CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: December 3, 2007
Executive Summary
Request for Initial Resolution

Prepared by: *Doreen Carle*

Applicant:	BlueFire Ethanol Lancaster, LLC and/or its Affiliates	**Amount Requested:**	$34,200,000
		Application No.:	00806(SB)
Project Location:	Lancaster (Los Angeles County)	**Initial Resolution No.:**	07-14

Type of Business: BlueFire Ethanol Lancaster, LLC (the "Company") provides Ethyl Alcohol Manufacturing.

Project Description: The Company plans to construct a three-million-gallon-per-year biomass fueled ethanol production facility which will use landfill diverted green waste and other cellulose debris in an acid hydrolysis conversion technology process. This landfill diverted material will be converted into renewable fuels and energy. The Project will be constructed in Lancaster on a currently undeveloped 10-acre parcel and will involve site improvements, building construction and the installation of processing equipment.

Policy Review: This application represents a technology not previously funded through CPCFA. Staff plans to prepare a policy review for consideration by CPCFA prior to Final Resolution consideration. Though this technology is similar to one that was the subject of a policy review last year, it is different enough to require a specific policy review. The policy review that was presented to the CPCFA Board on September 19, 2006 dealt only with rice straw to ethanol technology. It was stated at that time that future biomass to ethanol projects submitted to CPCFA would require staff to complete another policy review. This project is also a cellulosic ethanol project, but uses green waste rather than rice straw as a feedstock.

Pollution Control and/or Waste Diversion: The Company represents that the Project will generate the pollution control benefits described below.
Waste Diversion. Greenwaste and other cellulose debris will be diverted from landfills.

Environmental Benefits: The Company represents that the Project is designed to generate the environmental benefits described below.
Air Quality. Waste material will be diverted from landfills where it would otherwise have decomposed while creating the pollutant methane gas. Additionally, use of ethanol produced from cellulosic waste materials reduces greenhouse emissions by about 86% when contrasted with conventional gasoline.
Water Quality. The plant process is designed and will be constructed to use recycled water in its processes.
Energy Efficiency. The plant process will consume about 70% less fuel than otherwise required through the use of a process by-product, lignin, to generate the facility's thermal and electrical energy requirements.

Recycling of Commodities. Greenwaste and other cellulose debris will be diverted from landfills by being converted into ethanol.
Climate Change. The Company states that this Project will generate carbon credits.

Permits: The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

Financing Details: The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least "AA-/F1+" by Fitch Ratings or equivalent. The target date for financing is the second quarter of 2009.

Financing Team:

Underwriter:	Westhoff, Cone & Holmstedt
Bond Counsel:	Orrick Herrington & Sutcliffe
Financial Advisor:	Andrew S. Rose
Issuer's Counsel:	Office of the Attorney General

Legal Questionnaire: Staff has reviewed the Company's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant

Staff Recommendation: Staff recommends approval of Initial Resolution No. 07-14 for BlueFire Ethanol Lancaster LLC and/or its affiliates for an amount not to exceed $34,200,000.

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

BLUEFIRE ETHANOL LANCASTER, LLC AND/OR ITS AFFILIATES
Bond Amount: $34,200,000
Lancaster (Los Angeles County)
Application No. 00806 (SB)
December 3, 2007

STAFF SUMMARY – CPCFA
Prepared by: *Doreen Carle*

ISSUE:
BlueFire Ethanol Lancaster, LLC and/or its Affiliates ("BlueFire" or the "Company") requests approval of Initial Resolution No. 07-14 for an amount not to exceed $34,200,000 to finance the construction of an ethanol production facility.

CDLAC Allocation. The Company anticipates applying for CDLAC allocation in early 2009.

BORROWER:
The Company was incorporated in California on August 17, 2007 and is a wholly owned subsidiary of BlueFire Ethanol, Inc., which is a wholly owned subsidiary of BlueFire Ethanol Fuels, Inc., which is a publicly traded entity.

The principal stockholders of the Company are as follows:

Arnold Klann	63.0%
Necy Sumait	5.6%
John Cuzens	5.6%
Various shareholders (less than 3% each)	25.8%
TOTAL:	**100.0%**

Legal Questionnaire. Staff has reviewed the Company's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. None.

PROJECT INFORMATION:
The Company plans to construct a three-million-gallon-per-year biomass fueled ethanol production facility which will use landfill diverted green waste and other cellulose debris in an acid hydrolysis conversion technology process. This landfill diverted material will be converted into renewable fuels and energy. The Project will be constructed in Lancaster on a currently undeveloped 10-acre parcel and will involve site improvements, building construction and the installation of processing equipment.

The anticipated Project and issuance costs are listed below:

Land Acquisition	$105,000
Building Construction	12,375,000
Site Preparation	900,000
Processing Equipment	9,475,000
Legal, Permits, Etc.	5,480,550
Bond Issuance Expenses	5,864,450
TOTAL:	**$34,200,000**

POLICY REVIEW: This application represents a technology not previously funded through CPCFA. Staff plans to prepare a policy review for consideration by CPCFA prior to Final Resolution consideration. Though this technology is similar to one that was the subject of a policy review last year, it is different enough to require a specific policy review. The policy review that was presented to the CPCFA Board on September 19, 2006 dealt only with rice straw to ethanol technology. It was stated at that time that future biomass to ethanol projects submitted to CPCFA would require staff to complete another policy review. This project is also a cellulosic ethanol project, but uses green waste rather than rice straw as a feedstock.

POLLUTION CONTROL AND/OR WASTE DIVERSION:
The Company represents that the Project will generate the pollution control benefits described below.

Waste Diversion. Greenwaste and other cellulose debris will be diverted from landfills.

ENVIRONMENTAL BENEFITS:
The Company represents that the Project is designed to generate the environmental benefits described below.

Air Quality. Waste material will be diverted from landfills where it would otherwise have decomposed while creating the pollutant methane gas. Additionally, use of ethanol produced from cellulosic waste materials reduces greenhouse emissions by about 86% when contrasted with conventional gasoline.

Water Quality. The plant process is designed and will be constructed to use recycled water in its processes.

Energy Efficiency. The plant process will consume about 70% less fuel than otherwise required through the use of a process by-product, lignin, to generate the facility's thermal and electrical energy requirements.

Recycling of Commodities. Greenwaste and other cellulose debris will be diverted from landfills by being converted into ethanol.

Climate Change. The Company states that this Project will generate carbon credits.

PERMITTING & ENVIRONMENTAL APPROVALS:
The Company will provide copies of all necessary permits prior to seeking Final Resolution approval.

ANTICIPATED TIMELINE:
The Company purchased the land in November 2007. Construction is anticipated to begin in January 2008 with a scheduled completion date of March 2009. Equipment purchases will commence in January 2008 and be completed by March 2009.

FINANCING DETAILS:
The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least "AA-/F1+" by Fitch Ratings or equivalent. The target date for financing is the second quarter of 2009.

FINANCING TEAM:

Underwriter:	Westhoff, Cone & Holmstedt
Bond Counsel:	Orrick Herrington & Sutcliffe
Financial Advisor:	Andrew S. Rose
Issuer's Counsel:	Office of the Attorney General

RECOMMENDATION:
Staff recommends approval of Initial Resolution No. 07-14 for BlueFire Ethanol Lancaster, LLC and/or its Affiliates for an amount not to exceed $34,200,000.

Initial Resolution No. 07-14
Application No. 806(SB)

RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO FINANCE SOLID WASTE DISPOSAL FACILITIES FOR BLUEFIRE ETHANOL LANCASTER, LLC AND/OR ITS AFFILIATES

December 3, 2007

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, Bluefire Ethanol Lancaster, LLC, a California 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 processing facilities, consisting of a plant to convert waste biomass materials into ethanol, as more fully described in the Application (collectively, the "Project") to be owned and 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 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 $34,200,000 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 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. An Affiliate shall also be a "participating party" as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to $34,200,000 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 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 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 hereby authorized 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 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.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on December 3, 2010 unless the Authority specifically adopts a further resolution extending the effective date of this Initial 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:	07-14 (SB)
LOCATION:	580 West Avenue F, Lancaster CA (unincorporated area of Los Angeles County)
TYPE:	Solid Waste Disposal
AMOUNT:	Up to $34,200,000