

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: January 15, 2013
Request for Initial Resolution

Prepared by: *Mario Wong*

Applicant: Menlo Energy, LLC and/or its Affiliates	Amount Requested: \$15,000,000
	Application No.: 865(SB)
Project Location: Richmond (Contra Costa County)	Initial Resolution No.: 13-01

Summary. Menlo Energy, LLC and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$15,000,000 to finance construction of a biodiesel refinery in Contra Costa County. The Company anticipates that the project will provide waste diversion, air quality, and water quality benefits.

Borrower. The Company is a renewable energy company that has designed a proprietary multi-feedstock process technology to convert waste feedstock into biodiesel. The Company was organized as a Nevada limited liability company in 2009 and has 7 employees. The Company is a 100% owned subsidiary of Menlo Capital Group, a California limited liability company.

The principal stockholders of Menlo Capital Group are as follows:

Sunil Suri	61%
Akhil Suri	15%
Karan Suri	15%
Various (less than 3% each)	<u>9%</u>
Total:	<u>100%</u>

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 in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Company has commissioned construction of a 10 million gallon per year biodiesel refinery in Richmond, California (Contra Costa County). The plant will utilize a proprietary closed-loop process technology which uses waste feedstock to produce 100% biodiesel (B100). The principal source of feedstock for the facility will be solid wastes derived from local wastewater treatment plant sludge, and additional feedstock may be obtained in the form of used cooking oil, yellow trap grease and rendered waste animal fats. This waste is presently being sent to landfills in Contra Costa County, and the refining process will divert this waste using no water, acids or harmful chemicals. The closed-loop process ensures that no particulate matter will be released into the atmosphere, water or soil. The plant design is modular and the Company anticipates increasing its size in the future.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in March 2013.

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

Financing Team.

Underwriter: Southwest Securities, Inc.

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 13-01 for Menlo Energy, LLC and/or its Affiliates for an amount not to exceed \$15,000,000.

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/RESOURCE RECOVERY FACILITIES FOR
MENLO ENERGY, LLC AND/OR ITS AFFILIATES**

January 15, 2013

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, Menlo Energy, LLC, a Nevada limited liability company (the "Applicant"), and/or its affiliates (collectively, the "Company") has submitted an application (the "Application") requesting that the Authority assist in financing the acquisition of facilities for collection and treatment of solid waste sewage sludge and other oil and grease products for the production of biodiesel fuel and other products, as more fully described in the Application (collectively, the "Project") to be owned and operated by the Company, and have presented an estimate of the maximum cost of such Project as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal and resource recovery facilities and equipment 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 Project 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 Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project 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 \$15,000,000 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 Project; 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 Project 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 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. 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 \$15,000,000 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.

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 Project. 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 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 bond proceeds to finance the Project; (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 for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is hereby authorized 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 Project, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and to 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 above, this Resolution shall cease to be effective on January 15, 2016 unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company,

Agenda Item 4.C.1.

accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project.

EXHIBIT A

NUMBER: 865(SB)

LOCATION: 803 Wright Ave
Richmond, CA 94804

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$15,000,000