

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: March 24, 2010
Request for Initial Resolution

Prepared by: *Doreen Smith*

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| Applicant: | Waste Recovery West, Inc., TDR | Amount Requested: | \$1,600,000 |
| Project | Group, LLC and/or its Affiliates | Application No.: | 00832 (SB) |
| Location: | Stockton (San Joaquin County) | Initial Resolution No.: | 10-03 |

Summary. Waste Recovery West, Inc. (WRW), TDR Group, LLC (TDR) and/or its Affiliates (collectively, the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$1,600,000 to finance the acquisition of land and the development of a scrap tire collection and recycling facility. Because the scrap tires handled by the WRW have market value and payments are made to acquire the tires, the Company is requesting that CPCFA issue tax-exempt Industrial Development Bonds (IDBs) or Recovery Zone Facility Bonds (RZFBs) to fund the project.

Borrower. WRW was incorporated in Oregon on October 9, 1998. TDR was organized in Oregon on January 14, 2004. Both entities are qualified to do business in California. WRW does business in California as WRW, Inc. WRW is a scrap tire recycling company that collects, processes and markets scrap tires and related recycled by-products.

The principal owners of WRW and TDR are as follows:

| | |
|---------------|-----------------------|
| Mark Hope | 33.33% |
| Donald Krider | 33.33% |
| Jay Krider | <u>33.33%</u> |
| Total: | <u>100.00%</u> |

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.

Project Description. WRW receives scrap tires from retailers, tire manufacturers, independent scrap tire haulers and local city and county collection centers and clean-up programs. Tires are sorted for possible reuse and processed into a variety of tire derived products, including tire derived aggregate, tire chips, crumb rubber and whole tires and chips that are used for energy generation as an alternative to other fossil fuels.

The project involves the acquisition of an approximate 7.5-acre site in Stockton and the development of this site into a scrap tire collection and recycling facility. This facility will replace WRW’s current facility in Livermore, allowing for increased material handling volumes from the current annual capacity of 1.5 million tires to an estimated 3 million scrap tires. In addition, the new facility in Stockton is centrally located on transportation corridors that better serve scrap tire generators and customers for recycled materials, reducing heavy truck traffic and congestion in the East Bay Area.

Volume Cap Allocation. The Company anticipates applying to the California Industrial Development Financing Advisory Commission (CIDFAC) for IDB allocation in May 2010.

Financing Details. The Company anticipates a private placement structure. The target date for financing is June 2010.

Financing Team.

Bond Counsel: Kutak Rock LLP
Financial Advisor: Growth Capital Associates, Inc.
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 10-03 for Waste Recovery West, Inc., TDR Group, LLC and/or its Affiliates for an amount not to exceed \$1,600,000.

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

Initial Resolution No. 10-03
Application No. 00832 (SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO FINANCE
FACILITIES FOR THE SAFE HANDLING, RECYCLING AND DISPOSAL
OF CERTAIN MATERIALS FOR WASTE RECOVERY WEST, INC. AND
TDR GROUP, LLC AND/OR ITS AFFILIATES**

March 24, 2010

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality and political subdivision of the State of California, 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 safe handling, recycling and disposal of materials that might otherwise be improperly disposed of; and

WHEREAS, Waste Recovery West, Inc., a California corporation, and TDR Group, LLC, a California limited liability company (collectively, the “Applicant”), and/or its affiliates (collectively, the “Company”) have submitted an application (the “Application”) requesting that the Authority assist in financing the acquisition of land, the construction of facilities and the acquisition of equipment for a tire recycling facility 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 recycling 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 \$1,600,000 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 \$1,600,000 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 March 24, 2013 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: 10-03

LOCATION: Acquisition and construction of facilities and related equipment to be located at 4554 South El Dorado Street, Stockton, California.

TYPE: Recycling Facilities

AMOUNT: Up to \$1,600,000