

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: 7/13/2018

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

Prepared by: *Solomita Malko*

Applicant: Rialto BioEnergy Facility, LLC and/or its affiliates	Amount Requested: \$117,200,000
Project Location: City of Rialto (San Bernardino County)	Application No.: 923(SB) Initial Resolution No.: 18-03

Summary. Rialto BioEnergy Facility, LLC and/or its affiliates (the "Company" or the "Applicant") requests approval of an Initial Resolution for an amount not to exceed \$117,200,000 to develop and build a nonhazardous solid waste treatment and disposal facility, as well as the acquisition of equipment.

Borrower. The Applicant is wholly-owned by Anaergia Services, LLC. Anaergia Services, LLC is the sole Member of Rialto BioEnergy Facility, LLC and controls 100% of the ownership. The Company has an affiliated relationship, and together are a small business that employ 238 employees. The Company was organized in Delaware in November of 2013 for the purposes of developing and operating waste treatment facilities with advanced anaerobic digestion. Anaergia Services, LLC is indirectly, wholly owned by Anaergia, Inc.

The voting stockholders of Anaergia, Inc. are as follows:

Anaergia, Inc.

Andrew Benedek family	95.5%
All others less than 3%	<u>4.5%</u>
Total:	<u>100.0%</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 Applicant intends to design and build a facility known as the Rialto BioEnergy Facility (the "Project") to accept up to 700 tons of organic rich solid food waste and convert it into fertilizer through an anaerobic digestion process. The facility will receive up to 300 tons per day of bio solids which will be dried for beneficial reuse. The Project is expected to produce approximately 2.5 megawatts (MW) of renewable electrical energy for export from the amount of methane generated by the process and to generate renewable natural gas. The electricity is intended to be sold to Southern California Edison and the renewable natural gas is intended to be sold to Anaheim Public Utilities as well as Southwest gas.

The Project will be located at 503 E Santa Ana Ave. in Rialto, and will be developed on a site owned by the City of Rialto. The City of Rialto has leased the site to the Rialto Utility Authority and the Applicant has entered into a 22-year lease agreement with the Rialto Utility Authority which includes two 5-year options for extension.

Financing Details. The Company anticipates the issuance of negotiated tax-exempt bonds. The target date for financing is January of 2019.

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt

Bond Counsel: McGuireWoods LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 18-03 for Rialto BioEnergy Facility, LLC and/or its affiliates for an amount not to exceed \$117,200,000.

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
RIALTO BIOENERGY FACILITY, LLC
AND/OR ITS AFFILIATES**

July 13, 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, RIALTO BIOENERGY FACILITY, LLC, a Delaware 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, construction and equipping of solid waste treatment and disposal facilities for the processing of solid food waste and biosolids to produce fertilizer, renewable electricity and renewable natural gas, all as more fully described in the Application (collectively, the “Project”) to be owned and 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 \$117,200,000 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 \$117,200,000 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 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 bond proceeds to the Company 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 authorized under Authority Resolution No. 18-01-022 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 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 approval and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Resolution shall

cease to be effective on July 13, 2021 unless prior thereto the Authority or the Executive Director 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: 18-03

LOCATION: 503 East Santa Ana Avenue
Rialto, California 92316

TYPE: Solid Waste Disposal

AMOUNT: \$117,200,000