

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

**Meeting Date: October 20, 2015**

***Request to Approve Final Resolution Authorizing the Issuance of Revenue Bonds***

Prepared by: Kris Luoma

<b>Applicant:</b>	Aemerge, LLC, Aemerge RedPak Services Southern California, LLC and/or their Affiliates	<b>Amount Requested:</b>	\$24,000,000
<b>Project</b>	Hesperia, California	<b>Application No.:</b>	879 (SB)
<b>Location:</b>	San Bernardino County	<b>Final Resolution No.:</b>	546
		<b>Prior Actions:</b>	IR Approved 7/21/15

**Summary.** Aemerge, LLC, Aemerge RedPak Services Southern California, LLC, and/or their Affiliates (the "Company" or "Aemerge") requests approval of a Final Resolution for an amount not to exceed \$24,000,000 to finance the acquisition of land, upgrades to existing buildings and utilities, and acquire ancillary support equipment and systems for a medical waste processing facility. The approval of the Final Resolution will allow the Bond Underwriters to market the bonds and identify the qualified institutional buyers that will be required to complete this process. The Company anticipates applying to the Authority for volume cap allocation at the December 15, 2015 CPCFA Board Meeting.

**Borrower.** Aemerge RedPak Services Southern California, LLC is an Indiana Limited-Liability Company filed on August 3, 2015. The Aemerge ("Project") in California will provide medical waste transfer and disposal services. It is a small business with 31 employees. The Project will be located in the City of Hesperia in San Bernardino County.

The principal stockholders of the Company are as follows:

Randy Seger	49.82%
Charlie Mong	37.36%
Mark Loughery	12.45%
Landon Miller	.37%
<b>Total:</b>	<b><u>100.00%</u></b>

**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.

**TEFRA.** The TEFRA hearing was held on [October 15, 2015]. There were no comments received in support of or in opposition to this Project.

**Fees.** The Company has paid an Application fee of \$5,000. The Company will also pay a closing fee in the amount of \$39,950.

**SBAF Assistance.** The Company is a small business but is not eligible for assistance from Small Business Assistance Fund (SBAF) due to the par amount.

**Prior Financings.** None.

**Project Description.** The bond proceeds will be used to finance the acquisition of land, construction, renovation, installation and the equipping of a medical waste processing facility. The processing facility will use an energy efficient patented technology (“Carbonizer”) for the treatment and elimination of medical waste that cannot, by law, be treated or landfilled in the State of California. The California Department of Public Health (CDPH) has already approved the Carbonizer as an alternative technology for all types of medical waste treatment.

	<b>To be Paid from Bond Proceeds</b>	<b>To be Paid from all Other Sources</b>
Acquisition of Land	\$424,136	\$0
Rehabilitation of Existing Building(s)	\$3,381,864	\$68,000
Acquisition and Installation of Used Equipment	\$0	\$7,044,600
Acquisition and Installation of New Equipment	\$12,389,000	\$1,229,760
Legal, Permits, etc.	\$0	\$80,000
Bond Issuance Expenses	\$449,500	\$203,788
Interest During Construction	\$1,798,000	\$0
Project Management Fee	\$1,717,000	\$0
Reserve Fund	\$2,247,500	\$0
Working Capital	\$0	\$500,000
Project Contingency	<u>\$1,593,000</u>	<u>\$ 0</u>
<b>TOTALS:</b>	<u><b>\$24,000,000</b></u>	<u><b>\$9,126,148</b></u>

**Anticipated Project Timeline.** The Carbonizer system is going to be moved from its current location, at the Indiana facility, to the Hesperia, California facility and is expected to be operational by August of 2016. A second Carbonizer, funded from bond proceeds, is expected to be operational as of January 2017. The land acquisition will close soon after the bond closing which is anticipated to be December 17, 2015. The existing support equipment will be moved to the Hesperia location within a few months thereafter. The new additional support equipment needed will be onsite at the Hesperia location within a year.

**Local Government.** The Company received a letter of support from Mike Podegracz, City Manager for the City of Hesperia (Attachment A).

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

**Ratepayer Benefits.** The facility will reduce medical waste processing costs to hospitals, institutions and other public and private generators of medical and veterinary wastes. In addition, the system will benefit consumers and taxpayers by ensuring safe disposal of community collected pharmaceuticals.

**Air Quality.** Emissions created through the transportation, treatment, and post-treatment of medical waste recycling will be reduced by eliminating most or all current medical waste activities.

**Water Quality.** The system will reduce waste water, water usage in transfer station/ treatment facilities that use autoclaving and will reduce contamination of ground water from landfills.

**Energy Efficiency.** The U.S. Department of Energy has found the system to be highly energy efficient and an improvement over other systems currently in use in similar circumstances.

**Recycling of Commodities.** The system makes the recycling of metals and glass easier than present processes, and generates carbons potentially useful in agriculture and in other industrial commerce processes.

**Permitting and Environmental Approvals.** The Company has provided or will provide the Authority with copies of all required discretionary permits prior to receiving volume cap allocation. The Company anticipates that the air permit will be received prior to November 10, 2015, and will ensure that the Authority is provided a copy.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation at the December 15, 2015 board meeting. At that time the identification of bond purchasers will be reported to the Board.

**Financing Details.** The Company anticipates a limited offering and private placement of fixed rate tax-exempt bonds with a minimum denomination of \$250,000 and a restriction on transfers to Qualified Institutional Buyers. The Company has engaged Westhoff, Cone & Holmstedt and Alamo Capital as underwriter for the fixed rate bonds. Additionally, Westhoff, Cone & Holmstedt will share fees in this transaction with Alamo Capital. The target date for financing is December 17, 2015.

**Financing Team.**

**Underwriter:** Westhoff, Cone and Holmstedt  
**Bond Counsel:** Orrick, Herrington & Sutcliffe  
**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Final Resolution No. 00546 for an amount not to exceed \$24,000,000 for Aemerge, LLC, Aemerge RedPak Services Southern California, LLC and/or their Affiliates. The sale of the bonds shall be contingent upon the receipt of all discretionary permits, which the Company anticipates receiving prior to November 10, 2015.

Attachment A



City of Hesperia

September 18, 2015

Ms. Renee Webster-Hawkins Executive Director  
California Pollution Control Financing Authority 915 Capitol Mall, Room 457  
Sacramento, CA 95814

RE: California Pollution Control Financing Authority, Exempt Facility Approvals Aemerge, LLC or RedPak Services SC Project

Dear Ms. Webster-Hawkins:

I write to you today on behalf of Aemerge, LLC or RedPak Services SC relating to their environmental project for which approval will be requested at the California Pollution Financing Authority ("CPCFA") meeting in November.

My staff and I have worked with the management of Aemerge, LLC or RedPak Services SC in their development and permitting of the proposed project and they now are ready for final approval of the financing. I understand that in order to receive approval for the issuance of tax exempt bonds, on whose lower interest rates the "project" economics have been based, that CPCFA must grant part of the State's allocation for "private activity" bonds as defined by the federal government to the Project.

On behalf of the City of Hesperia I would appreciate it if you would approve the Aemerge, LLC or RedPak Services SC project at your meeting in November.

Sincerely,

Mike Podegracz City Manager

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*Eric Schmidt, Mayor*

*Bill Holland, Mayor Pro Tern Russ Blewe/1, Council Member Mike Leonard, Council Member Paul Russ, Council Member*

9700 Seventh Avenue Hesperia , CA 9234

**Agenda Item 4.C.**

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*Mike Podegracz, City Manager [www.cityofhesperia u](http://www.cityofhesperia.u)*

**FINAL BOND RESOLUTION OF THE  
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
RELATING TO FINANCING OF SOLID WASTE DISPOSAL  
FACILITIES AND EQUIPMENT FOR  
AEMERGE REDPAK SERVICES SOUTHERN CALIFORNIA, LLC,  
AND/OR ITS AFFILIATES**

**October 20, 2015**

**WHEREAS**, the California Pollution Control Financing Authority (the “Authority”) has received the application of Aemerge RedPak Services Southern California, LLC, an Indiana limited liability company (the “Borrower”), for financial assistance to finance the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of solid waste disposal and recycling facilities, located in San Bernardino County, and all as more particularly described in the Term Sheet (the “Term Sheet”) attached hereto as Exhibit A and incorporated herein (the “Project”); and

**WHEREAS**, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$24,000,000 to assist in the financing of the Project; and

**WHEREAS**, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement with the Authority, and Aemerge, LLC, an Indiana limited liability company (the “Guarantor”) will guarantee the payments by the Borrower under such Loan Agreement; and

**WHEREAS**, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

**WHEREAS**, the Borrower has provided or will provide prior to the bond sale documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division;

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

**Section 1.** The Project constitutes a “project,” and the Borrower is a “participating party” both within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

**Section 2.** Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Aemerge RedPak Services SC, LLC Project), Series 2015” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$24,000,000 are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax exempt or taxable mode, in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to make a loan to the Borrower to finance the Project (including, without limitation, reimbursing the Borrower for costs incurred for the Project prior to the issuance of the Bonds), and to pay a portion of the costs of issuance of the Bonds.

**Section 3.** The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time on or before December 31, 2015, by negotiated sale, at such price, at such interest rate or rates and in such mode (taxable or tax-exempt) as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract; provided, however, that the sale of the Bonds shall be contingent upon the receipt by the Authority of all required discretionary permits. The Executive Director of the Authority is hereby delegated with the authority to remove the above-referenced contingency upon receipt of the permits. Such removal of the contingency may be evidenced by the Executive Director’s execution of the Purchase Contract.

**Section 4.** The following documents:

- i. a Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower;
- ii. an Indenture relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”);
- iii. a bond purchase contract relating to the Bonds (the “Purchase Contract”) among the Authority, the Treasurer of the State of California and the underwriter named in the Term Sheet (the “Underwriter”), and approved by the Borrower;
- iv. a guaranty agreement (the “Guaranty Agreement”), by the Guarantor in favor of the Trustee; and
- v. a limited offering memorandum (in the form of either the “Preliminary Limited Offering Memorandum” or the final “Limited Offering Memorandum”) to be used in connection with the offering and sale of the Bonds;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture, the Guaranty Agreement, the Purchase Contract and the Limited Offering Memorandum.

**Section 5.** The Authority understands and agrees that pursuant to the terms of the Loan Agreement the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity or by Affiliates of such Borrower. For purposes of this

Resolution, an “Affiliate” of the Borrower 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 Borrower, 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 6.** The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of each series of the Bonds shall be as provided in the Indenture, as finally executed.

**Section 7.** The Bonds shall be executed by the manual or facsimile signature of the Chairman or any Deputy to the Chairman and the seal of the Authority shall be affixed thereon (or a facsimile reproduced thereon) in the form set forth in and otherwise in accordance with the Indenture. The Bonds, when executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriter in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriter thereof, upon payment of the purchase price thereof.

**Section 8.** 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 issuance, sale, delivery or remarketing of the Bonds, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement and the Purchase Contract. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including, without limitation, any certifications and one or more tax certificates.

**Section 9.** 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 10.** The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

**Section 11.** This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this Resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.



**EXHIBIT A**

**TERM SHEET**

<b>Name of Issue:</b>	California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (Aemerge RedPak Services Southern California, LLC Project), Series 2015 (the “Bonds”)
<b>Maximum Amount of Issue:</b>	\$24,000,000
<b>Issuer:</b>	California Pollution Control Financing Authority (the “Authority”), Sacramento, CA
<b>Borrower:</b>	Aemerge RedPak Services Southern California, LLC
<b>Guarantor</b>	Aemerge, LLC
<b>Trustee:</b>	The Bank of New York Mellon Trust Company, N.A.
<b>Underwriter:</b>	Westhoff, Cone & Holmstedt
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP, San Francisco, CA
<b>Project</b>	Bond proceeds will finance the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of facilities, including the acquisition of land and equipment for the processing of solid waste in the form of medical waste to be located at 9600 E Ave, Hesperia, California 92345
<b>Maximum Bond Term:</b>	Not to exceed thirty years
<b>Type of Sale:</b>	Private placement
<b>Description of Minimum Denominations:</b>	\$250,000 or any integral multiple of \$5,000 in excess thereof
<b>Financing Structure:</b>	Fixed Rate
<b>Other Credit Enhancement:</b>	Not applicable
<b>Anticipated Bond Rating:</b>	Unrated
<b>Type of Financing:</b>	Solid waste disposal revenue bonds
<b>Prepared by:</b>	Mark Holmstedt, (925) 472-8747

