

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: September 27, 2011
Request for Initial Resolution

Prepared by: *Deanna Hamelin*

Applicant:	Central Valley Ag Power, LLC and/or its Affiliates	Amount Requested:	\$3,155,000
		Application No.:	00853(SB)
Project	Oakdale	Initial Resolution No.:	11-10
Location:	(Stanislaus County)		

Summary. Central Valley Ag Power, LLC and/or its Affiliates (the “Company” or “CVAP”) requests approval of an Initial Resolution for an amount not to exceed \$3,155,000 to develop, own and operate a one megawatt open-loop biomass gasification plant which converts clean cellulosic material into electricity.

Borrower. CVAP is a limited liability company that was organized in California on March 5, 2010. The company will produce electrical power via agricultural biomass conversion.

The principal ownership of CVAP is as follows:

Central Valley Ag Grinding	66.70%
Phoenix Biomass Energy, Inc.	<u>33.30%</u>
Total:	<u>100.00%</u>

Central Valley Ag Grinding (CVAG) has a variety of operations, including the processing of agricultural waste for animal feed products. It collects and transports a variety of vineyard pruning, tree trimmings, tree removal, and nut shells.

The principal ownership of CVAG is as follows:

Mike Barry	50.00%
Paul Konzen	<u>50.00%</u>
Total:	<u>100.00%</u>

The principal ownership of Phoenix Biomass Energy, Inc. is as follows:

Kosciuszko Partners, LLC	35.00%
Greg Stangl	23.00%
Ankur Scientific Technologies	18.30%
Charlie Glavin	8.70%
Other (each with less than 3%)	<u>15.00%</u>
Total:	<u>100.00%</u>

The following companies are all Affiliates of CVAP:

Central Valley Ag Grinding	Barry Konzen Properties, LLC
Central Valley Ag Transport, Inc.	Standard Materials, Inc.
KB Dairy, LLC	Feed Processors, LLC

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 will develop, own and operate a biomass gasification plant which will convert clean cellulosic material, such as green waste and various other clean wood and agricultural by-products, into electricity. In the past most of this material has either been burned or sent to a landfill. The CVAP project will provide an alternative regarding the handling of the agricultural waste products. The plant will provide primary power to CVAG, which is an owner of CVAP, and sell the excess electricity to PG&E. In addition, it is anticipated that CVAG will use the heat generated by the CVAP system in its drying operations thus reducing CVAG's energy and labor costs, increase its drying capacity, and provide a more valuable return on its current green waste and other agricultural by-products.

The equipment components of the project consist of two Caterpillar 3516 Gensets (large generators), one Ankur WBG 1550 Gasifier and an in-feed system. CVAG owns the site upon which the CVAP facility will be developed and a lease will be executed to allow access and use of the site prior to bond financing.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in Fall 2012.

Financing Details. The Company anticipates the issuance of negotiated tax-exempt bonds.

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt

Bond Counsel: Law Offices of Leslie M. Lava

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 11-10 for Central Valley Ag Power, LLC and/or its Affiliates for an amount not to exceed \$3,155,000.

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
CENTRAL VALLEY AG POWER, LLC AND/OR ITS AFFILIATES**

September 27, 2011

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, Central Valley Ag Power, LLC, a California limited liability company (“Applicant”), and/or its Affiliates (as hereinafter defined) (collectively, “Company”) has submitted an application (the “Application”) to the Authority requesting the Authority assist in financing the construction of a biomass gasification facility which will process green waste and other agricultural wastes, the construction of site improvements and the acquisition and installation, if any, of equipment for the processing and recycling of solid waste and other equipment functionally related thereto, all as more fully described in the Application (collectively, “Facilities”), which Facilities will be owned and/or operated by the Company, 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 facilities which will serve 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 acquired 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 \$3,155,000 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 \$3,155,000 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 shall have been received from the California Debt Limit Allocation Committee.

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 September 27, 2011 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: 11-10

LOCATIONS: 5707 Langworth Road
Oakdale, California 95361

TYPE: Solid Waste Disposal

AMOUNT: Up to \$3,155,000