

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: November 18, 2014
Request for Initial Resolution

Prepared by: *Andrea Gonzalez*

Applicant:	Eco-Modity LLC dba	Amount Requested:	\$11,500,000
	Blue Marble Materials and/or its Affiliates	Application No.:	878(SB)
Project Location:	City of Commerce (Los Angeles County), City of Alameda (Alameda County), City of Sacramento (Sacramento County), City of Santa Ana (Orange County), City of Escondido (San Diego County)	Initial Resolution No.:	14-06

Summary. Eco-Modity LLC dba Blue Marble Materials and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$11,500,000 to finance facility improvements and the acquisition of equipment, as well as the purchase of transport vehicles.

Borrower. Blue Marble Materials was organized in California on December 20, 2012. The Company is the largest independent mattress recycler in California and is a leading innovator of mattress recycling services. The Company currently disassembles over 12,000 mattresses and box springs each month which would otherwise be landfilled. Over 90% of the materials collected are reused to manufacture non-mattress related products.

The principal stockholders of the Company are as follows:

Tchad Robinson	52%
Silas Myers	7%
Rani Aliahmad	7%
Dr. Ron Lascoe	5%
Brian Massey	5%
Mark Marcus	4%
James I. Cash	3%
Various (less than 3%)	<u>17%</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 plans to make facility improvements and purchase equipment to expand its existing facility in Los Angeles County and open four new facilities in Alameda, Sacramento, Orange and San Diego Counties. The Company plans on financing the purchase of equipment to separate and process used mattresses and purchase storage equipment to be located at customer facilities to enable the loading of used mattresses to be recycled. Bond proceeds will also be used to purchase vehicles to transport used mattresses from customer facilities. Facility improvements will be made to expand the capacity of the Commerce facility to recycle greater than 500,000 mattresses each year. The new facilities will enable the Company to recycle more than 500,000 mattresses each year in the Alameda facility, recycle greater than 250,000 mattresses in the San Diego facility and recycle greater than 50,000 mattresses in each of the Sacramento and Orange County facilities.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in February of 2015.

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

Financing Team.

Underwriter: Loop Capital Markets, LLC

Bond Counsel: Greenberg Traurig, LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 14-06 for Eco-Modity LLC dba Blue Marble Materials and/or its Affiliates for an amount not to exceed \$11,500,000.

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 PROJECTS FOR ECO-MODITY LLC DBA BLUE MARBLE
MATERIALS AND/OR ITS AFFILIATES**

November 18, 2014

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 solid waste disposal projects; and

WHEREAS, Eco-Modity LLC dba Blue Marble Materials, a California limited liability company (“Applicant”), has requested that the Authority assist in financing solid waste disposal projects to be owned and operated by the Applicant and/or its Affiliates (as defined below), which are expected to be comprised of solid waste disposal facilities to be used in the Applicant’s comprised of mattress recycling operations, including the construction of improvements to the Applicants existing facilities in Los Angeles County and acquisition of facilities in Alameda, Sacramento, Orange and San Diego Counties, acquiring equipment for processing used mattresses and storing used mattresses at customer locations prior to transport for processing, and acquiring vehicles for transporting used mattresses for processing and related facilities and improvements (collectively, “Project”), 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 Applicant to provide mattress recycling services 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 Applicant 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 Applicant 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 \$11,500,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Applicant 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 meets the definition of “participating party” in 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 \$11,500,000 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 any 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 proceeds thereof to the Company; (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 Authority or the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed 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 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, this Resolution shall cease to be effective on November 18, 2017 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Applicant, accompanied by any additional information requested by the Authority to supplement the Applicant's application, and an explanation of the status of the project.

EXHIBIT A

NUMBER: 14-06

LOCATIONS: 6050 Rickenbacker Road, Commerce, CA 90040
120 W. Oriskany Ave., Alameda, CA 94501
325 N. 7th Street, Sacramento, CA 95811
511 Goetz Avenue, Santa Ana, CA 92707
2181 Meyers Avenue, Escondido, CA 92029

TYPE: Solid Waste Disposal Projects

AMOUNT: Up to \$11,500,000