

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: October 23, 2007
Executive Summary
Request for Initial Resolution

Prepared by: *Doreen Carle*

Applicant: Yulupa Investments, LLC and/or its Affiliates	Amount Requested: \$7,410,000
Project Location: Mendocino and Lake Counties	Application No.: 801(SB)
	Initial Resolution No.: 07-09

Type of Business: Yulupa Investments, LLC (“Yulupa” or the “Company”) is a property holding company related to solid waste collection.

Project Description: The Company is purchasing a transfer station, located in Ukiah, and a corporate yard in Lakeport from North Bay Corporation, which is an affiliate of The Ratto Group of Companies, and improving both sites. The Company is also purchasing a site in Lake County as expansion space for its corporate yard. Additionally, the Company is purchasing equipment to be utilized at its Ukiah corporate yard site. The vehicles and trailers may be housed from time to time at any of the Company’s operating facilities.

The property to be purchased from the Ratto Group of Companies was previously financed with tax-exempt bonds issued in 2001. The asset value of this property is \$3,450,000.

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

Waste Diversion. The grinder and sorting lines to be used at two sites will allow for an increased, but unspecified, diversion of green waste and other recyclables.

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

Air Quality. The use of new CARB-compliant diesel vehicles will reduce emissions when compared with the vehicles currently in use.

Energy Efficiency. The new vehicles are more fuel efficient and therefore will reduce fuel consumption.

Permits: The Company has provided the Authority with copies of all required 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/F1” by Fitch Ratings or equivalent. The target date for financing is spring 2008.

Financing Team:

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

Legal Questionnaire: 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. 07-09 for Yulupa Investments, LLC and/or its Affiliates for an amount not to exceed \$7,410,000.

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

**YULUPA INVESTMENTS, LLC
and/or ITS AFFILIATES
Bond Amount: \$7,410,000
Mendocino and Lake Counties
Application No. 801 (SB)
October 23, 2007**

STAFF SUMMARY – CPCFA

Prepared by: *Doreen Carle*

ISSUE:

Yulupa Investments, LLC and/or its Affiliates (“Yulupa” or the “Company”) requests approval of Initial Resolution number 07-09 for an amount not to exceed \$7,410,000 to finance the purchase of land, buildings, and equipment.

CDLAC Allocation. The Company anticipates applying for CDLAC allocation in early 2008.

BORROWER:

Yulupa Investments, LLC was organized in California in June 2007 as a property holding company related to solid waste collection.

The owners of the Company are as follows:

Dave Carroll.....	51%
John Shea	49%
Total:	100%

Dave Carroll and John Shea share the same ownership percentage of the following companies: C&S Waste Solutions of California, Inc.; C&S Waste Solutions/Portables, Inc.; C&S Waste Solutions of Nevada, Inc.; Creekside Investments, LLC; Pacific Recycling Solutions, Inc.; Pahrump Valley Disposal, Inc.; Mendocino Leasing Co., Inc.; Nevada Site Services Inc.; Red Rock Leasing, Inc.; and Southwest Environmental Services, Inc.

Dave Carroll and John Shea, along with other partners, own the following companies: Clear Lake Waste Solutions, Inc.; Lake County Waste Solutions, Inc.; Solid Wastes Systems, Inc.; Ukiah Waste Solutions, Inc.; and Golden State Portables.

Legal Questionnaire. 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.

PROJECT INFORMATION:

The Company is purchasing a transfer station, located in Ukiah, and a corporate yard in Lakeport from North Bay Corporation, which is an affiliate of The Ratto Group of Companies, and improving both sites. The Company is also purchasing a site in Lake County as expansion space for its corporate yard. Additionally, the Company is purchasing equipment to be utilized at its Ukiah corporate yard site. The vehicles and trailers may be housed from time to time at any of the Company’s operating facilities.

The property to be purchased from The Ratto Group of Companies was previously financed with tax-exempt bonds issued in 2001. The asset value of this property is \$3,450,000.

The following provides project details associated with each site, including a breakdown of the estimated costs:

3151 Taylor Drive, Ukiah, CA

This site is the Ukiah transfer station that Yulupa is purchasing from The Ratto Group. The Company will be purchasing 3.4 acres of land and the buildings thereon. The Company plans improvements to the property including repaving, adding a scale and scale house. Additionally, the Company will purchase equipment for this site.

Land Purchase.....	\$850,000
Building Purchase.....	2,600,000
Building Renovation.....	405,000
MRF Sort & Conveyor.....	<u>1,002,519</u>
Project Subtotal:	\$4,857,519

120 Soda Bay Road, Lakeport, CA

The Company proposes to purchase this site as expansion space for its Lake County corporate yard.

Land	\$300,000
Road Improvements.....	<u>237,000</u>
Project Subtotal:	\$537,000

4260 North State Street, Ukiah, CA

This site is the Company’s Ukiah corporate yard site. The Company plans to purchase equipment for this site, as outlined below:

Office Equipment.....	\$57,481
Scale.....	53,000
Grinder	497,000
Tractors & Trailers.....	<u>330,000</u>
Project Subtotal:	\$937,481

230 Soda Bay Road, Lakeport, CA

This is the corporate yard site that the company is purchasing from The Ratto Group.

Land	\$250,000
Buildings.....	500,000
Building Renovation	75,000
Project Subtotal:	\$825,000

Bond Issuance Expenses:.....\$253,000

Total Project Cost:.....\$7,410,000

PUBLIC BENEFITS:

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

Waste Diversion. The grinder and sorting lines to be used at two sites will allow for an increased, but unspecified, diversion of green waste and other recyclables.

POLLUTION CONTROL:

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

Air Quality. The use of new CARB-compliant diesel vehicles will reduce emissions when compared with the vehicles currently in use.

Energy Efficiency. The new vehicles are more fuel efficient and therefore will reduce fuel consumption.

PERMITTING & ENVIRONMENTAL APPROVALS:

The Company will provide copies of all necessary permits prior to seeking Final Resolution approval.

ANTICIPATED TIMELINE:

The Company commenced equipment purchases in August 2007, and plans to complete the purchases by August 2008. The land purchases should begin in October or November 2007. Construction and renovation is anticipated to begin soon thereafter, and to be completed by November 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/F1” by Fitch Ratings or equivalent. The target date for financing is spring 2008.

FINANCING TEAM:

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

RECOMMENDATION:

Staff recommends approval of Initial Resolution No. 07-09 for Yulupa Investments, LLC and/or its Affiliates for an amount not to exceed \$7,410,000.

Initial Resolution No. 07-09
Application No. 801 (SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
YULUPA INVESTMENT, LLC AND/OR ITS AFFILIATES**

October 23, 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, Yulupa Investment, LLC, a California limited liability company, and/or its affiliates (the "Company") has submitted an application (the "Application") requesting that the Authority assist in financing the acquisition and improvement of an existing transfer station, acquisition and improvement of other sites for use to support solid waste collection, processing and disposal activities, and acquisition of solid waste processing and disposal equipment, as more fully described in the Application (collectively, the "Facilities") to be owned and operated by the Company, and have presented an estimate of the maximum cost of such Facilities 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 Facilities 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 Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities 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 \$7,410,000 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 Facilities; 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 Facilities 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 \$7,410,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities 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 Facilities. 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 Facilities; (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 Facilities, 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 October 23, 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: 07-09

LOCATION:

1. 3151 Taylor Drive, Ukiah, CA 95482
2. 4260 North State Street, Ukiah, CA 95482
2. 120 Soda Bay Road, Lakeport, CA 95453
4. 230 Soda Bay Road, Lakeport, CA 95453

TYPE: Solid Waste Disposal

AMOUNT: Up to \$7,410,000