

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM**

**Meeting Date: April 15, 2014**

***Request for Approval of a Resolution to Modify Remarketing Restrictions for Certain Bonds***

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<b>Applicant:</b>	Waste Management , Inc. and/or its Affiliates	<b>Bond Series:</b>	2001A, 2002C, and 2003A
<b>Project</b>	Various Cities and Counties	<b>Total Outstanding</b>	
<b>Location:</b>	Throughout California	<b>Amount:</b>	\$69,700,000

**Summary.** Waste Management, Inc. (WMI or the Company) is requesting to modify the remarketing restrictions for certain bond issues due to the Company’s upgraded long-term credit rating of “A-”. The Company rating was previously “BBB” which restricted the remarketing of the bonds to Qualified Institutional Buyers (QIBs) in minimum denominations of \$250,000 pursuant to the Authority’s Bond Issuance Guidelines (Attached).

**Background.** In March of 2004, WMI requested Authority approval to convert three Authority bond issues (Series 2001A, 2002A, and 2003A<sup>1</sup>) from a weekly variable rate mode to a term mode. This type of change was allowed within the bond documents and therefore did not require a new bond issue. However, CPCFA Board approval was required for this change because WMI proposed releasing the letters of credit supporting the bonds as part of the mode change and requested to remarket the Bonds to new investors supported solely by a WMI corporate guaranty. WMI’s corporate rating at that time was “BBB”. The Company proposed utilizing CPCFA’s approved guidelines for offering “BBB” rated debt. These guidelines state that “BBB” rated bonds must be restricted for sale to QIBs in minimum denominations of \$250,000. On March 30, 2004, the CPCFA Board approved WMI’s request.

**Current Request.** WMI anticipates the remarketing of the following bond series in May and June of 2014: (a) Variable Rate Demand Solid Waste Disposal Revenue Bonds (Waste Management Inc. Project) Series 2001A, \$19,000,000 (b) Solid Waste Disposal Revenue Bonds (Waste Management Inc. Project) Series 2002C, \$15,000,000 and (c) Variable Rate Demand Solid Waste Disposal Revenue Bonds (Waste Management Inc. Project) Series 2003A, \$35,700,000.

In each respective Indenture (as amended or supplemented) for the Bonds, an offering of Bonds is restricted to Qualified Institutional Buyers (QIBs) with minimum denominations of at least \$250,000 when such Bonds are rated BBB+ or lower (the “Restricted Periods”). Under the Indentures, these restrictions may be removed upon approval of the Authority when the Bonds are rated “A-” or higher. In December of 2013, Standard & Poor’s upgraded Waste Management, Inc. to a long-term credit rating of “A-”. As a result, when the bonds are remarketed in May and June of 2014, they will be rated “A-”. Therefore, WMI is requesting termination of the

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<sup>1</sup> Please note the 2002C Bond series was originally issued as “BBB” rated debt with WMI’s corporate guaranty, which is why it is not included in the March 2004 request.

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Restricted Periods set forth in the amended or supplemental Indenture of each bond issue. The bonds will remain in term mode.

Additionally, in connection with remarketing of the bonds, WMI requested CPCFA to reappoint Bank of America Merrill Lynch as remarketing agent for the bonds. This action is eligible under the Executive Director's Delegated Authority and does not require board approval.

**Staff Recommendation.** Staff recommends approval of the request to modify the remarketing restrictions and to terminate the restricted periods set forth in the Indenture of each of the bond series based on the upgrade of the credit rating of Waste Management Inc. to "A-".

**RESOLUTION APPROVING THE MODIFICATION OF REMARKETING RESTRICTIONS FOR CERTAIN BONDS ISSUED ON BEHALF OF WASTE MANAGEMENT, INC.**

**April 15, 2014**

**WHEREAS**, California Pollution Control Financing Authority (the “Authority”) has previously issued an aggregate principal amount of \$19,000,000 of its Variable Rate Demand Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project), Series 2001A (the “2001A Bonds”) pursuant to an Indenture, dated as of July 1, 2001, as amended by a First Supplemental Indenture, dated as of May 1, 2004 (the “2001A Indenture”), each by and between the Authority and The Bank of New York Mellon, as successor trustee (the “2001A Trustee”), and loaned the proceeds thereof to Waste Management of California, Inc., and USA Waste of California, Inc. (collectively, the “2001A Borrower”) pursuant to a Loan Agreement, dated as of July 1, 2001 (the “2001A Loan Agreement”), by and between the Authority and the 2001A Borrower; and

**WHEREAS**, California Pollution Control Financing Authority (the “Authority”) has previously issued an aggregate principal amount of \$15,000,000 of its Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project), Series 2002C (the “2002C Bonds”) pursuant to an Indenture, dated as of December 1, 2002 (the “2002C Indenture”), by and between the Authority and Deutsche Bank Trust Company Americas (the “2002C Trustee”), and loaned the proceeds thereof to Waste Management of California, Inc., Chemical Waste Management, Inc. and USA Waste of California, Inc. (collectively, the “2002C Borrower”) pursuant to a Loan Agreement, dated as of December 1, 2002 (the “2002C Loan Agreement”), by and between the Authority and the 2002C Borrower; and

**WHEREAS**, California Pollution Control Financing Authority (the “Authority”) has previously issued an aggregate principal amount of \$35,700,000 of its Variable Rate Demand Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project), Series 2003A (the “2003A Bonds” and, together with the 2001A Bonds and the 2002C Bonds, the “Bonds”) pursuant to an Indenture, dated as of November 1, 2003, as amended by a First Supplemental Indenture, dated as of May 1, 2004 (the “2003A Indenture” and, together with the 2001A Indenture and the 2002C Indenture, the “Indentures”), each by and between the Authority and Deutsche Bank Trust Company Americas (the “2003A Trustee”), and loaned the proceeds thereof to Central Valley Waste Services, Inc., Chemical Waste Management, Inc., Modesto Garbage Co Inc., Waste Management Collection and Recycling, Inc., Waste Management of California, Inc., and USA Waste of California, Inc. (collectively, the “2003A Borrower” and, together with the 2001A Borrower and the 2002C Borrower, the “Borrowers”) pursuant to a Loan Agreement, dated as of November 1, 2003 (the “2003A Loan Agreement” and, together with the 2001A Loan Agreement and the 2002C Loan Agreements, the “Loan Agreements”), by and between the Authority and the 2003A Borrower; and

**WHEREAS**, the obligations of the Borrowers under the Loan Agreements are guaranteed by the corporate parent of the Borrowers, Waste Management, Inc. (the “Guarantor”); and

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**WHEREAS**, the Bonds currently subject to Restricted Periods under the each of the Indentures, which require, in effect, that during a respective Restricted Period: (1) the Bonds must be in minimum authorized denominations of \$250,000, and (2) the Bonds may only be transferred to Qualified Institutional Buyers; and

**WHEREAS**, pursuant to Section 2.06 to each of the Indentures, the Borrowers may request that the Authority terminate a respective Restricted Period and further provides that the Authority may grant such approval in its discretion, but it agrees that it will not unreasonably withhold such approval if the Borrower provides evidence that the Bonds will be rated at least "A3/A-" by Moody's, Standard & Poor's (S&P) or Fitch; and

**WHEREAS**, the S&P has raised its long-term corporate credit rating on the Guarantor to "A-" from "BBB"; and

**WHEREAS**, pursuant to Section 2.06 of each of the Indentures, the Guarantor, on behalf of the Borrowers, has requested that the Authority terminate the respective Restricted Periods relating to each of the Bonds;

**NOW, THEREFORE, BE IT RESOLVED** by the California Pollution Control Financing Authority, as follows:

**Section 1.** The Authority hereby terminates the respective Restricted Periods relating to each of the Bonds.

**Section 2.** Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the effectuate the purposes of this Resolution. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including, without limitation, any certifications.

**Section 3.** The provisions of the resolution of the Authority entitled "Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings" adopted by the Authority on January 21, 2014, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

**Section 4.** This Resolution shall take effect immediately upon its adoption.

Attachment

**CPCFA BOND ISSUANCE GUIDELINES**

These guidelines describe what CPCFA would expect to see given a particular rating. The Authority acknowledges that each financing must be reviewed individually and that additional provisions may be considered if those provisions are a necessary part of a prudent borrowing and/or issuance strategy.

BOND RATING	DEBT ISSUANCE PROVISIONS
<b>I. Debt Rated A-/A-/A3<sup>(1)</sup> or Better</b>	<ul style="list-style-type: none"> <li>• May be broadly offered</li> <li>• General Obligation Pledge.</li> </ul>
<b>II. Debt Rated a minimum BBB--/BBB-/Baa3<sup>(1)</sup></b>	<ol style="list-style-type: none"> <li>1. Purchasers of bonds (in both primary and secondary markets) limited to "Qualified Institutional Buyers"(QIB), as QIBs are defined under SEC Rule 144A, promulgated under the Securities Act of 1933.</li> <li>2. Bonds may be initially placed with no more than 35 QIBs.</li> <li>3. Bonds must be issued in minimum denominations of \$250,000 or any integral multiple of \$5,000 above this amount, with the requirement that all bonds must equal the chosen denomination.</li> <li>4. <u>All</u> sale restriction information must be prominently printed on the cover and described in the body of any offering materials. The indenture's "Registration and Transfer of Bonds" section must clearly describe all sale and purchase restrictions, and the bond certificates in their legends must note all sale and purchase restrictions.</li> <li>5. Sinking fund maturities must match the bond denomination.</li> <li>6. Participatory shares of bonds in trusts may be sold only to QIBs. Trust shares must be sold only in increments equal to the bond's minimum denomination.</li> </ol>
<b>III. Debt Rated less than BBB--/BBB-/Baa3<sup>(1)</sup>, or unrated</b>	Issuance structures to be evaluated on a case-by-case basis.

<sup>(1)</sup> Represents ratings by Standard & Poors, Fitch and Moody's respectively.