

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: September 19, 2018**

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

Prepared by: Kris Luoma

|                          |  |                              |   |
|--------------------------|--|------------------------------|---|
| <b>Applicant:</b>        | SiONEER Stockton, LLC<br>and/or its affiliates | <b>Amount Requested:</b>     | \$21,000,000  |
| <b>Project Location:</b> | City of Stockton<br>(San Joaquin County)       | <b>Application No.:</b>      | 911(SB)   |
|                          |  | <b>Final Resolution No.:</b> | 18-01-591   |
|                          |  | <b>Prior Actions:</b>        | Original IR<br>Approved on<br>7/18/2017<br>Amended IR<br>Approved on<br>7/23/2018 |

**Summary.** SiONEER Stockton, LLC and/or its affiliates (“SiONEER” or the “Company”) requests approval of a Final Resolution (FR) No. 18-01-591 for an amount not to exceed \$21,000,000 to finance the construction of a post-consumer waste glass recycling and processing facility.

**Borrower.** SiONEER Stockton, LLC is a newly formed entity which was formed by the parent company, Glass Processing Solutions, LLC (GPS). GPS has experience in commercial operations and was founded by Cynthia Andela who is also the founder of Andela Tool and Machine which has been making glass pulverizing equipment since 1991. GPS’s initial plant was built in Richfield Springs, NY in 2009 which was a small 6,000 ton per year operation. GPS began selling processed glass into the abrasive market in 2010. The patent for the clean glass process was awarded in 2012. In 2013 GPS licensed the technology to Momentum Recycling in Salt Lake City, Utah and in 2014 licensed the technology to Tricentris in Lachute (Montreal) Quebec, Canada. GPS was instrumental in the building, training and initial operation of both plants. The plants in Salt Lake City, Utah & Lachute, Canada are both 10 ton per hour facilities that are fully operational and profitable.

The Company has developed and deployed a new technology that has the capability to process 100% of the post-consumer waste glass. The Company is a small business currently with three employees and is expected to have approximately 30 employees upon completion of the project.

The principal stockholders of the Company are as follows:

|                        |                    |
|------------------------|--------------------|
| Cynthia Andela         | 42%                |
| Douglas L. Jackson     | 42%                |
| Wendy J. Wright        | 4%                 |
| Brett Wilhelm          | 4%                 |
| David Selover          | 4%                 |
| Various (Less than 3%) | 4%                 |
| <b>Total:</b>          | <b><u>100%</u></b> |

**Legal Status Questionnaire.** The Staff has reviewed the Company's responses to the questions contained in the Legal Status Questionnaire portion of the Application. No information was disclosed in the Legal Status Questionnaire portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

**TEFRA.** The TEFRA hearing was held on August 9, 2018. There were no comments received in support of or in opposition to this Project.

**Fees.** On June 14, 2017, the Company submitted a CPCFA application in the amount of \$9,800,000 and paid an application fee of \$4,900.00. On July 17, 2018, the Company submitted an amended CPCFA application in the amount of \$21,000,000, but did not submit a replacement check for the amended application fee. The Company has paid an application fee of \$4,900.00 and will pay an administrative fee of \$37,100.00 at closing.

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

**Prior Financings.** None

**Project Description.** SiONEER has developed a new technology that has the capability to process 100% of post-consumer waste glass. The Company is leasing approximately three acres of land, from the Port of Stockton, which includes a 40,000 square foot building. The facility is designed to process 9,717 tons of waste glass per month, which equates to processing approximately 116,604 tons of waste glass per year. The initial plan, based on availability of feedstock and operational needs, is to process approximately 5,300 tons per month of waste glass.

The recycled glass finished product creates specialty sands. The sand can be ground to a fine silt and used for filtration purposes, course ground and used for media blasting or as a high quality pozzolan. Pozzolan is a material which, when combined with calcium hydroxide, exhibits cement like properties. Pozzolans are commonly used as an addition to concrete mixtures to increase the long-term strength. The use of pozzolan, in some cases, can reduce the material cost of concrete. Pozzolans are required for the creation of ultra-high strength concrete which is used for the construction of buildings and infrastructure.

Bond proceeds will be used to purchase equipment for the project such as: hoppers, conveyors, belt scales, magnets, misting systems, feeders, a cyclone system, platforms, catwalks, crushers, pulverizer, silos, ducting, fork lifts, compressors, Dynamic Air Classifier, electrical systems, computers, office equipment, offices and a laboratory.

The anticipated project and issuance costs are listed below:

|   |                            |
|---|----------------------------|
| Acquisition and Installation of New Equipment | \$ 9,038,917               |
| Construction of New Buildings                 | \$ 7,971,083               |
| Bond Reserve                                  | \$ 2,100,000               |
| Interest During Construction                  | \$ 1,470,000               |
| Bond Issuance Expense                         | \$ 420,000                 |
| <b>Total</b>                                  | <b><u>\$21,000,000</u></b> |

*Note: The project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.*

**Anticipated Project Timeline.** The Project described is expected to take 9-12 months to complete and is expected to be placed into service by the third quarter of 2019.

**CDLAC Allocation.** The Company has applied to the California Debt Limit Allocation Committee (CDLAC), application number 18-020, for Allocation at its October 17, 2018 Board Meeting for an amount not to exceed \$21,000,000.

**Local Government.** The Company has received a letter of support from Richard Aschieris, Port Director, for the Port of Stockton. (See Attachment A)

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

**Air Quality.** The SiONEER Project process reduces greenhouse gas emissions (“GHG”) by diverting glass from being landfilled, thus helping to reduce the size of the landfill itself. Every ton of glass recycled that is used as pozzolan is equivalent to a reduction .834 metric tons of CO2. If the Company’s future sales of pozzolan is 72,000 tons of glass per year it would have a reduction of 60,048 metric tons of GHG.

**Water Quality.** The Company is not in close proximity to environmentally sensitive wetlands or coastal areas. The Project site will operate on concrete surfaces and in enclosed buildings, all of which prevents water seepage.

**Recycling of Commodities.** The Project will collect post-consumer glass from local landfills, diverting as much as 181,440 tons per year.

**Safety and Compliance.** The Project is in compliance with all State and Federal environmental regulations for safely disposing of waste glass. The California Integrated Waste Management Act of 1989 (AB 939) and the federal Resource Conservation and Recovery Act (RCRA) have mandated the need to reduce materials landfilled and to maximize opportunities to recycle landfilled materials, of which this Project accomplishes both objectives.

**Jobs.** The Company anticipates creating up to 30 new full-time jobs, upon completion of the Project.

**Permitting and Environmental Approvals.** The Company has received the following California Environmental Quality Act (CEQA) documentation and San Joaquin Valley Air Pollution Control District (SJVAPCD) permits:

|   |                         |
|---|-------------------------|
| CEQA SCH 2002032048                         | NOD Mitigated           |
| Notice of Determination (NOD)               | Received 11/30/2017     |
| SJVAPCD Authority to Construct Permit (Air) | Approved 7/19/2018      |
| Port of Stockton CEQA Addendum              | Received September 2017 |
| Port of Stockton Port Director EIR Approval | June 24, 2004           |

The Authority to construct permits are only for the construction of the project and are in effect for two years. At the end of the two years from the date of issuance, SiONEER is responsible for ordering an inspection of the project site to verify completion of the construction. Once inspected and verified the SJVAPCD will issue a Permit to Operate.

**Financing Details.** The Company anticipates a Limited Public Offering to Qualified Institutional Buyers (QIBs) as defined in SEC Rule 144A under the Securities Act of 1933, non-credit enhanced obligations, 7% fixed-rate, a term of approximately 22 years, tax-exempt Solid Waste Disposal Revenue Bonds in minimum denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof and restrictions on transfers to QIBs.

The Bonds will be secured by a debt service reserve fund. Loan repayments by the Company will be secured by a gross revenue pledge, a deed of trust on certain property of the Company, and a pledge and security agreement. In addition, the Company will agree not to incur additional indebtedness unless authorized by the Loan Agreement, and will agree to certain financial covenants, including a debt service coverage ratio requirement, a day's cash on hand requirement, and a capital maintenance fund requirement. The Company's obligations under the loan agreement will further be secured by a guaranty from its parent company.

To assist with the marketing and sale of the Bonds, Westhoff, Cone & Holmstedt will enter into a distribution agreement with Piper Jaffray.

As part of this effort, a draft Preliminary Limited Offering Memorandum (PLOM) has been prepared and is also being presented to the Authority for approval. A link to the PLOM can be found here: <https://orrick.box.com/s/x5z8pnzk5tl45m8x5en538dqchxbeo7g>. The financing is anticipated to take place in November of 2018.

**Financing Team.**

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

**Staff Recommendation.** Staff recommends approval of Final Resolution No. 18-01-591 in an amount not to exceed \$21,000,000 for SiONEER Stockton, LLC and/or its affiliates.

Attachment A

PORT OF STOCKTON

Phone: (209) 948-0246



Fax: (209) 465-7244

June 26, 2018

Ms. Laura Whittall-Scherfee  
Executive Director  
California Debt Limit Allocation Committee  
915 Capitol Mall, Room 311  
Sacramento, CA 95814

RE: California Debt Limit Allocation Committee, Exempt Facility Approvals  
SiONEER Stockton LLC Project

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Dear Ms. Whittall-Scherfee:

I write to you today on behalf of SiONEER Stockton LLC relating to their environmental project for which approval will be requested at the next California Debt Limit Allocation Committee ("CDLAC") meeting.

My staff and I have worked with the management of SiONEER Stockton LLC over the last few years 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 CDLAC 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 Port of Stockton I would appreciate it if you would approve the SiONEER Stockton LLC Project at your next meeting. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Aschieris".

Richard Aschieris  
Port Director

**Final Resolution No. 18-01-591  
Application No. 911 (SB)**

**FINAL RESOLUTION OF THE  
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
AUTHORIZING THE ISSUANCE OF REVENUE BONDS  
FOR THE SOLID WASTE DISPOSAL/RECYCLING FACILITIES AND EQUIPMENT  
OF SIONEER STOCKTON, LLC, AND/OR ITS AFFILIATES**

**September 19, 2018**

**WHEREAS**, the California Pollution Control Financing Authority (the “Authority”) has received the application of SiONEER Stockton, LLC, an Ohio limited liability company (the “Borrower”) for financial assistance to finance or refinance the acquisition, construction, rehabilitation, renovation, installation, improvement and/or equipping of a glass processing facility for the Borrower and/or its affiliates, all to be located at 713-A Luce Avenue, Stockton, California, all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (collectively, 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 \$21,000,000 to assist in the financing or refinancing of the Project; and

**WHEREAS**, the Authority has applied for a portion of the 2018 State Ceiling on Qualified Private Activity Bonds (“Allocation”) from the California Debt Limit Allocation Committee (“CDLAC”) for bonds issued in tax-exempt mode for the Project as described in CDLAC Application No. 18-020, to finance or refinance certain costs of the Project and to pay certain costs of issuance of the Bonds (defined below), so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Bonds; and

**WHEREAS**, the proceeds of the Bonds will be loaned to the Borrower under the hereinafter referred loan agreement with the Authority; and

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

**WHEREAS**, the Borrower has provided 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” 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 (SiONEER Stockton, LLC Project), Series 2018” (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 \$21,000,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series or sub-series separately or differently identified, and may be issued in a tax-exempt mode, all 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 or refinance the Project (including without limitation, reimbursing the Borrower for qualifying costs incurred for the Project prior to the issuance of the Bonds), to pay certain costs of issuance of the Bonds, and to fund a reserve fund and capitalized interest for 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, 2018, by negotiated sale, at such price and at such interest rate or rates as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract. Delivery of the Bonds at such times to be determined by the Authority pursuant to documents approved in Section 4 hereof, is hereby approved.

**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, as agent for sale, and the underwriter named in the Term Sheet (the “Underwriter”), and as approved by the Borrower; and

(iv) 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 Purchase Contract, and the Limited Offering Memorandum, and by delivery thereof in the case of the Preliminary Limited Offering Memorandum, and subject to the approval by CDLAC of Allocation for the Project, such approval to be conclusively evidenced by execution and delivery of a resolution by CDLAC (the “CDLAC Resolution”). The Underwriter is hereby authorized to distribute the Preliminary Offering Memorandum to persons who may be interested



in the purchase of the Bonds. The Underwriter is hereby directed to deliver a final Limited Offering Memorandum to all actual purchasers of the Bonds.

**Section 5.** Any modification to the Project made prior to the issuance of the Bonds shall be reported to the Executive Director of the Authority, and such modification shall be subject to further approval by the Authority. If such modification is approved by the Authority, the Executive Director of the Authority shall immediately report to the Executive Director of CDLAC. If the Executive Director of CDLAC determines such modification to be material in accordance with CDLAC's regulations, CDLAC shall reconsider the modification to the Project before the Allocation may be used.

**Section 6.** Any material changes to the bond sale structure prior to the issuance of the Bonds are subject to further approval by the Authority. If material changes are approved by the Authority, the Executive Director of the Authority shall immediately report any material changes to the Executive Director of CDLAC. CDLAC may require approval of the material change by the Committee Chair or the Executive Director of CDLAC before the Allocation may be used.

**Section 7.** 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 an Affiliate of the 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 8.** 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 the Bonds shall be as provided in the Indenture, as finally executed.

**Section 9.** 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 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 or to the Underwriter upon payment of the purchase price thereof.

**Section 10.** The Allocation requested by the Authority, if approved by CDLAC, shall automatically revert to CDLAC unless the Authority has executed Bonds on behalf of the Borrower within ninety (90) days of the transfer of the Allocation. In a case of extreme hardship, the Executive Director of CDLAC may extend this date by up to five (5) business days. In addition, the Executive Director of CDLAC may also grant an additional extension of up to ninety (90) days.

This extension will result in a forfeiture of the Project's performance deposit to the extent that the performance deposit has not previously been forfeited. The Authority shall return any unused Allocation to CDLAC.

**Section 11.** 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 or delivery 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, including, a tax certificate.

**Section 12.** The provisions of Resolution No. 18-01-001 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 23, 2018 (the "Delegation Resolution"), apply to the documents and actions approved in this Resolution, and the provisions of Resolution No. 18-01-001 are incorporated herein by reference. This Section 12 shall be deemed to refer to and incorporate any resolution of a similar nature adopted hereafter by the Authority which replaces or supersedes the Delegation Resolution.

**Section 13.** The provisions of the Initial Resolution No. 17-11, adopted by the Authority on July 18, 2017, as amended by the amendment to Initial Resolution No. 17-11, approved by the Executive Director of the Authority on July 23, 2018 pursuant to Resolution No. 18-01-002 entitled "Resolution of the California Pollution Control Financing Authority Delegating to the Executive Director the Authority to Approve Initial Resolutions Related to Bond Financings" adopted by the Authority on March 12, 2018, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

**Section 14.** The Certification of Compliance II or equivalent form must be submitted by the Borrower to the Authority by February 1<sup>st</sup> annually, until the project's Certificate of Completion has been submitted to the Authority, as provided in the Loan Agreement. A copy of the Certification of Compliance II and Certificate of Completion form may be found at this website location: <http://www.treasurer.ca.gov/cdlac>. Failure to demonstrate compliance may result in disqualification from future program participation.

**Section 15.** As required by the CDLAC Resolution, the Loan Agreement, Indenture and Purchase Contract expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in CDLAC's Resolution. Once the Bonds are issued and delivered, the terms and conditions set forth in CDLAC's Resolution shall be enforceable by CDLAC through an action for specific performance or any other available remedy.

**Section 16.** 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 17.** This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this final 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 (SiONEER Stockton, LLC Project), Series 2018 (the “Bonds”) |
| <b>Maximum Amount of Issue:</b> | \$21,000,000   |
| <b>Issuer:</b>                  | California Pollution Control Financing Authority (the “Authority”)<br>Sacramento, CA   |
| <b>Borrower:</b>                | SiONEER Stockton, LLC, an Ohio limited liability company   |
| <b>Guarantor:</b>               | Glass Processing Solutions, LLC, a New York limited liability company  |
| <b>Purchaser:</b>               | See “Underwriter”  |
| <b>Bond Counsel:</b>            | Orrick, Herrington & Sutcliffe LLP,<br>San Francisco, CA   |
| <b>Trustee:</b>                 | UMB Bank, N.A.   |
| <b>Underwriter:</b>             | Westhoff, Cone & Holmstedt   |
| <b>Remarketing Agent:</b>       | Not applicable   |

**Agenda Item 4.A.**

|  |   |
|--|---|
| <b>Project:</b>                              | Bond proceeds will finance the acquisition, construction, rehabilitation, renovation, installation, improvement and/or equipping of land, buildings, facilities and/or equipment for a glass processing facilities to be constructed on land to be leased by the Borrower from the Port of Stockton, and to be located at 713-A Luce Avenue, Stockton, California 95203 |
| <b>Maximum Bond Term:</b>                    | Not to exceed 22 years  |
| <b>Type of Sale:</b>                         | Limited offering  |
| <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>Maximum Interest Rate:</b>                | Lesser of 12% or the maximum rate permitted by law  |
| <b>Letter of Credit:</b>                     | Not applicable  |
| <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  |