

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Approval Date: September 9, 2020**

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

Prepared by: *Solomita Malko*

<b>Applicant:</b>	Central Valley RNG LLC, VS Digester, LLC, MD Digester, LLC and DB Digester, LLC and/or its affiliates	<b>Amount Requested:</b>	\$91,795,000
		<b>Application No.:</b>	937(SB)
		<b>Initial Resolution No.:</b>	20-05
<b>Project Location:</b>	Cities of Escalon, Oakdale and Tracy (San Joaquin County and Stanislaus County)		

**Summary.** Central Valley RNG LLC, VS Digester, LLC, MD Digester, LLC and DB Digester, LLC and/or its affiliates (the “Company”) request approval of an Initial Resolution (IR) 20-05 for an amount not to exceed \$91,795,000 in tax-exempt bonds. Bond proceeds will be used to construct, own, operate and maintain three anaerobic digesters and gas upgrade systems to process cow manure from land leased from three dairies (Vander Schaaf Dairy, Hilltop Holsteins and Fred A. Douma Dairy Partnership). The anaerobic digesters are anticipated to produce pipeline quality renewable natural gas (RNG) and solids to be utilized as fertilizer, bedding or soil amendment (the “Project”).

**Borrower.** The Company was organized on August 6, 2020 as a Delaware Limited Liability Corporation (LLC) and is a small business with a total of nine employees. Central Valley RNG LLC will own 100% of the Project’s underlying specific LLC entities: VS Digester, LLC, MD Digester, LLC and DB Digester, LLC. The Company is in the business of developing anaerobic digester projects.

The principal stockholders of the Company are as follows:

<u>Central Valley RNG LLC</u>	
Fortistar CV RNG LLC	50%
Renewable Organics Management, LLC, Sierra Energy Solutions, LLC and Sierra Renewable Organics Management LLC	<u>50%</u>
<b>Total:</b>	<b><u>100%</u></b>

<u>Fortistar CV RNG LLC</u>	
Fortistar LLC (Indirectly)	<u>100%</u>
<b>Total:</b>	<b><u>100%</u></b>

<u>Fortistar LLC</u>	
Mark Scott Comora	<u>100%</u>

**Total:** 100%

Sierra Renewable Organics Management, LLC

Renewable Organics Management, LLC 50%

Sierra Energy Solutions, LLC 50%

**Total:** 100%

Renewable Organics Management, LLC

CH Four Biogas, LLC 80%

Ignacio Sanchez 20%

**Total:** 100%

CH Four Biogas, LLC

Ethan Werner 100%

**Total:** 100%

Sierra Energy Solutions LLC

Jack Deliddo 100%

**Total:** 100%

**Legal Status Questionnaire.** 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 plans to use bond proceeds to construct, own, operate and maintain three anaerobic digesters and gas upgrade systems that will process cow manure from three dairies to produce pipeline quality RNG. The use of anaerobic digesters for manure management will provide long-term sustainability and utilize proven technology that will create more environmentally friendly dairy operations.

The three digester projects (VS Digester, LLC, MD Digester, LLC and DB Digester, LLC) will each be located on its own parcel of land and will have a site lease agreement for each respective dairy. The leases will be coterminous with the bond term. The VS Digester, LLC project will be located at the Vander Schaaf Dairy in Escalon, the MD Digester, LLC project will be located at Hilltop Holstein's dairy in Oakdale and the DB Digester, LLC project will be located at the Fred A. Douma Dairy Partnership in Tracy. These dairies desire to improve the quality of their operations and this Project will help the dairies become more environmentally and economically sustainable.

The dairies' manure flushing systems collect manure into existing storage pit systems. This diluted manure is pumped to sloped screens in order to separate the solids from the water for digestion. The slurry is then reintroduced into the new manure handling system beginning at the thickening pits. A hydrolyzer and its pair of agitators are used to maintain a homogenous mixture and promote hydrolysis. Once the material is in the hydrolyzer has undergone sufficient hydrolysis over approximately five days, the hydrolyzer pump delivers the mixture to the anaerobic digester for processing. The raw methane gas from the digester is upgraded to pipeline quality renewable

natural gas that will be utilized by TruStar Energy LLC as renewable vehicle fuel and the solids will be utilized as fertilizer, bedding or soil amendment.

**Financing Details.** The Company anticipates the issuance of negotiated, tax-exempt bonds through a Limited Public Offering. The target date for financing is anticipated to be within the fourth-quarter of 2020.

**Financing Team.**

**Underwriter:** Westhoff, Cone & Holmstedt

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP

**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of the Initial Resolution No. 20-05 for Central Valley RNG LLC, VS Digester, LLC, MD Digester, LLC and DB Digester, LLC and/or their affiliates for an amount not to exceed \$91,795,000.

*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 RNG LLC, VS DIGESTER, LLC, MD DIGESTER, LLC AND  
DB DIGESTER, LLC AND/OR THEIR AFFILIATES

SEPTEMBER 9, 2020

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 RNG LLC, a Delaware limited liability company (the "Applicant" and, together with VS Digester, LLC, MD Digester, LLC and DB Digester, LLC and/or their affiliates, the "Company"), has submitted an application (the "Application") requesting that the Authority assist in financing or refinancing the acquisition, construction and/or equipping of facilities for three anaerobic digester and gas upgrade systems to process cow manure from three dairies to produce pipeline quality renewable gas, as more fully described in the Application (collectively, the "Project"), to be owned and/or 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 constructed 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 \$91,795,000 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, in one or more series, an aggregate of up to \$91,795,000 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 has authority under Authority Resolution No. 19-01-001 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 passage and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Resolution shall

cease to be effective on the date three years after the approval date unless the Authority specifically adopts a further resolution extending the effective date of this 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:** 937(SB)

**LOCATIONS:** 13749 Murphy Road, Escalon, California  
4900 Dodds Road, Oakdale, California  
28524 Kasson Road, Tracy, California

**TYPE:** Solid Waste Disposal

**AMOUNT:** Up to \$91,795,000