

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: August 28, 2007
Executive Summary
Request for Initial Resolution

Prepared by: *Doreen Carle*

Applicant: GreenWaste Recovery, Inc. and/or its Affiliates	Amount Requested: \$9,300,000
Project	Application No.: 799
Location: City of San José (Santa Clara County)	Initial Resolution No.: 07-07

Type of Business: GreenWaste Recovery Inc. (the “Company” or “GreenWaste”) was incorporated in San José in May 1991 and also does business as \$99 Debris Box Service. Affiliated companies include GreenTeam/Zanker of Sunnyvale and Zanker Road Resource Management, Ltd., which includes the Z-Best Composting division. The Company operates several facilities, including material recovery facilities (MRFs) and transfer stations in the San José area.

Project Description:

Background: In May 2007, CPCFA issued \$38,305,000 in bonds for GreenWaste Recovery to finance an expansion of its MRF, the purchase of land for a corporate yard site, and the acquisition of collection vehicles and containers. One of the locations for the May 2007 projects was leased from an unaffiliated third party, Central California Conference of Seventh-day Adventists, a California religious corporation. Subsequently, this site became available for purchase, and GreenWaste proposes to purchase this site with the May 2007 bond proceeds. This proposal requires:

- 1) Refunding of bonds to reflect a change in the use of bond proceeds (i.e., a reallocation from the acquisition of collection vehicles and containers to the purchase of land); and
- 2) New Initial and Final Resolutions for the acquisition of the collection vehicles and containers.

The Initial Resolution before you today is for the acquisition of collection vehicles and containers. The Final Resolution and the proposed refunding will be presented to the Board at the upcoming September meeting.

Project Components: The Company intends to purchase CARB-compliant, split-body collection vehicles. The Company also intends to purchase containers that will allow its customers to implement a single stream recycling collection program. These containers will replace the current source separated containers. The vehicles and containers will be used throughout the Company’s service area within Santa Clara, Santa Cruz, San Mateo, and San Benito counties. In addition to the counties listed, the Company’s service area includes franchised areas within the cities of San José, San Juan Batista, Woodside, Portola Valley, and Petaluma, and at least 60 other subdivisions in the greater Bay Area in which the Company offers debris box service.

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

Waste Diversion. The implementation of the proposed single stream recycling collection program will encourage consumer recycling and will thereby assist in diverting or minimizing the amount of material destined for the landfills.

Pollution Control/Environmental Benefits: The Company represents that the Project will generate the following environmental benefits.

Air Quality. The new CARB-compliant vehicles will emit fewer pollutants than the conventionally powered diesel fleet currently in use. All new collection vehicles will meet the 2007 emission standards.

Energy Efficiency. The use of split-body collection vehicles will reduce the number of truck trips currently needed to collect solid waste as these vehicles are capable of collecting two types of waste at once. The split-body vehicles will complete collection in two passes through each neighborhood, while the vehicles currently in use require three passes. Thus, the split-body collection vehicles will aid in the reduction of traffic congestion and fuel consumption.

Other. The implementation of a single stream recycling program will make recycling easier than the current source separated system for residents and businesses. Commercial customers will be actively encouraged to recycle, and the Company anticipates offering a food waste program in the future.

Permits: This is an equipment only financing request and does not require any discretionary permits.

Financing Details: The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue 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 the fourth quarter of 2007.

Financing Team:

- Underwriter:** Westhoff, Cone & Holmstedt
- Bond Counsel:** Law Offices of Leslie M. Lava
- Financial Advisor:** Andrew S. Rose
- Issuer’s Counsel:** Office of the Attorney General

Legal Questionnaire:

Background: At the March 2007 meeting, when the Authority Board approved the Final Resolution for the bonds issued in May 2007, staff reported as follows below.

The Company disclosed a lawsuit that was filed against it by the City of San José in 1997. The issue, a contract dispute, was previously disclosed to the Authority in February 2001 and has been resolved.

Staff also discovered enforcement actions at the City of San José, violations at the Sunnyvale MRF, and a cease and desist order for an unpermitted C&D (Construction & Demolition) facility in San José. These issues have been resolved to the satisfaction of the Local Enforcement Agency (LEA).

Agenda Item – 4.B.1.

Staff did not believe that the disclosed issues affected the Company’s ongoing financial viability, and staff recommended approval for the final resolution.

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

Currently, staff does not believe that the previously disclosed issues affect the Company’s ongoing financial viability.

Staff Recommendation: Staff recommends approval of Initial Resolution No. 07-07 for GreenWaste Recovery, Inc. and/or its Affiliates for an amount not to exceed \$9,300,000.

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

**GREENWASTE RECOVERY, INC.
AND/OR ITS AFFILIATES**

Bond Amount: \$9,300,000

City of San José (Santa Clara County)

Application No. 799

August 28, 2007

STAFF SUMMARY – CPCFA

Prepared by: *Doreen Carle*

ISSUE:

GreenWaste Recovery, Inc. and/or its Affiliates (the “Company” or “GreenWaste”) requests approval of Initial Resolution No. 07-07 for an amount not to exceed \$9,300,000 to finance the purchase of collection vehicles and containers.

BORROWER:

The Company was incorporated in San José in May 1991 and also does business as \$99 Debris Box Service. Affiliated companies include Zanker Road Resources Management, Ltd., of which Z-Best Composting is a division, and GreenTeam/Zanker of Sunnyvale. The Company operates several facilities including material recovery facilities (MRFs) and transfer stations in the San José area. The Company provides residential and commercial collection of garbage, recyclables and yard trimmings as well as street sweeping and debris box services. The Company has contracts to service San José (Santa Clara County), Portola Valley and Woodside (San Mateo County), San Juan Bautista (San Benito County), Petaluma (Sonoma County), and unincorporated areas of Santa Cruz, San Mateo, San Benito, and Santa Clara Counties.

The principal stockholders of the Company are listed on Attachment A.

Legal Questionnaire.

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Staff did not believe that the disclosed issues affected the Company’s ongoing financial viability, and staff recommended approval for the final resolution.

Current Application: 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.

Currently, staff does not believe that the previously disclosed issues affect the Company’s ongoing financial viability.

Prior Actions and Financings. Prior actions and financings are detailed below.

Project	Issue Date	Amount Issued	Bond Amount Outstanding as of 08/15/07
GreenWaste of Tehama*	06/03/1999	\$ 3,435,000	\$ 640,000
GreenWaste Recovery, Inc.	06/03/1999	3,625,000	1,680,000
Zanker Road Landfill	06/03/1999	6,370,000	4,045,000
Zanker Road Landfill	06/03/1999	2,960,000	0
GreenWaste Recovery, Inc.	10/10/2001	8,305,000	1,115,000
GreenWaste Recovery, Inc.	01/06/2006	12,315,000	11,730,000
GreenWaste Recovery, Inc.	05/30/2007	38,305,000	<u>38,305,000</u>
	Totals:	<u>\$75,315,000</u>	<u>\$57,515,000</u>

* This bond was assumed by Waste Connections in 2003.

PROJECT INFORMATION:

Background: In May 2007, CPCFA issued \$38,305,000 in bonds for GreenWaste Recovery to finance an expansion of its MRF, the purchase of land for a corporate yard site, and the acquisition of collection vehicles and containers. One of the locations for the May 2007 projects was leased from an unaffiliated third party, Central California Conference of Seventh-day Adventists, a California religious corporation. Subsequently, this site became available for purchase, and GreenWaste proposes to purchase this site with the May 2007 bond proceeds. This proposal requires:

- 1) Refunding of bonds to reflect a change in the use of bond proceeds (i.e., a reallocation from the acquisition of collection vehicles and containers to the purchase of land); and
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The anticipated Project and issuance costs are listed below:

Waste Collection Vehicles	\$7,995,000
Containers	945,000
Bond Issuance Expenses	<u>360,000</u>
Total:	<u>\$9,300,000</u>

PUBLIC BENEFITS:

The Company represents that the Project is designed to generate the public benefits described below.

Waste Diversion. The implementation of the proposed single stream recycling collection program will encourage consumer recycling and will thereby assist in diverting or minimizing the amount of material destined for the landfills.

POLLUTION CONTROL:

The Company represents that the Project will generate the following pollution control benefits.

Air Quality. The new CARB-compliant vehicles will emit fewer pollutants than the conventionally powered diesel fleet currently in use. All new collection vehicles will meet the 2007 emission standards.

Energy Efficiency. The use of split-body collection vehicles will reduce the number of truck trips currently needed to collect solid waste as these vehicles are capable of collecting two types of waste at once. The split-body vehicles will complete collection in two passes through each neighborhood, while the vehicles currently in use require three passes. Thus the split-body collection vehicles will aid in the reduction of traffic congestion and fuel consumption.

Other. The implementation of a single stream recycling program will make recycling easier than the current source separated system for residents and businesses. Commercial customers will be actively encouraged to recycle, and the Company anticipates offering a food waste program in the future.

PERMITTING & ENVIRONMENTAL APPROVALS:

This is an equipment only financing request and does not require any discretionary permits.

ANTICIPATED TIMELINE:

The Company anticipates commencing equipment purchases in September 2007 with a scheduled completion date of September 2008.

FINANCING DETAILS:

The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue 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 the fourth quarter of 2007.

FINANCING TEAM:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose
Issuer's Counsel: Office of the Attorney General

RECOMMENDATION:

Staff recommends approval of Initial Resolution No. 07-07 for an amount not to exceed \$9,300,000 for GreenWaste Recovery, Inc. and/or its Affiliates.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/RECYCLING EQUIPMENT FOR
GREENWASTE RECOVERY, INC. AND/OR ITS AFFILIATES**

August 28, 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, GreenWaste Recovery, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing solid waste disposal/recycling equipment to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (“Company”), which is expected to be comprised of the acquisition of solid waste, processing, transporting and recycling related vehicles and equipment and other equipment functionally related thereto (“Equipment”), and have presented an estimate of the maximum cost of such Equipment as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling facilities 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 Equipment 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 Equipment; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Equipment prior to the issuance of indebtedness for the purpose of financing costs associated with the Equipment 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 \$9,300,000 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 Equipment; 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 Equipment 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 meets the definition of “Participating Party” in the Act and 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.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$9,300,000 principal amount of bonds of the Authority for the Equipment; including for the purpose of reimbursing to the Company costs incurred for the Equipment 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 Equipment. 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 any 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 proceeds thereof to the Company; (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.

Section 5. The Executive Director of the Authority is hereby directed 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 Equipment, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and 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 August 28, 2010 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

EXHIBIT A

NUMBER: 07-07

- LOCATIONS:**
- (1) 1309 Dynamic Street
Petaluma, CA 94954
 - (2) 565, 625 & 645 Charles Street
San José, CA 95112
 - (3) 155 South 7th Street
San José, CA 95112
 - (4) 1340 West Beach Street
Watsonville, CA 95076
 - (5) 375 Industrial Road
Watsonville, CA 95076
 - (6) Customers' locations throughout the Company's
service areas in the Counties of Santa Cruz, San
Mateo, San Benito and Santa Clara.

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$9,300,000

Attachment A

GreenWaste Recovery, Inc. Ownership

Stockholders	Percentage
Weigel, Jesse.....	16.67%
Cristina, Richard	19.79%
Hall, Murray.....	17.27%
Cristian 1993 Trust	1.67%
Dubcich, Robert	4.27%
Bracker, Eric A. and Vivian M. Trust.....	4.27%
Carter, Gene & Patricia.....	4.17%
Giannini, Gary.....	4.17%
Giannini Trust	3.13%
Giannini, William & Linda.....	1.67%
Madden, Gary	2.08%
Filice, Mary Jane.....	2.08%
Sheehan, Patricia.....	4.17%
Sweatt, Herb.....	4.17%
Sweatt, Nancy	4.17%
Weigel, Frank.....	4.17%
Feldman, Clayton & Sandra.....	<u>2.08%</u>
Total	100.00%

Affiliated Ownership:

Zanker Road Resource Management

General Partners:.....	Percentage
Zanker Road Resource Recovery, Inc.	30.0000%
H.L. Sweatt, Inc.	10.0000%
Limited Partners:	
John D. Couch.....	18.0088%
James & Mary Lou Couch Family Trust0395%
Mary Lou Couch.....	.4811%
Kenneth W. Zerbe.....	7.0588%
Gene R. Carter	7.0588%
Neal Family Revocable Trust	5.2941%
Jesse Weigel.....	2.6471%
Herbert L. Sweatt8824%
Nancy Sweatt	0.8824%
Cristina 1993 Irrevocable Trust	0.8824%
Phyllis Wilks.....	0.8824%
Richard A. Cristina	1.7647%
Sportsell L.P. #4.....	10.5882%
Shilling & Kenyon Profit Sharing Trust.....	1.7637%
Shilling & Kenyon, Inc.	<u>1.7647%</u>
Total	100.0000%

Attachment A

GreenTeam/Zanker of Sunnyvale

General Partners.....	Percentage
Zanker Road Resource Management	50.00%
GreenTeam of San José *	<u>50.00%</u>
Total	100.00%

* GreenTeam of San José is owned 50% each by GreenWaste Recovery and Green Valley Disposal and Recycling. Green Valley Disposal and Recycling is not otherwise related to the applicant.