

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: April 28, 2010
Request for Amendment and Restatement of Initial Resolution

Prepared by: *Doreen Smith*

Applicant:	Ecology Auto Parts, Inc. and/or its Affiliates	Amount Requested:	\$47,665,000
Project		Application No.:	00808
Location:	Los Angeles, Riverside, San Bernardino, Orange & San Diego Counties	Initial Resolution No.:	08-02 approved 01/23/08
		Prior Actions:	FR# 00486 approved 08/27/08, amended 10/22/08

Summary. Ecology Auto Parts, Inc. and/or its Affiliates (the “Company”) requests approval of an amendment to Initial Resolution number 08-02 for an amount not to exceed \$47,665,000 to finance the purchase of tractors, trailers and related equipment.

The Initial Resolution was approved on January 23, 2008 for an amount not to exceed \$26,245,000. In 2008, bonds were issued in the amount of \$9,100,000 to finance this project. At this time, the Company requests to increase the requested bond amount due to an increase in the size of the project.

Borrower. The Company was incorporated in Los Angeles County on June 7, 1966 as a Landfill. The company transports waste from transfer stations to landfills in Los Angeles, Riverside, San Bernardino, Orange and San Diego Counties.

The principal stockholders of the Company are as follows:

Charles Siroonian	32.00%
Charles Pratty II	13.34%
Louis Pratty	17.33%
Carolyn Pratty	17.33%
Aaron Siroonian	10.00%
Jamie Siroonian	<u>10.00%</u>
Total:	<u>100.00%</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 that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. Prior actions and financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 04/01/10
Ecology Auto Parts, Inc.	10/28/2008	<u>\$9,100,000</u>	<u>\$6,673,333.28</u>
TOTALS:		<u>\$9,100,000</u>	<u>\$6,673,333.28</u>

Project Description. The Company intends to replace a large portion of its fleet of tractors and trailers with new California Air Resources Board (CARB) compliant vehicles. The Company transports waste from transfer stations to landfills in Los Angeles, Riverside, San Bernardino, Orange and San Diego Counties. The Company’s clients include, but are not limited to, Waste Management, Allied Waste, Republic Waste and The Burrtec Group.

The Company currently requests an amendment to the Initial Resolution to increase the requested bond amount to include the additional tractors, trailers and other related equipment to be purchased.

The anticipated Project and issuance costs are listed below:

Tractors	\$25,275,090
Trailers	16,224,910
Yellow Iron (heavy equipment)	5,000,000
Costs of Issuance	<u>1,165,000</u>
Total:	<u>\$47,665,000</u>

Anticipated Timeline. The Company began purchasing equipment in June 2009, and anticipates completing the purchases by December 2011.

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

Air Quality. The purchase of new CARB compliant tractors will result in a substantial reduction in the air pollutants, NOx (Nitrogen Oxides), SOx (Sulfur Oxides) and particulate matter when contrasted with emissions of those diesel vehicles currently in use.

Energy Efficiency. The new vehicles are more fuel efficient thereby reducing fossil fuel consumption.

Permits. The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation during the third quarter of 2010.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is October 2010.

Financing Team.

- Underwriter:** Westhoff, Cone & Holmstedt
- Bond Counsel:** Orrick, Herrington & Sutcliffe
- Financial Advisor:** Andrew S. Rose
- Issuer’s Counsel:** Office of the Attorney General

Staff Recommendation. Staff recommends approval of amended and restated Initial Resolution No. 08-02 for Ecology Auto Parts and/or its Affiliates for an amount not to exceed \$47,665,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

AMENDED AND RESTATED
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
ECOLOGY AUTO PARTS, INC. AND/OR ITS AFFILIATES

April 28, 2010

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 facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, Ecology Auto Parts, Inc., a California corporation (the “Applicant”), and/or its affiliates (collectively, the “Company”) has previously submitted an application (the “Application”) requesting that the Authority assist in financing the acquisition of solid waste disposal vehicles and equipment as more fully described in the Application (collectively, the “Project”) to be owned and operated by the Company, and have presented an estimate of the maximum cost of such Project as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority has previously adopted its Initial Resolution 08-02 (the “Initial Resolution”) expressing the intent of the Authority to issue up to \$26,246,000 of its revenue bonds to finance the Project; and

WHEREAS, on October 28, 2008, the Authority issued \$9,100,000 of its revenue bonds in partial satisfaction of the Initial Resolution; and

WHEREAS, the Company has submitted an amended application to the Authority requesting to increase the amount of the Initial Resolution and to extend its expiration date; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal and resource recovery 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, it is desirable and provides greatest clarity for the Authority to restate and amend the Initial Resolution at this time;

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 \$47,665,000 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 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. 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 \$47,665,000 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 April 28, 2013 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: 08-02 (Amended)

LOCATION: Vehicles and equipment will be housed/parked at one or more of the locations on the attached page

TYPE: Solid Waste Disposal

AMOUNT: Up to \$47,665,000

Ecology Auto Parts Vehicle Parking Locations

Anaheim Parking Yard 3818 E. Coronado Street Anaheim, CA 92807	Gardena 14701 S. Maple Avenue Gardena, CA 90248	Santa Fe Springs Scrap Yard 13780 E. Imperial Hwy. Santa Fe Springs, CA 90670
ANR Yard 2202 S. Milliken Avenue Ontario, CA 91761	Innovative Waste Transfer Station 4133 Bandini Blvd. Vernon, CA 90023	Seeley 1863 Animal Street (P.O. Box 227) Seeley, CA 92273
Arlington Sheet Metal 23332 Cahalco Road Perris, CA 92570	Lancaster Yard 43927 90 th Street East Lancaster, CA 93535	WTR Transfer Station 840 S. Mission Road Los Angeles, CA 90023
Bakersfield 300 Fairview Road Bakersfield, CA 93307	Long Beach Shop 2701 E. 68 th Street Long Beach, CA 90805	Rancho Cucamonga Shop 8613-8639 Etiwanda Avenue Rancho Cucamonga, CA 91739
Burrtec West Valley 13373 Napa Street Fontana, CA 92335	Moreno Valley Yard 23332 Cajalco Road Perris, CA 92570	Refinery SFS 12345 Lakeland Road Santa Fe Springs, CA 90670
Chula Vista Yard 825 Energy Way Chula Vista, CA 91911	Oceanside Scrap Yard 1030 Airport Road Oceanside, CA 92054	San Diego Scrap Yard 981 Heritage Road San Diego, CA 92154
Clarts Yard Transfer Station 2201 E. Washington Blvd. Los Angeles, CA 90021	Otay Landfill 1700 Maxwell Road Chula Vista, CA 91911	Hesperia Yard 11099 G Avenue Hesperia, CA 92345
Edom Hill Transfer Station 70-100 Edom Hill Road Cathedral City, CA 92234	Pacific Rail Ind. 785 E. M Street Colton, CA 92324	Falcon Transfer Station 3031 I Street Wilmington, CA 90744
Enterprise SFS Yard 8844 Millergrove Drive Santa Fe Springs, CA 90670	Paramount Recycling 7230 Petterson Lane Paramount, CA 90723	