

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: August 31, 2021

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

Prepared by: Solomita Malko

Applicant:	Enerra Inc. and/or its affiliates	Amount Requested:	\$41,000,000
		Application No.:	952 (SB)
		Initial Resolution No.:	21-09
Project Location:	City of Bloomington and City of Victorville (San Bernardino County) and City of Salinas (Monterey County)		

Summary. Enerra Inc. and/or its affiliates (the “Company”) requests the approval of an Initial Resolution for an amount not to exceed \$41,000,000 in tax-exempt bonds. Bond proceeds will be used to finance the construction of waste recycling plants that convert plastic waste into sustainable fuels (the “Project”).

Borrower. The Company was incorporated in California on August 7, 2020, and is in the business of waste recycling. The Company is a small business and currently has no employees but expects to have up to 50 employees at the commercial operations.

The principal stockholders of the Company are as follows:

Sergio Perez	30%
Mark Mills	31%
Michael Brown	10%
Rum River Investments	27%
Shareholder with less than 3% ownership	<u>2%</u>
Total:	<u>100%</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 and operate three waste recycling facilities located in parts of central and southern California. These facilities are anticipated to convert 10 to 100 tons per day of difficult or impossible to recycle plastic waste in loose, baled or shredded form into sustainable, ready-to-use high octane gasoline, low sulfur diesel, kerosene and paraffin.

The Company plans to lease the following properties for the project sites: 2259 and 2273 Vista Avenue in Bloomington, 350 Crazy Horse Road in Salinas and 18173 Osborne Road in Victorville. Currently, there are no lease agreements in place, however there are letters of intent at this time.

Volume Cap Allocation. The Company anticipates applying to the California Debt Limit Allocation Committee for a volume cap allocation in the second quarter of 2022.

Financing Details. The Company anticipates requesting CPCFA to issue 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. 21-09 for Enerra Inc. and/or its affiliates for an amount not to exceed \$41,000,000.

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

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE WASTE RECYCLING PLANTS
FOR ENERRA INC. AND/OR ITS AFFILIATES**

August 31, 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 (Division 27 (commencing with Section 44500) of the Health and Safety Code) (the “Act”) to issue bonds for the purpose of defraying the costs of financing waste recycling plants; and

WHEREAS, Enerra Inc., a California corporation, (“Company”) and/or its affiliates (collectively, the “Company”), has requested that the Authority assist in the financing or refinancing of waste recycling plants (collectively, the “Project”), which will be owned and/or operated by the Company, and has presented an estimate of the maximum cost of the Project, as shown in Exhibit “A”; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal facilities that 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 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 shall 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 or refinancing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution (“Initial Resolution”), the Authority reasonably expects that debt obligations in an amount not expected to exceed \$41,000,000 shall be issued and that certain of the proceeds of those debt obligations shall 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 associated with the Project with the 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, an aggregate of up to \$41,000,000 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 shall 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, consistent with the Act, shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any local agency is pledged to the payment of the principal of or 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 of those bonds, and mutually acceptable terms and conditions of the loan of the proceeds of those bonds 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 Resolution 21-01-001 to indicate the willingness of the Authority to proceed with and effect this 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 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 Initial 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, provided that, subject to Section 6, this Initial Resolution shall cease to be effective three years after the approval date unless prior to

that repeal date the Authority or Executive Director specifically adopts a further resolution extending the effective date of this Initial Resolution, which they will do only after receiving a specific request for that 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: 2021-09

LOCATION(S): 2259 Vista Avenue, Bloomington, CA 92316
2273 Vista Avenue, Bloomington, CA 92316
18173 Osborne Road, Victorville, CA 92394
350 Crazy Road, Salinas, CA 93907

TYPE: Solid Waste Disposal

PRINCIPAL AMOUNT: \$41,000,000