

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: March 15, 2016**

Request for Authority Consent to Assignment of Loan Agreement and Substitute Letter of Credit and Related Actions

Prepared by: *Lyudmila Farbitnikova*

Applicant:	Cornelius A. and Eleanor Jane Vanderham Family Trust and J & D Wilson & Sons Dairy/Dry Creek Holdings, LLC and/or its Affiliates	Bond Series:	2004A
		Total Outstanding	
		Amount:	\$2,500,000
Project Location:	Riverdale (Fresno County)		

Summary. The Cornelius A. and Eleanor Jane Vanderham Family Trust (the Borrower) and/or its Affiliates requests CPCFA consent to the following:

- i. Transfer of the Project and assignment of the Loan Agreement from Cornelius A. and Eleanor Jane Vanderham Family Trust (Borrower) to Dry Creek Holdings, LLC (formerly J & D Wilson & Sons Dairy);
- ii. An alternate Letter of Credit; and
- iii. Other actions related to (i) and (ii).

Background. On June 15, 2004 CPCFA issued Variable Rate Demand Solid Waste Revenue Bonds Series 2004A (the “Bonds” or “Project”) in the amount of \$2,500,000 for the Cornelius A. and Eleanor Jane Vanderham Family Trust as Borrower (the “Borrower”) The dairy was operated by J & D Wilson & Son Dairy, partnership between the Borrower and the couple’s daughter and son-in-law (“J & D”). J & D has since taken title to the dairy and created a new entity for the ownership and operation known as Dry Creek Holdings, LLC (“Dry Creek”).

The 2004 Project consisted of the construction of a new dairy facility in Riverdale which supported 3,500 milking cows¹ and 640 dry cows² and 2,860 heifers³ for a total herd size of 7,000 cattle. The milking cows were housed in freestall barns⁴ with the remaining herd housed in open corrals which are open air enclosures for holding cattle. The final total cost of the new dairy was about \$10,500,000 of which approximately 24% related specifically to facilities and equipment being installed to collect, treat, store and dispose of solid waste.

Current Request. The original Operator of the dairy was a family consisting of the daughter and son-in-law of the Borrower family. In 2010, the dairy was deeded over to J & D by the

¹ A milking or dairy cow is a cow that produces milk.

² A dry cow is a milking cow that has been taken out of production and is currently not producing milk.

³ A heifer is a young cow that has not had a calf.

⁴ A freestall barn is a barn that has milking cows confined in stall partitions for milk production.

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Borrower. More recently, the Borrower has decided to transfer the full ownership of the dairy to Dry Creek Holdings, LLC, a California Limited Liability Company, an entity owned by James and Darla Wilson. The dairy will be operated by J & D Wilson & Sons Dairy LC. Dry Creek Holdings, LLC will assume all responsibilities under the Loan Agreement and the Tax Certificate. Under the Loan Agreement, CPCFA's consent is required for this assignment.

Additionally, the Borrower is in the process of changing the Letter of Credit support for the Bonds. Originally, the Bonds were supported by the Letter of Credit from CoBank ACB and a Confirming Letter of Credit from Wells Fargo Bank. CoBank has an F-1 short term rating of its own from Fitch, and the Borrower desires to drop the Confirmation Letter of Credit in order to reduce costs. CPCFA's consent is also required for this change in the Letter of Credit. In connection with delivery of the Alternate Letter of Credit, and termination of the Confirming Letter of Credit, it will be necessary to make technical amendments to the Indenture, which will be contained in a First Supplemental Indenture.

Prior to consummation of these transactions, consents will be obtained from the Trustee, CoBank ACB, Farm Credit West, PCA, the Vanderhams and Dry Creek Holdings, and Fitch Ratings will provide evidence of the new rating on the Bonds. Orrick, Herrington & Sutcliffe LLP will provide an opinion letter that the transactions are properly authorized and do not adversely impact the tax-exempt status of the Bonds.

Staff Recommendation. Staff recommends Board approval of the consents to the assignment of the Loan Agreement, the substitution of the Letter of Credit for the Vanderham/Dry Creek Holding, LLC Project and execution of a First Supplemental Indenture.

RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY CONSENTING TO ASSIGNMENT OF LOAN AGREEMENT AND SUBSTITUTION OF LETTER OF CREDIT AND RELATED ACTIONS IN CONNECTION WITH THE AUTHORITY'S VARIABLE RATE DEMAND SOLID WASTE DISPOSAL REVENUE BONDS (VANDERHAM FAMILY TRUST – J & D WILSON & SONS DAIRY PROJECT) SERIES 2004

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WHEREAS, the California Pollution Control Financing Authority (the “Authority”) issued \$2,500,000 California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds, (Vanderham Family Trust – J & D Wilson & Sons Dairy) Series 2004 (the “Bonds”) pursuant to an Indenture dated as of June 1, 2004 (the “Indenture”) between the Authority and J.P. Morgan Trust Company, National Association for financial assistance to acquire, construct, install and equip certain solid waste disposal facilities in Fresno County, California (“the Project”), to be owned by Cornelius A. and Eleanor Jane Vanderham Family Trust, a trust organized and existing under California law (the “Borrower”), and operated by J & D Wilson & Sons Dairy, a partnership of which the Borrower was a partner; and

WHEREAS, simultaneously with the issuance of the Bonds the Authority entered into a Loan Agreement, dated as of June 1, 2004, by and between the Authority and the Borrower (the “Loan Agreement”); and

WHEREAS, the Loan Agreement requires the Borrower to obtain the consent of the Authority for any transfer or sale of any portion of the Project financed with the Bonds and for the assignment of rights and obligations under the Loan Agreement to another party whereby the Borrower will be relieved of its obligations under the Loan Agreement; and

WHEREAS, the Borrower transferred the dairy to J & D Wilson & Sons Dairy, an affiliate of the Borrower, in 2010; and

WHEREAS, Jim and Darla Wilson, partners of J & D Wilson & Sons Dairy, have created a new entity for the purpose of owning the dairy called Dry Creek Holdings LLC (“Dry Creek”), and will operate the dairy through another wholly owned entity; and

WHEREAS, the Borrower now wishes to assign the Loan Agreement in its entirety to Dry Creek, which will agree to assume all liabilities under the Loan Agreement and the Tax Certificate for the Bonds; and

WHEREAS, coincident with the assignment and assumption described in the prior paragraphs the Borrower and Dry Creek plan to provide an Alternate Letter of Credit to support the Bonds from CoBank ACB; and

WHEREAS, the consent of the Authority is required for delivery of an Alternate Letter of Credit; and

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WHEREAS, in connection with the delivery of the Alternate Letter of Credit, certain technical modifications to the Indenture will be necessary to reflect the elimination of a Confirming Letter of Credit currently supplied by Wells Fargo Bank, N.A.; and

WHEREAS, CoBank ACB as issuer of the Letter of Credit supporting the Bonds and Farm Credit West, as “Bank” under the Indenture, will consent to the actions recited above to the extent required by the Loan Agreement and Indenture; and

WHEREAS, The Bank of New York Mellon Trust Company, N.A., as successor trustee for the Bonds (the “Trustee”), will consent to the actions described above; and

WHEREAS, the Authority will receive an opinion of Bond Counsel as required by the Loan Agreement and the Indenture.

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. Pursuant to Section 5.2(a)(3) of the Loan Agreement, the Authority hereby consents to the transfer of the Project to Dry Creek Holdings LLC.

Section 2. The Authority accepts and consents to the assignment by the Borrower of the rights and obligations under the Loan Agreement to Dry Creek Holdings LLC without recourse to the Borrower.

Section 3. The Authority consents to the delivery of an Alternate Letter of Credit pursuant to Section 5.7 of the Loan Agreement from CoBank ACB.

Section 4. The Authority approves the form of a First Supplemental Indenture as submitted to the Authority, and authorizes the officers of the Authority to execute such document pursuant to the Delegation Resolution dated January 19, 2016.

Section 5. This resolution shall take effect upon its adoption.