

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: January 19, 2016**

*Request to Approve Tax Exempt Volume Cap Allocation*

Prepared by: *Kris Luoma*

<b>Applicant:</b>	Aemerge, LLC, Aemerge Redpak Services Southern California, LLC and/or their Affiliates	<b>Amount Requested:</b>	\$28,250,000
<b>Project Location:</b>	Hesperia, California San Bernardino County	<b>Application No.:</b>	879(SB)
		<b>Final Resolution No.:</b>	546
		<b>Prior Actions:</b>	IR Approved 7/21/2015 FR Approved 10/20/2015 FR Amendment approved 12/15/2015

**Summary.** Aemerge, LLC, Aemerge Redpak Services Southern California, LLC and/or their Affiliates (the "Company") requests approval of a Volume Cap Allocation for an amount not to exceed \$28,250,000 to finance the acquisition of land, upgrades to existing buildings and utilities, as well as the acquisition of ancillary support equipment and systems for a medical waste processing facility.

**Background.** The Initial Resolution was approved by the California Pollution Control Financing Authority ("CPCFA") Board on July 21, 2015 for an amount of \$22,475,000. The Final Resolution was approved for \$24,000,000 on October 20, 2015. The Final Resolution approval was given to enable the Underwriter to market the bonds to find qualified institutional buyers. The Final Resolution approval of the bond sale was made contingent upon the receipt of all required discretionary permits.

At the December 15, 2015 CPCFA Board meeting an amendment to the Final Resolution was approved (see Attachment A) for an increased amount of up to \$30,000,000. The amended Final Resolution approval of the bond sale was made contingent upon the receipt of all required discretionary permits. *At the time of publication of this staff summary, the Company was still awaiting the anticipated issuance of a required discretionary permit. Staff will withdraw this item from the Board agenda on January 19, 2016 if the permit is not received or does not satisfy the contingency by that time.*

**Borrower.** Aemerge Redpak Services Southern California, LLC is an Indiana Limited-Liability Company organized on August 3, 2015. The Company will provide medical waste transfer and disposal services. It is a small business with approximately 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>

**TEFRA.** A TEFRA hearing was held for the Project on October 15, 2015 for a bond amount of \$24,000,000. On December 10, 2015 a second TEFRA hearing was held for the Project to increase the bond amount to \$30,000,000. There were no written or oral comments received in support of or in opposition to the Project at either hearing dates.

**Fees.** The Company has paid an application fee of \$5,000 and will pay an administrative fee of up to \$51,500 at closing.

**Permitting and Environmental Approvals.** The Company represents to the Authority that it has obtained all required discretionary permits with the exception of an air permit from the Mojave Desert Air Quality Management District. The Company anticipates receiving the air permit prior to the Board meeting on January 19, 2016.

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

**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>Paid from all Other Sources</b>
Acquisition of Land	\$424,136	\$0
Building Acquisition	1,125,000	
Rehabilitation of Existing Building(s)	2,126,000	68,000
Acquisition and Installation of Used Equipment	0	7,633,483
Acquisition and Installation of New Equipment	17,207,000	878,148
Legal, Permits, etc.	0	80,000
Bond Issuance Expenses	565,000	232,500
Interest During Construction	2,260,000	0
Project Management Fee	1,717,000	0

**Agenda Item 4.D.**

Reserve Fund	2,825,000	0
Working Capital	<u>0</u>	<u>734,017</u>
<b>TOTALS:</b>	<b><u>\$28,250,000</u></b>	<b><u>\$9,626,148</u></b>

**Financing Details.** The Company anticipates a limited offering and private placement of fixed rate tax exempt bonds in minimum denominations of \$250,000 and a restriction on transfers to Qualified Institutional Buyers. The Underwriter has obtained financing at a fixed rate of 7.00% for 12 years. There are five potential qualified institutional buyers – Nuveen, Columbia, Invesco, Oppenheimer and Neuberger. Westhoff, Cone & Holmstedt entered into a Distribution Agreement with William Blair & Company to help with the marketing and sale of the Bonds and will be sharing fees. The target date for financing is January 27, 2016. The Trustee has been changed from The Bank of New York Mellon Trust Company, N.A. to UMB Bank.

**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 Volume Cap Allocation Resolution No. 13-111-01 for an amount not to exceed \$28,250,000 for Aemerge, LLC, Aemerge Redpak Services Southern California, LLC and/or their Affiliates.

**THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**RESOLUTION NO. 13-111-01**

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2013 STATE  
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN  
EXEMPT FACILITY PROJECT**

**WHEREAS**, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from Aemerge, LLC, Aemerge Redpak Services Southern California, LLC (“Project Sponsor”) for approval of the issuance of revenue bonds; and

**WHEREAS**, on December 15, 2015, CPCFA approved Amendment to Final Resolution No. 546 (“Final Resolution”) authorizing the issuance of up to \$30,000,000 of its solid waste disposal revenue bonds (Aemerge Project) Series 2016 (“Bonds”); and

**WHEREAS**, the Project Sponsor has requested that the Final Resolution be further amended to provide that the trustee of the Bonds shall be UMB Bank, N.A. rather than The Bank of New York Mellon Trust Company, N.A.; and

**WHEREAS**, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution, and the bond sale was made contingent upon the receipt of all required discretionary permits; and

**WHEREAS**, CPCFA subsequently received all required discretionary permits; and

**WHEREAS**, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2013 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and regulations. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Regulations of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Regulations”); and

**WHEREAS**, it is appropriate for CPCFA to confirm the use of a portion of the 2013 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Bonds as set forth in the Final Resolution;

**NOW, THEREFORE**, CPCFA resolves as follows:

**Section 1.** CPCFA Allocation in the amount of \$28,250,000 is hereby dedicated to the issuance of the Bonds. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit

#### **Agenda Item 4.D.**

A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

**Section 2.** The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

**Section 3.** Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

**Section 4.** The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Bonds for the Project have been issued by CPCFA by the close of business on **April 18, 2016**. In a case of extreme hardship, the Deputy Executive Director or the Executive Director may extend this date by up to thirty (30) business days.

**Section 5.** Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC via the email or the fax number as provided in Section 5140 of the CDLAC Regulations that the Bonds have been issued. This notice shall identify the Project Sponsor, the project or program, the date and amount of the Bonds issued.

**Section 6.** Within fifteen (15) calendar days of the Bond closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting the appropriate completed Report of Action Taken in a form prescribed by and made available by CDLAC.

**Section 7.** Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 4 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

**Section 8.** In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

**Agenda Item 4.D.**

**Section 9.** The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

**Section 10.** The Final Resolution is hereby further amended to provide that the trustee with respect to the Bonds shall be UMB Bank, N.A. rather than The Bank of New York Mellon Trust Company, N.A.

**Section 11.** This Resolution shall take effect immediately upon its adoption.

**RESOLUTION NO. 13-111-01  
(AN EXEMPT FACILITY PROJECT)  
EXHIBIT A**

1. Project Sponsor: Aemerge, LLC, Aemerge Redpak Services Southern California, LLC and/or their Affiliates
2. Application #: 879(SB)
3. Project User: Aemerge, LLC, Aemerge Redpak Services Southern California, LLC and/or their Affiliates
4. Project Name: Aemerge Redpak Services Southern California, LLC
5. Location: 9600 East Ave, Hesperia, California 92345
6. Private Placement Purchaser: Nuveen, Columbia, Invesco, Oppenheimer and Neuberger.
7. The Credit Enhancement Provider at the time of issuance will be the same as represented in the application.
8. Amount of Allocation: \$28,250,000

**Attachment A**

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: December 15, 2015**

***Request to Approve Amendment to Final Resolution***

*Authorizing the Issuance of Revenue Bonds*

Prepared by: Kris Luoma

<b>Applicant:</b>	Aemerge, LLC, Aemerge RedPak Services Southern California and/or their Affiliates	<b>Amount Requested:</b>	\$30,000,000
		<b>Application No.:</b>	879(SB)
<b>Project</b>	Hesperia, California	<b>Final Resolution No.:</b>	546
<b>Location:</b>	San Bernardino County	<b>Prior Actions:</b>	IR Approved 7/21/15 FR Approved 10/20/15

**Summary.** Aemerge, LLC, Aemerge RedPak Services Southern California, LLC and/or their Affiliates (the “Company”) requests approval of an Amendment to Final Resolution (FR) No. 546 to increase the bond amount from \$24,000,000 to \$30,000,000 to pay for an increase in costs of the equipment to be purchased.

**Background.** The original FR was approved by the CPCFA Board on October 20, 2015 for an amount of \$24,000,000.

**TEFRA.** A TEFRA hearing was held on [December 10, 2015] for a bond issue amount of \$30,000,000. There were no comments received in support of or in opposition to this Project. A previous TEFRA hearing reflecting the previous bond amount of \$24,000,000 was held on October 15, 2015, with no comments received in support or opposition.

**Current Project Status.** Westhoff, Cone and Holmstedt (the “Underwriter”) has been continuously working to find and identify the qualified institutional buyers that will be required to complete the transaction. The Underwriter has entered into a distribution agreement with William Blair & Company for the initial sale of the bonds. The Underwriter will need some additional time to finalize the financing structure of the bond. The Mojave Air District permit, which is the remaining permit required, is anticipated to be received by the Company in December 2015 or January 2016.

The updated anticipated project and issuance costs are listed below:

	<b>Initial Costs To Be Paid from Proceeds</b>	<b>Current Request To be Paid from Bond Proceeds</b>	<b>Costs To be Paid from all Other Sources</b>
Acquisition of Land	\$424,136	\$424,136	\$0
Rehabilitation of Existing Building(s)	3,381,864	3,251,864	68,000
Acquisition and Installation of Used	0	0	7,633,483

**Agenda Item 4.D.**

Equipment Acquisition and Installation of New Equipment	12,389,000	17,207,000	878,148
Legal, Permits, etc.	0	0	80,000
Bond Issuance Expenses	449,500	565,000	195,125
Interest During Construction	1,798,000	2,260,000	0
Project Management Fee	1,717,000	1,717,000	0
Reserve Fund	2,247,500	2,825,000	0
Working Capital	0	0	771,392
Project Contingency	<u>1,593,000</u>	<u>1,750,000</u>	<u>0</u>
<b>TOTALS:</b>	<b><u>\$24,000,000</u></b>	<b><u>\$30,000,000</u></b>	<b><u>\$9,626,148</u></b>

The project and the scope of work remains the same as stated in the original FR Staff Report, which was approved by the CPCFA Board on October 20, 2015. (See Attachment A) The costs of the equipment described has increased since the initial request.

**Volume Cap Allocation.** The Company anticipates returning to CPCFA for volume cap allocation approval on January 19, 2016.

**Fees.** The original FR closing fee was \$39,950. Due to the increase of the bond amount the Company will pay a closing fee of up to \$55,000.

**Staff Recommendation.** Staff recommends approval of the amendment to Final Resolution No. 546 for an amount not to exceed \$30,000,000, for Aemerge, LLC, Aemerge RedPak Services Southern California, LLC and/or their Affiliates.

**AMENDED AND RESTATED  
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**

**December 15, 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**, this Amended and Restated Resolution (the “Resolution”) amends and restates in its entirety the resolution adopted by the Authority on October 20, 2015 entitled “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” (the “Original Resolution”); and

**WHEREAS**, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$30,000,000 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:

## **Agenda Item 4.D.**

**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 Southern California, 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 \$30,000,000 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 January 31, 2016, 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>	\$30,000,000
<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

**Agenda Item 4.D.**

**Anticipated Bond Rating:**

Unrated

**Type of Financing:**

Solid waste disposal revenue bonds

**Prepared by:**

Mark Holmstedt, (925) 472-8747