

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: November 18, 2009
Request for Initial Resolution

Prepared by: *Samantha Russell*

Applicant:	Crown Disposal Co., Inc. and/or its Affiliates	Amount Requested:	\$48,970,000
		Application No.:	00826
Project	Kern, Los Angeles, Madera, San		
Location:	Mateo, and Tulare Counties	Initial Resolution No.:	09-10

Summary. Crown Disposal Co., Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$48,970,000 to finance:

- construction at its Sun Valley Materials Recovery Facility (MRF) and Lamont locations;
- purchase or renovation of equipment at various locations;
- purchase vehicles and trailers for various locations; and
- construction of a facility to recycle waste mixed film plastic at its Lamont facility.

The Company anticipates that the project will provide waste diversion, improve air quality, and increase the recycling of commodities.

Borrower. Crown Disposal Co. was incorporated in 1964 in California. The Company is a commercial and residential waste collection company with operations in the Cities of San Fernando, Beverly Hills, Glendale, Burbank, Los Angeles, Calabasas and in a number of unincorporated areas of Los Angeles County on both a franchised and open market basis.

The Company is owned 100% by the Fry Family Trust with Thomas H. and Ruth M. Fry acting as trustees. The Fry Family Trust also owns 100% of:

- Community Recycling & Resource Recovery Inc.;
- Community Renewable Energy Services (dba Dinuba Energy, Inc.);
- Latch Inc. (owns 95% of Madera Power, LLC); and
- Environmental Rental Solutions LLC.

Community Recycling & Resource Recovery, Inc. operates the Sun Valley MRF and a composting facility and farming operation in Lamont. Dinuba Energy, Inc. and Madera Power, LLC. operate biomass energy facilities in Reedly and Firebaugh, respectively.

The following entities share common ownership with the Company:

- Maintenance Services, Inc. (Tom Fry (49%) and Tom Fry Jr. (51%)); and
- South Bay Recycling, LLC (Community Recycling and Resource Recovery Inc. (60%))

The Company also does business as the following companies: Atomic Disposal, Coastal Rubbish, West Coast Rubbish, Larry Disposal, All City Disposal, Arrow Pick-up, Magic Roll-

off, Eagle Disposal, Extra Pick-up, Pacific Pick-up, ABC Disposal, Beverly Wilshire Disposal, Waste Control, Community Recycling, Western Reclamation and Reprocell.

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. Prior actions and financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of October 2009
DeGarmo Street Dump*	12/10/1981	<u>\$4,470,000</u>	<u>\$0</u>
TOTALS:		<u>\$4,470,000</u>	<u>\$0</u>

*DeGarmo Street dump was a predecessor name for what is now Community Recycling & Resources Recovery, Inc.

Project Description. The Company intends to purchase waste collection vehicles and trailers to be used system wide, and various site-specific equipment for its MRF and power generating facilities, including conveyers, floating tanks, washers, pelletizers, and silo storage tanks.

Sun Valley Location: The Company intends to construct fencing and two buildings at the organics processing and transfer areas of its Sun Valley MRF. An odor scrubber for air emissions and a diesel distribution system will also be installed.

South Bay Location: South Bay Recycling, an affiliate company, has received a contract with South Bayside Waste Management Authority to manage a MRF/transfer facility in San Carlos. The contract requires the Company to install a new sorting line, and acquire equipment, including loaders, excavators, trucks, trailers, rollover sweepers and other related equipment.

Reedley and Firebaugh Locations: Equipment will also be added or renovated at affiliate sites. Dinuba Energy will add an air scrubber and renovate the boiler at its existing biomass energy facility. Madera Power will also renovate the boiler at its existing biomass energy facility.

Lamont Location: The Company intends to construct a facility designed to receive and process waste mixed film plastic which is generated by both agricultural and industrial users. The resulting clean plastic material will be sold to film plastic producers.

The anticipated project and issuance costs are listed below:

Site Preparation & Improvements	\$ 1,000,000
Construction of New buildings	9,500,000
New Equipment, Rolling Stock	36,500,000
Costs of Issuance	<u>1,970,000</u>
Total:	<u>\$48,970,000</u>

Anticipated Timeline. The Company intends to begin construction in June of 2010 with a completion date of June 2011. The Company began purchasing equipment in September 2009 and anticipates a completion in September 2010.

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

Waste Diversion. Compliance with all applicable state and federal environmental regulations regarding solid waste disposal will result with implementation of the project. The federal Resource Conservation and Recovery Act (RCRA) and the California Integrated Waste Management Act of 1989 mandate the need to minimize the amount of the material land filled and maximize recycling opportunities, both of which the project will achieve.

Air Quality. The use of natural gas will assist in efforts to reduce oil consumption. The air scrubbers being installed at Sun Valley and Reedley and Firebaugh locations will prevent noxious emissions and reduce odors.

Water Quality. The buildings being constructed in Sun Valley will reduce runoff water contamination at this Transfer Station/MRF.

Recycling of Commodities. It is anticipated that the recycling of commodities will increase in San Carlos as a result of the installation of the new sorting line system. The Lamont project will increase the recycling of film plastic most of which is currently discarded in landfills.

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 within the first quarter of 2010.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, 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 first quarter of 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. 09-10 for Crown Disposal Co., Inc. and/or its Affiliates for an amount not to exceed \$48,970,000.

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
CROWN DISPOSAL CO., INC. AND/OR ITS AFFILIATES

November 18, 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, Crown Disposal Co., 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, vehicles, trailers and equipment for the collection, processing, recycling and/or disposal of solid waste products 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 \$48,970,000 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 that meets the definition of a “participating party” under 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 \$48,970,000 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.

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 November 18, 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: 09-10

LOCATION: Construction of facilities and related equipment to be located at 9189 De Garmo Avenue, Sun Valley, CA 91352 (site includes 11300 Pendleton Street, 9147 De Garmo Avenue, 11201, 11207, 11213 & 11219 Randall Street and 11216 Pendleton Street) and 1261 North Wheeler Ridge Road, Lamont, CA 93241

Acquisition of equipment to be located at 333 Shoreway Road San Carlos, CA 94070

Acquisition and/or rehabilitation of equipment to be located at 6929 Avenue 430, Reedley, CA 93654 and 11427 Firebaugh Blvd., Firebaugh, CA 93622

The vehicles and trailers may be located at each of the above locations in the Borrower's service areas in the counties of Los Angeles County, San Mateo, Tulare, Madera and Kern.

TYPE: Solid Waste Disposal

AMOUNT: Up to \$48,970,000