

**REQUEST FOR APPROVAL**

**To:** **Howard Levenson**  
Deputy Director, Materials Management and Local Assistance Division

**From:** **Laurie Kikumoto**  
Section Manager, Special Waste Grants and Loans Section

**Request Date:** March 14, 2014

**Decision Subject:** Recycling Market Development Zone Loan for Three-D Plastics, Inc.  
(Recycling Market Development Revolving Loan Subaccount, FY 2013/14)

**Action By:** March 20, 2014

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**Summary of Request:** Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$1,120,300 to Three-D Plastics, Inc. (Three-D). The request is more fully described under *Applicant Profile*.

**Recommendation:** Staff recommends approval of a RMDZ loan to Three-D Plastics, Inc. in the amount of \$1,120,300.

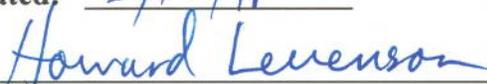
<b>Fund Source: RMDZ Loan Subaccount</b>	<b>Amount Available</b>	<b>Amount to Fund Item</b>	<b>Amount Remaining</b>	<b>Line Item</b>
FY 2013/14	\$6,250,000	\$1,120,300	\$5,129,700	Direct Loan

**Deputy Director Action:** On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a Recycling Market Development Zone loan to Three-D Plastics, Inc. for \$1,120,300.

This approval is subject to:

1. The return by the proposed Borrower of a signed Loan Commitment Letter within thirty (30) days of the date of the Commitment Letter.
2. All terms and conditions contained in the Loan Agreement and other loan documents to be prepared by loan program staff in accordance with applicable regulations, and such other terms and conditions as duly authorized staff in their sole discretion deem necessary or advisable.

I further direct staff to conduct all acts necessary to fund this loan, including but not limited to, the preparation and execution of the Loan Agreement and other loan documents.

**Dated:** 3/14/14  
  
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**Howard Levenson**  
Deputy Director

## **Background and Findings**

### Statutory Authority

The RMDZ Program was established by Senate Bill 1322 (Bergeson, Statutes of 1989, Chapter 1096) and codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible businesses and not-for-profit organizations located in designated zones.

### Program Background

CalRecycle administers the RMDZ Revolving Loan Program to encourage California-based recycling businesses located within designated zones to site new manufacturing facilities, expand existing operations and processing capabilities, and create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs.

### Process

General: The General Loan Criteria for the RMDZ Loan Program were approved by the former California Integrated Waste Management Board in September 2008, and the Project Eligibility Criteria were approved by CalRecycle in March 2012.

Loan applications are reviewed and evaluated in accordance with established procedures to ensure that the project meets current eligibility and underwriting criteria and that required permits have been obtained. The Loan Committee considers the financial soundness of the applicant and the terms of the proposed loan and recommends to CalRecycle that the loan request be either approved or declined. Upon conclusion of this process and Loan Committee's approval recommendation, CalRecycle senior management staff reviews the loan request and determines whether to make a commitment to approve and fund the loan.

Application Review: The application was reviewed for completeness and evaluated consistent with approved General and Project Eligibility Criteria and commercial loan industry practices, to determine an appropriate loan amount and structure that is being recommended for the loan:

- The project is located within the boundaries of the Los Angeles County RMDZ.
- The waste materials to be recycled are generated within California.
- The waste materials are normally disposed of in California landfills.
- The business has demonstrated the ability to repay and collateralize the loan.
- The local RMDZ Administrator supports the project, attested to the reasonableness of the employment and diversion projection of the project and has certified that the requested loan is compatible with their RMDZ's Action Plan and Objectives.
- Loan Staff conferred with the Local Assistance and Market Development Branch and determined that Three-D will obtain its material from vendors that are currently processing recyclables for use in recycled content products. HDPE plastic and tires were disposed of in California landfills.
- Loan Staff conferred with the Statewide Technical and Analytical Resources (STAR) Branch as to the reasonableness of the proposed equipment to be used for the project. Based

on STAR staff's opinion, Three-D's Blow Molding Facility will use machinery that is standard equipment widely used to make traffic safety delineators and channelizers in the United States.

- Loan Staff conferred with the Waste Permitting, Compliance and Mitigation Division concerning applicable Solid Waste Facility Permits. Based on the information provided, The Division's permit staff concluded that the loan applicant does not require a solid waste facility permit since the facility falls under the requirements of a recycling center as described in Title 14, California Code of Regulations, Section 17402.
- Legal Counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the project prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to the loans.
- The Budget Office confirmed that sufficient monies are allocated for FY 2013/2014.
- The Loan Committee met on February 13, 2014, and recommends approval of the loan.

Based on the above factors, and in consultation with the applicant, staff recommends approval of the loan to Three-D for \$1,120,300. The applicant has been informed and agreed with the recommended amount and conditions.

### **Applicant Profile**

#### Three-D Plastics, Inc.

Use of Funds and Project Description: Located in Burbank, California and within the Los Angeles County RMDZ, Three-D proposes to use the \$1,120,300 RMDZ loan to refinance onerous debt and purchase equipment. Three-D has had two previous RMDZ loans; one in 2002 for \$100,000 and one in 2003 for \$250,000. Both were paid in full. The new equipment and machinery will enable the company to expand its manufacturing capabilities to include a blow molding facility which will produce traffic safety delineators and channelizers. Feedstock will primarily be plastic (polyethylene, polypropylene, ABS, polycarbonate, and styrenes) and waste tire crumb rubber. Repayment of the onerous debt will reduce interest expense and improve the company's cash flow.

Three-D Plastics, Inc. is a family owned company that has been engaged in the plastics molding business in Southern California for the past 50 years. It is operated by members of the second generation of the founder's family, who have been running the company successfully for more than 35 years. The company is currently owned and operated by Joseph J. Dvoracek, Chief Executive Officer, Frank J. Dvoracek, Executive Vice President, Product Licensing and Compliance, and Kathleen A. Dvoracek Trumbo, Vice President, Finance and Administration. Kathleen Trumbo's husband, Tim Trumbo, is the Chief Operating Officer. Collectively, this management team has over 120 years of management experience in the design, manufacture and sales of customized injection molding fixtures and traffic safety products.

Diversion and Jobs: As a result of the RMDZ loan, Three-D is projected to divert 325 tons of crumb rubber and 190 tons of plastics annually. Three-D currently has 48 employees. The business anticipates six new jobs.

