

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: May 28, 2008
Request for Initial Resolution Approval

Prepared by: *Michael Smith*

Applicant:	GreenWaste Recovery, Inc. and/or Affiliates	Amount Requested:	\$17,085,000
Project	San Jose (Santa Clara County)	Application No.:	811
Locations:	Petaluma (Sonoma County) and Watsonville (Santa Cruz County)	Initial Resolution No.:	08-05

Summary of Request: GreenWaste Recovery, Inc. and/or its Affiliates (the “Company” or “Green Waste”) requests approval of an Initial Resolution for an amount not to exceed \$17,085,000 to finance construction, and to purchase vehicles and equipment. The Company provides refuse and disposal services in Santa Cruz, Sonoma, San Mateo, San Benito and Santa Clara counties. The Company anticipates that the project will provide waste diversion, air quality, water quality and recycling benefits.

Borrower: GreenWaste Recovery Inc. was incorporated in San Jose in May 1991 and also does business as \$99 Debris Box Company. Affiliated companies include Zanker Road Resource Management, Ltd., of which Z-Best Composting is a division, and GreenTeam/Zanker of Sunnyvale. The Company operates several facilities, including material recovery facilities (MRFs) and transfer stations in the San Jose area.

The Company provides residential and commercial collection of garbage, recyclables and yard trimmings as well as street sweeping and debris box services. The Company has contracts to service San Jose (Santa Clara County), Portola Valley and Woodside (San Mateo County), San Juan Bautista (San Benito County), Petaluma (Sonoma County), and unincorporated areas of Santa Cruz, San Mateo, San Benito, and Santa Clara Counties.

The principal stockholders of the Company are listed on Attachment A.

Legal Questionnaire: 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 detailed below.

Project	Issue Date	Amount Issued	Bond Amount Outstanding as of 04/30/08
GreenWaste of Tehama*	06/03/1999	\$ 3,435,000	\$ 640,000
GreenWaste Recovery, Inc.	06/03/1999	3,625,000	1,680,000
Zanker Road Landfill	06/03/1999	6,370,000	4,045,000
Zanker Road Landfill	06/03/1999	2,960,000	0
GreenWaste Recovery, Inc.	10/10/2001	8,305,000	1,115,000
GreenWaste Recovery, Inc.	01/06/2006	12,315,000	11,730,000
GreenWaste Recovery, Inc.	05/30/2007	<u>38,305,000</u>	<u>38,305,000</u>
	Totals:	<u>\$75,315,000</u>	<u>\$57,515,000</u>

* This bond was assumed by Waste Connections in 2003.

Project Description: The Applicant’s many franchise operations require it to constantly add and replace its rolling stock, bins, carts, containers etc., while also making improvements to its buildings and equipment throughout its operations. Capital expenditures required at this time are summarized below.

San Jose’s existing operations at 625, 645, & 565 Charles Street will be expanded to increase capacity due new or renewed contracts with the cities of Woodside, Portola Valley, and Los Altos Hills. This includes building a new maintenance shop; installing paving and drainage; as well as purchase of equipment, utility vehicles, carts, bins and containers, computer system upgrades and ON-Route GPS systems. The Company anticipates computer system upgrades as well as utility vehicle purchases at the corporate yard located at 1500 Berger Drive in San Jose.

For the site in Petaluma at 1309 Dynamic Street, the Company anticipates purchasing CARB retrofits for its collection vehicles; purchasing carts, bins and containers; constructing a wash rack and a bunker for recyclables.

The Company anticipates purchasing carts, bins and containers as well as ON-Route GPS systems for the Watsonville site.

The anticipated Project and issuance costs for this request are listed below.

Agenda Item – 4.A.1.

Project Components	San Jose	Watsonville	Petaluma	Total
MRF improvements	\$2,640,000			\$2,640,000
Building & site improvements	2,200,000			2,200,000
Truck replacement/CARB retrofits	5,030,000		\$450,000	5,480,000
Carts, bins & containers	1,958,000	\$225,000	125,000	2,308,000
Equipment	250,000			250,000
Utility vehicles	460,000			460,000
Computer system upgrades	740,000			740,000
ON-Route GPS system	262,000	250,000		512,000
Debris box trucks		400,000		400,000
Improve Industrial Rd facility		975,000		975,000
Wash rack			125,000	125,000
Bunker for recyclables			500,000	500,000
Project Costs:	<u>\$13,540,000</u>	<u>\$1,850,000</u>	<u>\$1,200,000</u>	<u>\$16,590,000</u>
Financing Costs				495,000
	Total:			<u>\$17,085,000</u>

Anticipated Timeline: The Company anticipates commencing equipment purchases in May 2008, and construction beginning June 2008, with a scheduled completion date of January 2009.

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

Air Quality. All the collection vehicles to be acquired will be bio-diesel powered. These new vehicles will emit noticeably less pollutants than the current conventionally powered diesel fleet in use. All new trucks will meet the 2007 emission standards which will further reduce emission of pollutants.

Water Quality. The new maintenance shop on Charles Street will operate on concrete or asphalt paved surfaces and will not operate on exposed ground areas. The drainage system will be designed to prevent any seepage of undesirable materials into the ground water. The applicant intends to comply with storm water management regulations.

Recycling of Commodities. Compliance with all applicable state and federal environmental regulations regarding solid waste disposal will result with the implementation of the project. It is important to note that the United States Resource Conservation and Recovery Act (RCRA) and the California Integrated Waste Management Act of 1989 (AB 939) mandate the need to minimize the amount of material landfilled and maximize recycling opportunities, both of which the project will achieve.

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 has applied to the Authority for Volume Cap allocation for the summer of 2008.

Financing Details: The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 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 anticipated target date for financing is July 2008.

Financing Team:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose

Staff Recommendation: Staff recommends approval of Initial Resolution No. 08-05 for GreenWaste Recovery, Inc. and/or its Affiliates for an amount not to exceed \$17,085,000.

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 FACILITIES FOR
GREENWASTE RECOVERY, INC. AND/OR ITS AFFILIATES**

May 28, 2008

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, GreenWaste Recovery, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing solid waste disposal/recycling facilities to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (“Company”), which are expected to be comprised of the construction and rehabilitation of buildings, site improvements and the acquisition and/or retrofitting of solid waste, processing, transporting and recycling related vehicles and equipment and other equipment functionally related thereto, including without limitation drop boxes, bins, carts and containers (“Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling facilities 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 Facilities 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 Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities 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 \$17,085,000 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 Facilities; 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 Facilities 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 \$17,085,000 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 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.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on May 28, 2011, 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 Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

EXHIBIT A

NUMBER: 08-05

- LOCATIONS:**
- (1) 1309 Dynamic Street
Petaluma, CA 94954
 - (2) 565, 625 & 645 Charles Street
San Jose, CA 95112
 - (3) 1500 Berger Drive
San Jose, CA 95112
 - (4) 1340 West Beach Street
Watsonville, CA 95076
 - (5) 375 Industrial Road
Watsonville, CA 95076
 - (6) Customers' locations throughout the Company's
service areas in the Counties of Santa Cruz, Sonoma
and Santa Clara

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$17,085,000

ATTACHMENT A

GreenWaste Recovery, Inc. Ownership

Stockholders	Percentage
Cristina, Richard & Diane, Trust	19.79%
Hall, Murray, Trust	17.28%
Weigel, Jesse.....	16.67%
Giannini, William & Linda, Trustees.....	4.79%
Dubcich, Robert	4.27%
Bracher, Eric A. and Vivian M., Trustees.....	4.27%
Carter, Gene & Patricia, Trustees	4.17%
Giannini, Gary.....	4.17%
Sheehan, Patricia.....	4.17%
Sweatt, Herb.....	4.17%
Sweatt, Nancy	4.17%
Weigel, Frank.....	4.17%
Madden, Gary	2.08%
Filice, Mary Jane.....	2.08%
Feldman, Clayton & Sandra.....	2.08%
Antoinette Cristina Survivor’s Trust.....	1.67%
Total	100.00%

Affiliated Ownership:

Zanker Road Resource Management

General Partners:	Percentage
Zanker Road Resource Recovery, Inc.....	30.00%
H.L. Sweatt, Inc.	10.00%
Limited Partners:	
John D. Couch.....	9.0044%
Dianna Couch.....	9.0044%
Mary Lou Couch	0.5205%
Kenneth W. Zerbe	7.0588%
Gene R. Carter	7.0588%
Neal Family Revocable Trust	5.2941%
Jesse Weigel.....	2.6471%
Herbert L. Sweatt.....	0.8824%
Nancy Sweatt	0.8824%
Cristina 1993 Irrevocable Trust	0.8824%
Phyllis Wilks.....	0.8824%
Richard A. Cristina	1.7647%
Sportsell L.P. #4.....	10.5882%
Shilling & Kenyon Profit Sharing Trust	1.7637%
Shilling & Kenyon, Inc.	1.7637%
Total	100.0000%

GreenTeam/Zanker of Sunnyvale

General Partners	Percentage
Zanker Road Resource Management	50.00%
GreenTeam of San Jose *	50.00%
Total	100.00%

* GreenTeam of San Jose is owned 50% each by GreenWaste Recovery and Green Valley Disposal and Recycling. Green Valley Disposal and Recycling is not otherwise related to the applicant.