

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

Prepared by: *Michael Smith*

Applicant: BioEnergy Solutions, LLC	Amount Requested: \$10,200,000
Project: Riverdale and Helm	Application No.: 807 (SB)
Locations: (Fresno County)	Initial Resolution No.: 08-01
	Prior Actions: IR 08-01 approved 01/23/08

Summary of Request: BioEnergy Solutions, LLC received Initial Resolution approval in January 2008 for an amount not to exceed \$3,700,000 to construct and install a waste manure digester on a dairy in Fresno County to capture and sell biogas which will ultimately be used to create electricity. BioEnergy Solutions requests to increase the IR amount to \$10,200,000 to construct a second digester and associated equipment on an adjacent dairy and add additional equipment to the previously approved waste manure digester site.

Borrower: BioEnergy Solutions, LLC, and/or its Affiliates (the “Company”), organized in the state of California on September 22, 2006, is 100% owned by American Dairy Parks, LLC, which in turn is owned 50% each by David Albers and Kim Albers. BioEnergy Solutions, LLC, intends to capture and sell biogas which will ultimately be used to create electricity.

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: Initial Resolution 08-01 was approved January 23, 2008 in the amount of \$3,700,000.

In July 2003 CPCFA approved the issuance of bonds in the amount of \$5,800,000, which were subsequently issued in September 2003 to Agrifab Inc. and Vintage Dairy and/or its Affiliates. David Albers owns a 25% share in Vintage Dairy. The Project included the acquisition of land and financing the construction of solid waste processing and disposal facilities associated with cow manure generated at the dairy. The function of the Project was to provide an economically and environmentally sound method of disposing of animal waste solids generated by the dairy’s milking and heifer facility.

Project Description: The previously approved project (January 23, 2008) description is presented below.

The Company intends to construct and install a waste manure digester on a leased parcel that requires site preparation located at the Vintage Dairy in Fresno County (Site A). The waste manure digester will capture biogas resulting from the breakdown of the manure. PG&E has entered into a contract to purchase the Company’s biogas from

which it will create electricity. The project entails the purchase of a digester and a gas upgrade plant in addition to piping, agitator pumps, and the construction of a manure processing pit.

The anticipated Project and issuance cost of the original request is listed below:

<i>New Equipment.....</i>	<i>\$3,250,000</i>
<i>Site Preparation.....</i>	<i>250,000</i>
<i>Financing Costs.....</i>	<i><u>200,000</u></i>
<i>Total:</i>	<i><u>\$3,700,000</u></i>

In addition to the original project description, the Company intends to construct a second digester on the adjacent Pier Vander Hoek Dairy (Site B). The Pier Vander Hoek Dairy is owned 100% by Pier Vander Hoek and is located in Helm, California. The project at this site entails the purchase of a digester, piping, agitator pumps, and the construction of a manure processing pit. All methane produced at this second site will be piped to a single upgrade plant located at the Vintage Dairy site for cleaning and compression. The purchase of additional piping and equipment at the Vintage Dairy site will be necessary.

The amended Project and issuance costs are listed below:

	Site A	Site B	Total
New Equipment	\$7,050,000	\$2,250,000	\$ 9,300,000
Site Preparation	250,000	250,000	500,000
Financing Costs	<u>0</u>	<u>0</u>	<u>400,000</u>
Total:	<u>\$7,300,000</u>	<u>\$2,500,000</u>	<u>\$10,200,000</u>

Anticipated Timeline: The Company commenced site improvements and equipment purchases in November 2007 and plan to complete the project by September 2008.

Pollution Control and/or Environmental Benefits: The Company represents the Project will generate the same pollution control benefits and environmental benefits as originally presented to the Authority in January. Staff prepared a policy review and it was presented to the Authority Board at the April 23, 2008 meeting.

Permits: The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution. The Vintage Dairy site has been issued an “Authority to Construct” by the San Joaquin Valley Air Pollution Control District.

Volume Cap Allocation: The Company anticipates applying to the Authority for Volume Cap allocation in the fall of 2008.

Financing Details: The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue with a term not to exceed 30 years 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 target date for financing is fall 2008.

Financing Team:

Underwriter: Westhoff Cone & Holmstedt
Bond Counsel: Orrick Herrington & Sutcliffe
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: Office of Attorney General

Staff Recommendation: Staff recommends approval of the request for amendment to Initial Resolution No. 08-01 for BioEnergy Solutions, LLC and/or its Affiliates for an amount not to exceed \$10,200,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

Initial Resolution No. 08-01
Application No. 807 (SB)

**AMENDMENT OF
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
BIOENERGY SOLUTIONS, LLC AND/OR ITS AFFILIATES**

May 21, 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, at the request of BioEnergy Solutions, LLC, a California limited liability company, and/or its Affiliates (the “Company”) the Authority adopted its Initial Resolution No. 08-01 on January 23, 2008 (the “Initial Resolution”) in the amount of not to exceed \$3,700,000 to assist in financing solid waste disposal/recycling/resource recovery facilities described as the “Project” in the Initial Resolution; and

WHEREAS, the Company has submitted an amendment to its application to the Authority and has requested the Authority to amend the Initial Resolution in order to increase its dollar amount to reflect cost increases and the addition of a second site;

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 Company means any person or entity which controls, is controlled by, or is under common control with, the Company, 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. An Affiliate shall also be a "participating party" as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$10,200,000 principal amount of bonds of the Authority for the Project, including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds. All references in the Initial Resolution to the dollar amount thereof shall be changed from “3,700,000” to “10,200,000.”

Agenda Item – 4.B.1.

Section 3. Exhibit A of the Initial Resolution is amended to read as set forth on Exhibit A hereto, and the revised Exhibit A shall be deemed a part of the Initial Resolution.

Section 4. Except as set forth in Sections 2 and 3, all of the provisions of the Initial Resolution shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall take effect upon its adoption.

EXHIBIT A
(Amended)

NUMBER: 807 (SB)

LOCATION: 1. 12103 West Elkhorn Ave., Riverdale, CA 93656
2. 15886 S. Lassen Avenue, Helm, CA 93607

TYPE: Solid Waste Disposal/Recycling/Resource Recovery

AMOUNT: Up to \$10,200,000