

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 20, 2018**

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

Prepared by: *Kris Luoma*

Applicant:	North Fork Community Power, LLC and/or its affiliates	Amount Requested:	\$14,250,000
Project Location:	North Fork (County of Madera)	Application No.:	921(SB)
		Initial Resolution No.:	18-01

Summary. North Fork Community Power, LLC and/or its affiliates (“North Fork” or “the Company”) request approval of an Initial Resolution for an amount not to exceed \$14,250,000 comprised of tax-exempt bonds (\$9,305,000) and taxable bonds (\$4,945,000), to finance the construction of a forestry residue fueled biomass power plant.

Borrower. The Company is a small business with approximately 12 - 20 employees. North Fork is a Limited Liability Corporation (LLC) which was organized on May 20, 2013. The Company collects dead and felled trees from local forested areas. The trees are then subjected to extreme heat and turned into a gas. The gas is collected and used to fuel a generator which produces electricity. The electricity produced, from this process, will be sold to Pacific Gas and Electric (PG&E). In November of 2017, PG&E entered into an agreement to purchase the power from North Fork.

The principal stockholders of the Company are as follows:

North Fork Community Development Council, Inc.	44.55%
Phoenix Biomass Energy, Inc.	44.55%
Reliable Renewables, LLC	9.90%
Two separate entities	<u>1.00%</u>
Total:	<u>100.00%</u>

North Fork Community Development Council, Inc. is a 501(c)3 for the North Fork community and is made up of the following Board of Directors members:

<u>Name</u>	<u>Officer/Partner/Member</u>
Dan Rosenberg	President (At large)
Sandy Chaille	Vice President (NF Fire Auxiliary)
Wade Wheeler	Treasurer (At large)
Barbara Colliander	Secretary (At large)
Cathey Thornburg	(NF Boosters)
Tom Burdette	(At large)
Marcie Favelo	(At large)
Taylor Olney	(At large)
Gary Walker	(NF Mono Rancheria)

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Mary Proper	(NF Women's Club)
Chris Salazar	(NF Chamber Of Commerce)
Ryan Schulte	(At large)
Claudia VanDenBergh	(Chawanakee Unified School District)
Maryanne Welton	(At large)

Phoenix Biomass Energy, Inc.

Kosciuszko Partners, LLC	35.263%
Gregory Stangl	23.152%
Ankur Scientific Energy Technologies Pvt. Ltd.	18.373%
Charlie & Alexis Galvin 2007 Living Trust	6.737%
17 separate entities owning less than 2% each	16.475%
Total:	<u>100.000%</u>

Kosciuszko Partners, LLC

Mirek Showron	19.80%
Gregory Stangl	46.90%
Marek Zdanowicz	33.30%
Total:	<u>100.00%</u>

Ankur Scientific Energy Technologies Pvt. Ltd.

Ankur Jain	100.00%
Total:	<u>100.00%</u>

Reliable Renewables, LLC

Zachary Scott, an individual	100.00%
Total:	<u>100.00%</u>

Legal Status Questionnaire. The Staff has reviewed the Company's responses to the questions contained in the Legal Status Questionnaire portion of the Application. No information was disclosed in the Legal Status Questionnaire portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Company intends to develop, build, own and operate a forestry residue-fueled biomass power plant. Bond proceeds will be used to construct the power plant, purchase and install gasification equipment, a fuel handling system, a power generator (a Jenbacher J612 engine) and utility interconnections to be used in the daily operation of the power plant. Bond proceeds will also be used for site improvements, working capital, capitalized interest and a bond reserve fund. Other sources of financing for the project include a grant of \$4.9 million from the California Energy Commission through its EPIC grant program, and a federal New Market Tax Credit of \$800,000.

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The power plant is being constructed on a 10 acre parcel of land that contains an abandoned saw mill and a decommissioned 10 mega watt power plant. An additional 30 acres is anticipated to be utilized as plant operations expand. The land is leased to North Fork by North Fork Community Council, Inc., which is a 501(c)(3) and part owner of North Fork Community Power, LLC.

Volume Cap Allocation. The Company anticipates applying for volume cap allocation to the California Debt Limit Allocation Committee at its scheduled March 21, 2018 meeting.

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

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt

Bond Counsel: McGuire Woods LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 18-01 for North Fork Community Power, LLC and/or its affiliates for an amount not to exceed \$14,250,000.

Note: An Initial Resolution approval is not a commitment that the Authority 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
NORTH FORK COMMUNITY POWER, LLC
AND/OR ITS AFFILIATES**

February 20, 2018

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, NORTH FORK COMMUNITY POWER, LLC, a California 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, development, construction, rehabilitation, renovation, installation, improvement and equipping of a solid waste, wood and forestry residue fueled community scale biomass power generation facility, including associated equipment, improvements and appurtenances, all as more fully described in the Application (collectively, the “Project”) to be owned or initially managed, owned or operated by the Company, 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 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 \$14,250,000 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 \$14,250,000 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

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cease to be effective on February 20, 2021 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, 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: 18-01

LOCATION: 57839 Road 225
North Fork, California 93643
APN: 060-110-035¹

TYPE: Solid Waste Disposal

AMOUNT: Up to \$14,250,000

¹ The above parcel number relates to an approximate 40 acre parcel. The Project is located on an approximate 10 acre portion of such parcel.