AMENDED
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: December 13, 2016

Request to Approve Initial Resolution Reflecting
Official Intent to Issue Revenue Bonds/Notes

Prepared by: Kris Luoma

<table>
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<tr>
<th>Applicant</th>
<th>Amount Requested:</th>
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<tr>
<td>Sonoma Compost</td>
<td>$4,500,000</td>
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<td>Company</td>
<td>Application No.:</td>
<td>899(SB)</td>
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<td>Project Location:</td>
<td>Initial Resolution No.:</td>
<td>16-17</td>
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<td>City-Town of Windsor (Sonoma County)</td>
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Summary. Sonoma Compost Company and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed $4,500,000 to finance site and building improvements and to purchase vehicles and various equipment.

Borrower. The Company is a Limited Liability Corporation (LLC) that was organized in 1991 for the purpose of yard and wood waste compost processing. The compost facility provides service the County of Sonoma. Sonoma Compost Company is a small business with approximately 10 employees.

The principal stockholders of the Company are as follows:

- Alan Siegle 50%
- Will Bakx 50%
- Total: 100%

Legal Questionnaire. Staff has reviewed the Company’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. Sonoma Compost Company was the contract operating--operator for a compost facility located at Sonoma County’s Central Disposal Site, which is owned by and was run by the County of Sonoma and was operated by the Sonoma County Waste Management Agency (SCWMA). A citizens group called Renewed Efforts of Neighbors Against Landfill Expansion (RENALE) filed a civil suit against the County of Sonoma, Sonoma County Waste Management Agency (SCWMA) and Sonoma Compost Company. RENALE claimed that polluted non storm water and polluted storm water were being discharged from both the Central Disposal Site and the compost facility located on the Central Disposal Site. The polluted storm water and polluted non storm water discharged from the compost facility was not covered by the Central Disposal Site’s general permit. On July 21, 2015, the court dismissed RENALE’s action against Defendants Sonoma County and SCWMA only with the stipulation that Sonoma Compost Company cease operation at the Central Disposal Site as of October 15, 2015. Sonoma Compost and RENALE reached a settlement with the stipulation that Sonoma Compost Company cease operation at the Central Disposal Site as of October 15, 2015. The–and the suit between Sonoma Compost Company and RENALE was dismissed with prejudice on September 23, 2015 affirming that the compost site would cease
operations as of October 15, 2015. The Company is working with the Town of Windsor and County LEA to permit a new site for the composting facility.

As part of the discretionary permits required to apply for a final resolution and volume cap allocation, the Company shall substantiate that all environmental discretionary approvals required to operate the facility have been obtained by Sonoma County and the Company from the regional water quality control board.

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 will use bonds/notes proceeds to establish a new organics composting facility in Sonoma County on a site consisting of an existing 12,000 square foot building sitting on 3.1 acres of land. The bonds/notes will also be used to finance the purchase of front end loaders, screens, sort line, grinder, water truck, sweeper, water treatment system, covered aerated static pile (CASP) compost system and a scale house.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation during the first quarter of 2017.

**Financing Details.** The Company anticipates the issuance of tax exempt bonds/notes.

**Financing Team.**
Underwriter: Westhoff, Cone and 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. 16-17 for Sonoma Compost Company and/or its Affiliates for an amount not to exceed $4,500,000.

*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 No. 16-17

APPLICATION NO. 899(SB)

RESOLUTION OF OFFICIAL INTENT TO ISSUE NOTES TO FINANCE SOLID WASTE DISPOSAL FACILITIES AND EQUIPMENT FOR SONOMA COMPOST COMPANY AND/OR ITS AFFILIATES

December 13, 2016

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 notes or bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including solid waste disposal recovery and recycling facilities; and

WHEREAS, Sonoma Compost Company, a California corporation (“Applicant”), has requested that the Authority assist in financing or refinancing solid waste disposal facilities and equipment to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, “Company”), which financing or refinancing is expected to be comprised of the construction of a new composting facility and site improvements thereto, and the acquisition and installation, if any, of equipment for the collection and processing of solid waste, including front end loaders, screens, sort line, grinder, water truck, sweeper, water treatment system, covered aerated static pile compost system, scale house and other equipment functionally related thereto, all as more fully described in the application submitted by the Applicant to the Authority (collectively, “Project”), and has 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 facilities which will serve the public of the State of California; 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 notes of the Authority will be made available to finance the 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 $4,500,000 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 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 $4,500,000 principal amount of notes 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 notes.

Section 3. The notes 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 note 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 note.”

Section 4. The notes shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the notes 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 Project, 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 notes 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 December 13, 2019 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:     | 16-17                              |
| LOCATIONS:  | 550 Caletti Avenue                 |
|            | Windsor, California 95492         |
| TYPE:       | Solid Waste Disposal              |
| AMOUNT:     | Up to $4,500,000                   |