

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: May 28, 2021**

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

Prepared by: Solomita Malko

Applicant:	San Joaquin Renewables, LLC, and/or its affiliates	Amount Requested:	\$386,095,000
Project	City of McFarland	Application No.:	949 (SB)
Location:	(Kern County)	Initial Resolution No.:	21-06

Summary. San Joaquin Renewables, LLC, and/or its affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$386,095,000 in tax-exempt bonds. Bond proceeds will be used to finance the construction of a bioenergy facility that processes agricultural waste biomass (the “Project”).

Borrower. The Company was organized in Iowa on May 30, 2018, as a limited liability company and was registered in California on September 25, 2018, as a foreign limited liability company. The Company is managed by Frontline BioEnergy LLC, an Iowa limited liability company, and it owns a majority of the equity in San Joaquin Renewables, LLC. Frontline BioEnergy LLC, develops innovative gasification solutions for renewable energy, renewable fuels and renewable products and is providing technology, engineering services and equipment to the Company.

The Company plans to own and operate a facility that converts waste biomass material into renewable products. The Company is a small business and together with its affiliates employs 92 employees.

The principal stockholders of the Company are as follows:

San Joaquin Renewables, LLC:	
EME & Associates LLC	3.93%
Joseph Dehner	7.45%
20 additional partners that each own less than 3%	14.91%
Frontline BioEnergy LLC	<u>73.71%</u>
Total:	<u>100.00%</u>

Frontline BioEnergy LLC:	
Carbon Energy Technology	26.31%
Pasko Inc.	24.42%
Glimmergy Inc.	18.98%
Devaltec, LLC	<u>30.29%</u>
Total:	<u>100.00%</u>

Legal Questionnaire. The California Pollution Control Financing Authority (“CPCFA”) staff has reviewed the Company’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. The information disclosed in the Legal Status Questionnaire portion of the Application does not raise concerns regarding the financial viability or legal integrity of this applicant.

Project Description. The Company plans to construct, own and operate a bioenergy facility located in McFarland that is anticipated to convert 1,200 dry-basis tons per day or 1,412 wet tons per day of agricultural waste biomass into approximately 12.6 million standard cubic feet per day (“MMSCFD”) of renewable natural gas (“RNG”). The biomass that will be used in the bioenergy facility will primarily consist of agricultural wood waste from orchard removals and almond and pistachio shells. Approximately 2.2 MMSCFD of RNG will be used for internal power generation at the facility. The RNG produced by the facility that will not be used for power generation will be injected into the Southern California Gas Company pipeline, which is adjacent to the Project site. Bond proceeds will be used for costs that include construction costs; engineering fees; equipment; development fees; working capital; and site and land costs.

The Company has executed a purchase agreement with the City of McFarland, which is the current owner of the Project site. The Company plans to purchase the site before construction begins, which is anticipated to be no later than December 31, 2023.

Volume Cap Allocation. The Company anticipates applying to the California Debt Limit Allocation Committee for a volume cap allocation when the permits have been approved and finalized for this Project, which is anticipated to be in the second quarter of 2022.

Financing Details. The Company anticipates the issuance of tax-exempt bonds through a limited public offering.

Financing Team.

Underwriter:	Westhoff, Cone & Holmstedt
Bond Counsel:	Orrick Herrington & Sutcliffe LLP
Issuer’s Counsel:	Office of the Attorney General

Staff Recommendation. Staff recommends the approval of Initial Resolution No. 21-06 for San Joaquin Renewables, LLC, and/or its affiliates for an amount not to exceed \$386,095,000.

Note: An Initial Resolution approval is not a commitment that the Authority’s Board will approve a Final Resolution and bond financing for the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO FINANCE
A SOLID WASTE DISPOSAL FACILITY FOR
SAN JOAQUIN RENEWABLES, LLC, AND/OR ITS AFFILIATES**

MAY 28, 2021

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 (the "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, San Joaquin Renewables, LLC, an Iowa limited liability company (the "Applicant" and, together with its 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 a bioenergy facility that processes agricultural waste biomass, as more fully described in the Application (collectively, the "Project"), a portion of which will 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 that 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 Initial Resolution, the Authority reasonably expects that debt obligations in an amount not expected to exceed \$386,095,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures associated with 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 Initial Resolution, an "Affiliate" of the Company means any person or entity that meets the definition of "participating party" in the Act and controls, is controlled by or is under common control with the Company, 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 \$386,095,000 principal amount of bonds of the Authority for the Project, including for the purpose of reimbursing to the Company costs associated with the Project incurred 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 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 for any portion of the bonds that are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is authorized under Authority Resolution No. 21-01-001 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 to meeting all other requirements of the Authority.

Section 6. It is intended that this Initial 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 Initial Resolution shall take effect immediately upon its approval and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on the date three years after the approval date unless prior thereto the Authority or 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: 949 (SB)
LOCATIONS: 12845 Melcher Road, McFarland, California
TYPE: Solid Waste Disposal
AMOUNT: Up to \$386,095,000