

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: July 22, 2009**

Request for Resolution to Issue Refunding Revenue Bonds

Prepared by: *Doreen Smith*

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|-------------------|----------------------------|--------------------------|------------------------|
| Applicant: | BP West Coast Products LLC | Amount Requested: | \$100,000,000 |
| Project | Carson | Application No.: | 00574 |
| Location: | (Los Angeles County) | Resolution No.: | 00491 |
| | | Prior Actions: | See Bond Listing Below |

Summary. BP West Coast Products LLC (the “Company”) requests approval of a Resolution to issue refunding revenue bonds for an amount not to exceed \$100,000,000. The Company proposes the refunding and conversion of \$100,000,000 in previously issued bonds (BP West Coast Products LLC Project, Series 2008A) to non-Alternative Minimum Tax (AMT) status.

The Company is the successor of most of the operating assets of Atlantic Richfield Company (ARCO). The Company provides crude oil refining and marketing operations. The project is located in Carson in Los Angeles County. The Company represents that the project provides for the safe disposal of solid waste, provides other incidental pollution control and air quality benefits, and helps meet California’s demand for cleaner burning fuels.

Borrower. The Company is a limited liability company that organized in Delaware on September 26, 2001. The Company is 100% owned by BP Products North America, Inc.

Legal Questionnaire. Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the Application. The Company did disclose several matters in which it was a defendant, without admitting the truth or validity of any of the allegations. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings.

| Description | Date of Bond Issue | Original Amount | Amount Outstanding as of 07/01/09 |
|---|---------------------------|-----------------------------|--|
| BP West Coast Products 2008A | 12/03/2008 | \$100,000,000 | \$100,000,000 |
| BP West Coast Products 2008 (Refunds 1996A Bonds) | 03/26/2008 | 44,810,000 | 44,810,000 |
| ARCO Series 1997A (Tax-Exempt) | 03/12/1998 | 20,000,000 | 20,000,000 |
| ARCO Series 1997 (Taxable) | 12/23/1997 | 108,000,000 | 88,000,000 |
| ARCO Series 1996A (Refunded by 2008 Bonds) | 01/24/1996 | 44,810,000 | 0 |
| ARCO Series 1994A | 12/08/1994 | 45,000,000 | 45,000,000 |
| ARCO Series 1985 (Refunded by 1996A Bonds) | 11/14/1985 | 35,200,000 | 0 |
| ARCO Series 1974 (Refunded by 1996A Bonds) | 06/06/1974 | 13,460,000 | 0 |
| TOTALS: | | <u>\$311,280,000</u> | <u>\$197,810,000</u> |

Background. On December 3, 2008, CPCFA issued \$100,000,000 of Tax-Exempt Environmental Improvement Revenue Bonds Series 2008A to BP West Coast Products LLC (the “Prior Bonds”). The Prior Bonds were issued to finance projects at the Company’s Carson Refinery in Los Angeles County designed to meet the stringent clean fuels requirements while working to reduce the facility’s environmental impact in the surrounding communities.

Current Request. The Company currently requests approval of a Resolution to refund and convert the \$100,000,000 of tax-exempt bonds (BP West Coast Products LLC Project, Series 2008A) to non-AMT status. These bonds will refund the Prior Bonds.

The purpose of the refunding is to make use of recent changes to the federal tax law. The alternative minimum tax (AMT) was originally enacted to make sure those individuals with high incomes and substantial tax deductions or credits did not escape income tax liability. Interest on private activity bonds is generally exempt from federal income tax, but the exemption does not apply for purposes of the AMT. Tax-exempt interest on such bonds is a tax preference item that increases an individual’s taxable income in calculating AMT income.

On February 17, 2009, as part of a comprehensive economic stimulus plan, President Barack H. Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). Approximately one-third of the stimulus money is allocated to tax cuts. The ARRA provides that interest on private activity bonds issued in 2009 or 2010 will not be taken into account for AMT purposes. In other words, tax-exempt interest on such bonds is not a tax preference item for AMT purposes. Also, interest on refunding bonds is not a tax preference item for AMT purposes if the original private activity bond was issued after December 31, 2003 and before January 1, 2009, and refunded during 2009 or 2010. The exemption of tax-exempt bonds from the AMT will lower interest costs for all issuers. Private activity bonds previously subject to the AMT will now have access to a larger market of potential purchasers.

Fees. The Company will pay additional fees of \$200,000 to CPCFA per the Refunding Policy adopted on March 25, 2009 which requires the Company to pay for all costs of issuance and other fees incurred from refunding the bonds.

Financing Details. The bonds will be secured solely from payments to be made by BP West Coast Products LLC under a Loan Agreement between BP West Coast Products LLC and the CPCFA.

The Company anticipates a negotiated tax-exempt, variable rate bond issue. The bonds will be sold in a public offering with credit enhancement provided solely by the BP p.l.c. corporate guarantee. The guarantor, BP p.l.c., is a corporation organized under the laws of England and Wales and as a foreign private issuer is subject to the requirements of the Securities Exchange Act of 1934.

The anticipated bond rating is Aa1/VMIG1 by Moody’s and AA/A-1+ by Standard & Poor’s. The target date of financing is August 2009.

Financing Team.

Underwriter: Goldman, Sachs & Co.

Bond Counsel: Fulbright & Jaworski L.L.P.
Law Offices of Leslie M. Lava

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Resolution No. 491 for BP West Coast Products LLC for an amount not to exceed \$100,000,000.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO THE REFUNDING OF BONDS ISSUED TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
BP WEST COAST PRODUCTS LLC**

July 22, 2009

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of BP West Coast Products LLC (the “Borrower”) for financial assistance to refund and retire all \$100,000,000 in principal amount of the outstanding California Pollution Control Financing Authority Environmental Improvement Revenue Bonds (BP West Coast Products LLC Project) Series 2008A (the “Prior Bonds”); and

WHEREAS, the Prior Bonds were issued by the Authority on December 3, 2008, for the purpose of financing the acquisition and construction of certain solid waste disposal facilities at the BP West Coast Products LLC Carson Refinery in Carson, Los Angeles County, California (the “Project”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds in the aggregate principal amount of \$100,000,000 to refund and retire the Prior Bonds; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement with the Authority; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, in order to enhance the marketability of the bonds, the Borrower has arranged for BP plc to provide its unconditional corporate guarantee, as reflected in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”), thereby guaranteeing repayment of the Bonds (as hereinafter defined);

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” 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 Environmental Improvement Refunding Revenue Bonds (BP West Coast Products LLC Project) Series 2009” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an

aggregate principal amount of \$100,000,000, 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 mode, all in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to refinance the Project and to refund and retire the Prior 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 December 31, 2009, by negotiated sale, in a tax-exempt mode, at such price and at such interest rate or rates as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract.

Section 4. The proposed form of loan agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower, on file with the Authority prior to this meeting, is hereby approved in substantially such form, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by execution and delivery thereof. 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 an Affiliate of the 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 5. The proposed form of indenture of trust relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”), on file with the Authority prior to this meeting, is hereby approved in substantially such form, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) as the signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof. 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 the Bonds shall be as provided in the Indenture, as finally executed.

Section 6. The proposed form of bond purchase agreement (the “Purchase Contract”) among the underwriter or underwriters named in the Term Sheet (the “Underwriter”), the Treasurer and the Authority, as agreed to and accepted by the Borrower, on file with the Authority prior to this meeting, is hereby approved in substantially such form, with such insertions, deletions or changes therein as the signatory executing the same, may require or approve, and with particular information inserted therein in substantial conformance with the Term Sheet, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of the preliminary official statement relating to the Bonds on file with the Authority prior to this meeting is hereby approved in substantially such form, with such changes and insertions therein as the Executive Director may require or approve. The Underwriters are hereby authorized to distribute the preliminary official statement to persons who may be interested in the purchase of the Bonds. The Authority hereby approves: (i) a certificate or certificates, in a form acceptable to the signatory thereof, to the effect that the portions of the preliminary official statement under the caption “THE ISSUER” are deemed final as of its date for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934; and (ii) a final official statement for the Bonds authorized herein, in substantially the form of said preliminary official statement, with such insertions and changes therein as the signatory executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriters are hereby directed to deliver a copy of said final official statement (as finally executed, the “Official Statement”) to all actual purchasers of the Bonds.

Section 8. 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.

Section 9. The Bonds, when so 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 10. As requested by the Borrower, the Authority hereby waives the requirement for an in-furtherance certificate relating to the Project pursuant to Section 44533(a) of the Act.

Section 11. Each officer of the Authority, acting alone, is hereby authorized and directed, acting alone, to do any and all ministerial acts that they 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, the Bond Purchase Contract and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation the following: (a) certifications, including, a tax certificate; and (b) any escrow agreement or agreements with respect to the Prior Bonds.

Section 12. Except as set forth in Section 8, documents approved in this Resolution may be executed and delivered in accordance with the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers Related to

Agenda Item – 4.B.1.

Bond Financings to the Executive Director and Deputy Executive Director” adopted on January 28, 2009, the provisions of which are incorporated herein by reference. The Chairman or any Deputy to the Chairman are also hereby authorized to execute and deliver any such document.

Section 13. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this final 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

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|---|---|
| Name of Issue: | California Pollution Control Financing Authority Environmental Improvement Refunding Revenue Bonds (BP West Coast Products LLC Project) Series 2009 (the “Bonds”) |
| Maximum Amount of Issue: | \$100,000,000 (tax-exempt) |
| Issuer: | California Pollution Control Financing Authority (the “Authority”) Sacramento, CA |
| Borrower: | BP West Coast Products LLC |
| Trustee: | The Bank of New York Mellon Trust Company, N.A. |
| Senior Underwriter or Placement Agent: | Goldman, Sachs & Co. |
| Co-Bond Counsel: | Fulbright & Jaworski L.L.P. Los Angeles, CA Leslie M. Lava Sausalito, CA |
| Remarketing Agent: | Goldman, Sachs & Co. |
| Project: | Refunding of \$100,000,000 California Pollution Control Financing Authority Environmental Improvement Revenue Bonds (BP West Coast Products LLC Project) Series 2008A |
| Maximum Bond Term: | Not to exceed December 1, 2046 |
| Type of Sale: | Negotiated sale |
| Description of Minimum Denominations: | \$100,000 or any integral multiple thereof while in a daily mode |
| Financing Structure: | Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture |

Agenda Item – 4.B.1.

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| Maximum Interest Rate: | 12% |
| Letter of Credit: | Not Applicable |
| Other Credit Enhancement: | Corporate guarantee of BP p.l.c. |
| Anticipated Bond Rating: | Moody's: Aa1/VMIG1 and S&P: AA/A-1+ |
| Type of Financing: | Solid waste disposal refunding revenue bonds |
| Prepared by: | Maryann L. Goodkind Fulbright & Jaworski L.L.P. (213) 892-9328 |