

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: July 28, 2010**  
***Request for Initial Resolution***

Prepared by: *Doreen Smith*

<b>Applicant:</b>	Sierra Pacific Industries and/or its Affiliates	<b>Amount Requested:</b>	\$45,000,000
<b>Project</b>		<b>Application No.:</b>	00838
<b>Location:</b>	Anderson (Shasta County)	<b>Initial Resolution No.:</b>	10-09

**Summary.** Sierra Pacific Industries and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not exceed \$45,000,000 to finance solid waste disposal and cogeneration facilities at the Company’s existing lumber manufacturing plant located in Anderson.

**Borrower.** The Company incorporated in California on November 20, 1996 and provides timber tract management and lumber processing in Shasta County.

The principal stockholders of the Company are as follows:

Carolyn Emmerson Dietz Revocable Trust of 1990	22.51123%
Carolyn Emmerson Dietz 2005 Irrevocable Trust	5.34226%
George Emmerson Revocable Trust of 1990	22.51123%
George Emmerson 2005 Irrevocable Trust	5.34226%
M.D. Emmerson Revocable Trust of 1990	22.51123%
M.D. Emmerson 2005 Irrevocable Trust	5.34226%
Various Trusts (less than 3% each)	<u>16.4390%</u>
<b>Total:</b>	<b><u>100.0000%</u></b>

**Legal Questionnaire.** The 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.

**Project Description.** The Company plans to construct a solid waste disposal and cogeneration unit that will burn biomass fuel (including non-treated wood and agricultural crop residues as well as urban wood-waste and other fuels) generated by the facility, regional lumber manufacturing facilities, and other biomass fuel sources to produce electricity through use of a steam turbine. The steam turbine will drive a generator that will produce electricity for on-site use as well as for sale to the grid.

The unit will be located at the Company’s existing lumber manufacturing facility located in Anderson. The project will include the construction of a new fuel handling building, boiler building, turbine building, cooling tower, electrostatic precipitator, ash silo, and electric substation, as well as all necessary work and equipment for the project.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation in October 2010.

**Financing Details.** The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds. 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 November 2010.

**Financing Team.**

**Underwriter:** Westhoff, Cone & Holmstedt  
**Bond Counsel:** Lofton & Jennings  
**Financial Advisor:** Progressive Capital  
**Issuer’s Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 10-09 for Sierra Pacific Industries and/or its Affiliates for an amount not to exceed \$45,000,000.

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

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR SIERRA  
PACIFIC INDUSTRIES AND/OR ITS AFFILIATES**

July 28, 2010

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, Sierra Pacific Industries, a California corporation (“Applicant”), has requested that the Authority assist in financing solid waste disposal and cogeneration facilities to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, the “Company”), which facilities are expected to involve the construction of a new fuel handling building, boiler building, turbine building, cooling tower, electrostatic precipitator, ash silo, and electric substation, as well as the acquisition and installation of equipment including conveyors for the transport of wood waste products, a boiler for the combustion of such waste products and for the generation of steam, equipment for utilization of such steam, including plumbing for steam use in Company processes and a turbine for the production of electricity, and other equipment functionally related thereto (collectively, “Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal and cogeneration facilities which will serve the interests of the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be constructed and equipped at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$45,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

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 Applicant 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 Applicant, 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 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$45,000,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation of private activity bond issuance authority shall have been received from the California Debt Limit Allocation Committee or from the Authority.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as

amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on July 28, 2013 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the status of the project and any additional information requested by the Authority to supplement the Company’s application.

**EXHIBIT A**

**NUMBER:** 10-09

**LOCATIONS:** 19758 Riverside Avenue  
Anderson, CA 96007

**TYPE:** Solid Waste Disposal and Co-Generation

**AMOUNT:** Up to \$45,000,000