

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
BOND FINANCING PROGRAM
April 20, 2022

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

Prepared by: Alison French-Tubo

Applicant:	Belluno Organics, LLC, and/or its affiliates	Amount Requested:	\$110,000,000
		Application No.:	953 (SB)
Project Location:	Cities of Modesto, Livingston, South Gate, National City, Turlock and Fresno (Counties of Stanislaus, Merced, Los Angeles, San Diego, and Fresno)	Initial Resolution No.:	22-01

Summary. Belluno Organics, LLC, and/or its affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$110,000,000 in tax-exempt bonds. Bond proceeds will be used to finance the purchase of equipment and the construction of organic waste processing at eight locations (the “Project”).

Borrower. Belluno Organics, LLC, which was organized on September 2, 2020, in Delaware, is a limited liability company. The Company is in the business of processing post-consumer food waste and waste from food processing operations into fertilizer and animal feed. The Company is a small business that currently employs five employees; when all the locations included in this project are in commercial operation it will employ a total of 47 employees.

The owners of the Company are as follows:

Owners of Belluno Organics, LLC

Belluno Manager, LLC	47.92%
Wendell Forrester	21.26%
John Pastusek	3.09%
Portion held by entities each owning no more than 3%	<u>27.73%</u>
Total:	<u>100.00%</u>

Owner of Belluno Manager, LLC

Eric Urbani and/or trusts controlled by Eric Urbani	<u>100.00%</u>
Total:	<u>100.00%</u>

Owner of Project Locations Riverbank Organics, LLC, Atwater Organics, LLC, South Gate Organics, LLC, and National City Organics, LLC

Belluno Organics, LLC	<u>100.00%</u>
Total:	<u>100.00%</u>

**Owners of Project Locations SAFE-EMODs Belgravia Project,
Cherry Project, Turlock Project, and Livingston Project**

Belluno Organics, LLC	50.00%
EMODs Systems, LLC	<u>50.00%</u>
Total:	<u>100.00%</u>

Owners of EMODs Systems, LLC

Portion held by entities each owning no more than 3%	<u>100.00%</u>
Total:	<u>100.00%</u>

Legal Questionnaire. 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 intends to use bond proceeds to construct buildings and supply equipment at eight locations. Two of the locations will manufacture post-consumer food waste and/or waste generated from food processing operations into ingredients for agricultural products, such as fertilizer and animal feed, and fats, oils, and greases (FOG) will be removed for sale as a component of biodiesel. Six of the locations will collect and/or convert post-consumer food waste and/or food processing waste before sending it to a manufacturing location.

Pre-processing equipment to be purchased with bond proceeds are anticipated to include: compactor, piping, press, pumps, receiving ramp, screens, shredder, and tanks. Product manufacturing equipment anticipated to be purchased with bond proceeds may include: augurs, boilers, breakers, centrifuges/decanter, dryers, emissions controls, extruders, hydrolysers, pumps, and tanks.

For the manufacturing locations, the Company has leased a site at 5300 Claus Road in Modesto, located on a portion of the former U.S. Army ammunition plant that has been converted into a "green" business industrial park, and the Company plans to purchase a site at 12997 W. Highway 140 in Livingston. The Company anticipates leasing sites at: 4570 Ardine Street in South Gate, 1505-1545 Cleveland Avenue in National City, 500 F Street in Turlock, 2960 S. Cherry Avenue in Fresno, 900 W. Belgravia Avenue in Fresno, and 1000 Davis Street in Livingston.

Volume Cap Allocation. The Company anticipates applying to the California Debt Limit Allocation Committee for a volume cap allocation in the second quarter of 2023.

Financing Details. The Company anticipates the issuance of negotiated tax-exempt bonds. The target date for financing is anticipated to be within the second quarter of 2023.

Financing Team.

Underwriter: Piper Sandler & Co.
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends the approval of Initial Resolution No. 22-01 for Belluno Organics, LLC, and/or its affiliates for an amount not to exceed \$110,000,000. Pursuant to CPCFA Resolution 21-01-001 Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings, an initial resolution may be approved by the CPCFA Executive Director and then reported to the Authority Board at the next meeting.

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 SOLID WASTE DISPOSAL FACILITIES FOR BELLUNO ORGANICS, LLC AND/OR ITS AFFILIATES

April 20, 2022

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality of the State of California, 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) (“Act”) to issue bonds or notes 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, Belluno Organics, LLC, a Delaware limited liability company, (the “Applicant”) and/or its affiliates (collectively, the “Company”), has requested that the Authority assist in the financing or refinancing of the acquisition, construction and/or equipping of food waste conversion facilities and related improvements, as more fully described in the Application (collectively, the “Project”), 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 and resource recovery facilities and equipment that will serve the public of the State of California; and

WHEREAS, the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds or notes 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 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 \$110,000,000 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 for 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 \$110,000,000 principal amount of bonds or notes 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 or notes.

Section 3. The bonds or notes 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 or note, 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 or notes 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 or notes and of the sale and delivery of those bonds or notes, and mutually acceptable terms and conditions of the loan of the proceeds of those bonds or notes 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 or notes 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. Subject to Section 6, this Initial Resolution shall cease to

be effective three years after the approval date unless prior to such 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: 22-01

LOCATION(S): 5300 Claus Road, Building 6, Modesto, CA 95357
12997 W. Highway 140, Livingston, CA 95334
4570 Ardine Street, South Gate, CA 90280
1505-1545 Cleveland Ave, National City, CA 91950
500 F Street, Turlock, CA 95380
2960 Cherry Avenue, Fresno, CA 93706
900 W Belgravia Ave, Fresno, CA 93706
1000 Davis Street, Livingston, CA 95334

TYPE: Solid Waste Disposal

AMOUNT: \$110,000,000