

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: June 20, 2017**

*Request to Approve Initial Resolution Reflecting
Official Intent to Issue Revenue Notes*

Prepared by: *Dmitri Godamunne*

Applicant:	Potential Industries, Inc. and/or its Affiliates	Amount Requested:	\$7,145,000
Project Location:	Cities of Los Angeles, Long Beach, Torrance, and others (Los Angeles County)	Application No.:	909(SB)
		Initial Resolution No.:	17-09

Summary. Potential Industries, Inc. and/or its Affiliates (“Company”) request an approval of an Initial Resolution for an amount not to exceed \$7,145,000 of tax-exempt notes to finance the acquisition of new machinery and equipment at an existing recycling plant.

Borrower. Potential Industries, Inc. is a California C-corporation organized in March of 1975 in California and is in the business of solid waste recycling. Although the Company has one listed affiliate relationship with West Valley Fibres, there is no relationship to financing, leases or other financial obligations between the Company and West Valley Fibres. Additionally, the Company meets the size standards set forth in Title 13 of the Code of Federal Regulations for eligibility as a small business having 85 employees.

The principal stockholders of the Company are as follows:

Henry Chen	40%
Jessica Chen	33%
Tony Fan	<u>27%</u>
Total:	<u>100%</u>

Legal Status Questionnaire. 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.

Project Description. Potential Industries, Inc., located in the City of Wilmington, currently processes approximately 12,000 tons per month of residential commingled recyclables from the Cities of Los Angeles, Long Beach, Torrance, and others in Southern California pursuant to a solid waste facilities permit. The project seeks to finance the acquisition of new conveyors, mechanical screens, and optical sorting equipment to increase the efficiency of the recycling system and increase diversion of waste from landfills.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in August or September 2017.

Financing Details. The Company anticipates the issuance of direct purchase tax-exempt notes.

Financing Team.

Municipal Advisor to the Borrower: Westhoff, Cone & Holmstedt

Note Counsel: Law Offices of Leslie M Lava

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 17-09 for Potential Industries, Inc. and/or its Affiliates for an amount not to exceed \$7,145,000.

**Initial Resolution No. 17-09
Application No. 909(SB)**

**RESOLUTION OF OFFICIAL INTENT TO ISSUE NOTES TO
FINANCE SOLID WASTE DISPOSAL/RECYCLING EQUIPMENT
FOR POTENTIAL INDUSTRIES, INC.
AND/OR ITS AFFILIATES**

June 20, 2017

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 notes for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including solid waste disposal recovery and recycling facilities; and

WHEREAS, Potential Industries, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing or refinancing solid waste disposal/recycling equipment to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, “Company”), which financing or refinancing is expected to be comprised of the acquisition and installation, if any, of equipment for the sorting, processing and recycling of solid waste, including conveyors, screens, optical sorters, steel platforms, chutes, hoppers, equipment controls, electrical and engineering, and other equipment functionally related thereto (collectively, “Equipment”), and has presented an estimate of the maximum cost of such Equipment 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 Equipment be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of notes of the Authority will be made available to finance the Equipment; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Equipment prior to the issuance of indebtedness for the purpose of financing costs associated with the Equipment 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 \$7,145,000 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 Equipment; and

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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 Equipment 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 \$7,145,000 principal amount of notes of the Authority for the Equipment; including for the purpose of reimbursing to the Company costs incurred for the Equipment prior to the issuance of the notes.

Section 3. The notes 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 Equipment. Each note 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 note.”

Section 4. The notes shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the notes 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 Equipment, 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 notes 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

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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 June 20, 2020 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 status of the project and any additional information requested by the Authority to supplement the Company's application.

EXHIBIT A

NUMBER: 17-09

LOCATION: 922 East E Street
Wilmington, California 90744

TYPE: Solid Waste Disposal/Recycling

AMOUNT: Up to \$7,145,000