MRF and Transfer Station in Gardena. This will involve the acquisition of a parcel of land next to the Company’s current operation and to build and equip a substantially larger MRF. The MRF processing equipment will include conveyors, sort lines, balers, grinders and loaders. The Company is also considering installing a pyrolysis unit which will convert the majority of the residual material that is not recyclable. This process will produce biodiesel fuel.

The anticipated Project and issuance costs are listed below:

Land Purchase.....	\$6,500,000
Building Construction.....	5,000,000
MRF Equipment.....	30,000,000
Permits.....	5,000,000
Capitalized Interest.....	2,037,200
Bond Issuance Expenses.....	2,392,800
Total:.....	<u>\$50,930,000</u>

Anticipated Timeline. The Company anticipates purchasing the land in March 2010. Construction and equipment purchases are anticipated to begin in August 2010 with completion in August 2011.

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Waste Diversion. In addition to the customary MRF functions which are designed to increase waste diversion and minimize landfilled material, the Company intends to utilize a pyrolysis process to convert of the majority of the residual material which is not recyclable. The pyrolysis process will produce biodiesel fuel.

Recycling of Commodities. The Company will recycle all solid waste delivered to the plant including, but not limited to, paper, cardboard, commingled recyclable waste, glass, aluminum, plastic and other marketable materials.

Other. The Company will comply with all applicable state and federal environmental regulations regarding solid waste disposal. The Project will meet the requirements of the United States Resource Conservation and Recovery Act (RCRA) and the California Integrated Waste Management Act of 1989 (AB 939) that mandate the need to minimize the amount of material landfilled and maximize recycling opportunities.

Permits. The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in the first quarter of 2010. If the Company pursues financing of the pyrolysis unit, staff will complete a new technology policy review.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is March 2010.

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Orrick, Herrington & Sutcliffe
Financial Advisor: Andrew S. Rose
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 09-03 for Waste Resources and/or its Affiliates for an amount not to exceed \$50,930,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
WASTE RESOURCES, INC. AND/OR ITS AFFILIATES**

February 25, 2009

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, Waste Resources, Inc., a California corporation (the “Applicant”), and/or its affiliates (collectively, the “Company”) has submitted an application (the “Application”) requesting that the Authority assist in financing the acquisition, construction and equipping of facilities for the collection, processing, recycling and/or disposal by transformation of solid waste 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 and resource recovery 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 \$50,930,000 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. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a “participating party” as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$50,930,000 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. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Agenda Item - 4.A.2.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Resolution shall cease to be effective on February 25, 2012 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: 00819(SB)

LOCATION: 357 West Compton Blvd., Gardena, CA 90248
15001 South Broadway, Gardena, CA 90248

TYPE: Solid Waste Disposal

AMOUNT: Up to \$50,930,000