

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: May 15, 2012
Request for Initial Resolution

Prepared by: *Deanna Hamelin*

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| <p>Applicant: NASA Services, Inc. and/or its Affiliates</p> <p>Project Location: Cities of Montebello, Los Angeles, Pico Rivera (Los Angeles County)</p> | <p>Amount Requested: \$15,000,000 (TE) \$900,000 (TX)</p> <p>Application No.: 858(SB) Initial Resolution No.: 12-04</p> |
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Summary. NASA Services, Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$15,900,000 to finance the acquisition and installation of waste collection equipment, which includes Certified Natural Gas (CNG) powered collection and service vehicles, bins, carts, tubs and containers, to provide waste collection and recycling services pursuant to a contract approved by the City of Pico Rivera. In addition, bond proceeds will be used to acquire a 6-acre site and existing buildings along with CNG powered collection and service vehicles to be used throughout the Company’s service area. The Company anticipates that the project will provide waste diversion, air quality, and recycling benefits.

Borrower. NASA Services, Inc. is a family owned and operated company which was incorporated in California in 2006. The Company provides waste disposal and recycling services to residential, commercial, and industrial customers throughout southern California.

The principal stockholders of the Company are as follows:

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|---------------------|--------------------|
| Arsen Sarkisian | 41% |
| Nick Sarkisian | 41% |
| Sam Sarkisian | 9% |
| Elizabeth Sarkisian | <u>9%</u> |
| Total: | <u>100%</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 in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Company was recently awarded a contract by the City of Pico Rivera to provide waste disposal and recycling services to its business and residential customers. Bond proceeds will be used for the acquisition of waste collection equipment such as containers, bins, carts, tubs, and CNG powered collection and service vehicles to provide residential and commercial waste collection and recycling services to the City of Pico Rivera (Los Angeles County) pursuant to a contract approved by its City Council.

Agenda Item 4.C.1.

In addition, bond proceeds will be used for the acquisition of a 6-acre site and existing buildings, CNG powered vehicles and installation of a natural gas fueling station. Taxable bonds will be used to refinance existing mortgage debt.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in July of 2012.

Financing Details. The Company anticipates the issuance of negotiated tax exempt and taxable bonds.

Financing Team.

Underwriter: Gates Capital Corporation

Bond Counsel: Kutak Rock LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 12-04 for NASA Services, Inc. and/or its Affiliates for an amount not to exceed \$15,900,000.

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. 12-04
Application No. 00858 (SB)

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

May 15, 2012

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 and equipment for the disposal and recycling of solid waste materials; and

WHEREAS, Nasa Services, 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 of (a) land and facilities, (b) equipment, rolling stock, vehicles and other equipment functionally related thereto and (c) drop boxes, bins, carts and containers to be located with customers, all for the collection, processing, transfer and recycling of solid waste as more fully described in the Application (collectively, the “Project”) to be owned and operated by the Company, and has 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 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 \$15,900,000 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 (i) 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 or (ii) any owner of the Project or portion thereof which owner is described in Health & Safety Code section 44536. 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 \$15,900,000 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 May 15, 2015 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: 12-04

LOCATIONS: 1701 Gage Road
Montebello, CA 90640

1020 South Greenwood
Montebello, CA 90640

846 Truck Way
Montebello, CA 90640

901 Union Street
Montebello, CA 90640

1746 Naud Street
Los Angeles, CA 90012

City of Pico Rivera.

TYPE: Solid Waste Disposal/Recycling Facilities

AMOUNT: Up to \$15,900,000