REQUEST FOR APPROVAL

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

From: **Michelle Martin**
Branch Chief, Financial Resources Management Branch

Request Date: August 20, 2015

Decision Subject: Recycling Market Development Zone Loan for eco.logic brands inc. (Recycling Market Development Revolving Loan Subaccount, FY 2015/16)

Action By: August 31, 2015

Summary of Request: Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of $2,000,000 to eco.logic brands inc. (eco.logic). The request is more fully described under Applicant Profile, on page 3.

Recommendation: Staff recommends approval of a RMDZ loan to eco.logic in the amount of $2,000,000.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
RMDZ Loan Subaccount (FY 2015/16)	$12,005,920	$2,000,000	$10,005,920	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 the Recycling Market Development Zone loan to eco.logic for $2,000,000.

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: 8/21/15

Howard Levenson

Howard Levenson
Deputy Director

Background and Findings

Statutory Authority

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 1322 (Bergeson, Statues of 1989, Chapter 1096) and is 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 was approved by the former California Integrated Waste Management Board in September 2008 and the Project Eligibility Criteria was 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 San Joaquin County RMDZ.
- The waste materials to be recycled are generated within California.
- The project meets the RMDZ Loan Program Project Eligibility Criteria as a recycling project that will produce a recycled-content finished product from non-hazardous solid waste and/or a recycled material.
- The business has demonstrated the ability to repay and collateralize the loans.
- 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.
- The borrower has stated that they have or will obtain all applicable significant permits to operate the business and equipment to be financed by the proposed loan, before loan funds are disbursed.
- Legal Counsel is not aware of any significant legal issues related to the loan.
- The Budget Office has confirmed that sufficient monies are allocated for FY 2015/16.

- The Loan Committee met on July 9, 2015, and recommends approval of the loan.

Based on these factors, and in consultation with the applicant, staff recommends approval of the loan to eco.logic for $2,000,000. The applicant has been informed and agreed with the recommended amount and conditions.

Applicant Profile

eco.logic brands inc.
Use of Funds and Project Description: Located in Manteca, California, and within the San Joaquin County RMDZ, eco.logic proposes to use the $2,000,000 RMDZ loan to finance a thermoforming machine, pulping machine, and integration equipment to install a new paper bottle production line. Waste paper and cardboard will be combined to form the shells of the bottles and lightweight plastic pouches will be created as liners. Using proprietary technology, the shells and the plastic pouch will be "integrated" to form a finished bottle.

The added equipment will benefit eco.logic by increasing their manufacturing capacity to address a growing sales volume, and reducing their production costs.

This is the first RMDZ loan request from eco.logic.

Diversion and Jobs: As a result of the RMDZ loan, eco.logic is projecting to increase diversion as follows: By 2017, current 104 tons to 2,573 tons of plastic annually; and current 127 tons to 3,135 tons of cardboard annually. The company's payroll is projected to increase from the current 17 employees to 64 employees by 2017.