

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 21, 2017**

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

Prepared by: *Dmitri Godamunne*

Applicant:	Organic Energy Solutions, Inc. and/or its Affiliates	Amount Requested:	\$34,000,000
		Application No.:	901(SB)
Project Location:	City of San Bernardino (San Bernardino County)	Initial Resolution No.:	17-01

Summary. Organic Energy Solutions, Inc. and/or its Affiliates (the “Company”) requests an approval of an Initial Resolution for an amount not to exceed \$34,000,000 of tax-exempt bonds to finance a biomass electric power generation system.

Borrower. Organic Energy Solutions, Inc. (“OES”) is a California S-corporation organized on February 20, 2014 in California and is in the business of producing renewable energy from food waste. OES meets the size standards set forth in Title 13 of the Code of Federal Regulations for eligibility as a small business, and has approximately 15 employees.

The principal stockholders of the Company are as follows:

	OES
Michael Brown	20%
Sergio Perez	80%
Total:	<u>100%</u>

The applicant is not affiliated with any other companies.

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 in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The project, referred to as the San Bernardino Anaerobic Digestion and Power Production Facility, is to be located at 2586 Shenandoah Way in San Bernardino. The site will be leased from CoWest Commodities. CoWest Commodities will also be one of multiple suppliers of raw food waste known as slurry that will be converted into biogas. No additional buildings are planned to be constructed as the site lease will include a portion of CoWest’s existing office and warehouse space. This lease is anticipated to be signed by the end of the first quarter 2017.

Additionally, OES has satisfied the requirements of the California Environmental Quality Act and has received a Conditional Use Permit from the City of San Bernardino. Furthermore, OES has

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received a \$5 million grant from the CA Energy Commission covering a significant portion of the Project development and construction costs.

Biogas produced by the anaerobic digester system will be used to fuel clean-burn, reciprocating engine generators for the production of renewable electricity for delivery to Southern California Edison through a long-term power purchase agreement under the Bio-RE MAT program.

The anticipated start-up date of the initial Project is Q1, 2018. OES has also put in place a program to preserve the Investment Tax Credit by commencing construction in December of 2016 in accordance with IRS regulations.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation during the second quarter of 2017.

Financing Details. The Company anticipates the issuance of negotiated, tax-exempt bonds in the second quarter of 2017 with an anticipated start-up date of the Project in the first quarter of 2018.

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 Initial Resolution No. 17-01 for Organic Energy Solutions, Inc. and/or its Affiliates for an amount not to exceed \$34,000,000.

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
ORGANIC ENERGY SOLUTIONS, INC. AND/OR ITS AFFILIATES**

February 21, 2017

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, Organic Energy Solutions, Inc., a California corporation (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/or equipping of facilities for the collection and processing of solid waste, as more fully described in the Application 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 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 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 \$34,000,000 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 \$34,000,000 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 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

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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 February 21, 2020 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: 17-01

LOCATIONS: 2586 Shenandoah Way
San Bernardino, CA 92407

TYPE: Biogas electric power generation system

AMOUNT: Up to \$34,000,000