

MINUTES

**California Industrial Development
Financing Advisory Commission
915 Capitol Mall, Room 587
Sacramento, California
August 26, 2009**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Acting Chair, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 10:34 am.

Members Present: Bettina Redway for Chairman Bill Lockyer, State Treasurer
Tom Sheehy for Michael C. Genest, Director, Department of Finance
Ruth Holton-Hodson for John Chiang, State Controller
Colleen Monahan for Preston DuFauchard, California Corporations
Commissioner, Department of Corporations
Stanton Hazelroth, for Dale Bonner, Agency Secretary, Business,
Transportation and Housing Agency, arrived at 10:41 AM.

Staff Present: Tom Dresslar, Executive Director
Eileen Marxen, Deputy Executive Director

Quorum: The Acting Chair declared a quorum

2. APPROVAL OF JULY 22, 2009 MEETING MINUTES

Ms. Redway asked if there were any questions or comments from the Board or the public concerning the July 22, 2009 meeting minutes. There were none.

Mr. Sheehy moved approval of the July 22, 2009 meeting minutes. Upon a second of the motion, the item passed unanimously.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Dresslar reported that the meeting was being audio webcasted over the internet.

Ms. Redway asked if there were any questions or comments on the Executive Director's Report from the Board or public. There were none.

4. CIDFAC STRATEGIC PLAN: MARKETING UPDATE

Ms. Marxen stated that CIDFAC staff has been engaging in various marketing and outreach efforts since the approval of the Strategic Plan in October 2008. The focus of these efforts has been on getting the word out about California's Industrial Development Bond (IDB) program with special emphasis on enhancements to the program brought about by the Housing and Economic Recovery Act (HERA) of 2008 and the American Recovery and Reinvestment Act (ARRA), the federal stimulus bill that was signed into law this year. HERA allows Federal Home Loan Banks (FHLBs) to "wrap" banks' credit enhancement on IDB transactions, which allows the IDBs to be sold with the FHLB's AAA rating and which is especially significant in cases where the banks are not nationally rated. Staff has been working with the FHLB to get the word out about this program enhancement.

In addition, staff has engaged in efforts to expand the number of banks that are willing and able to offer Letters of Credit (LOCs) to IDB transactions and to encourage banks to include LOCs in their products available to their business clientele. In fact, on August 27, 2009, CIDFAC staff is conducting a call-in workshop aimed at banks where professionals will discuss California's IDB program and the enhancements brought about by HERA and ARRA in an effort to educate banks about the LOC product. On the panel of speakers are representatives from banks who have experience offering LOCs, and they will be able to discuss LOCs as a product from a bank's perspective.

As reported in previous Commission meetings, ARRA expanded the IDB program such that potential borrowers now include companies that produce intangible products. CIDFAC staff has been reaching out to knowledge-based industries through such groups as the Silicon Valley Leadership Group BayBio in an effort to get the word out about the state's IDB program to these types of industries.

Ms. Redway asked if there were any questions or comments on this item from the Board or from the public. There were none.

5. BUSINESS ITEMS

A. REQUEST FOR TAX-EXEMPT (TE) BOND ALLOCATION

Staff introduced Jason Grubbs, WR Taylor and Co, Scott Hamilton, CFO, Musco Olive Products, and Patricia Tanous, California Pollution Control Financing Authority.

Musco Olive Company is a manufacturer of olives which sells its products to supermarket chains, drug stores, club stores, and wholesale distributors. Bond proceeds will be used for new equipment, including a primary heat exchanger, a set of wastewater boilers, and a steam engine/generator system and a condensing unit, for its Renewable Energy Wastewater and Pollution Control System (RENEWS) Project. The RENEWS Project will treat the company's waste water discharge and thereby address the reported permitting and legal challenges brought by state and local authorities as a result its waste water discharge practices. In addition, bond proceeds will be used for site preparation and the construction of a new 6,000 square-foot building to house the equipment. Staff

recommends approval of Allocation Resolution No. 09-001-005 for an amount equal to \$3,200,000 in tax-exempt IDB allocation for the Issuer on behalf of the Borrower for the RENEWS Project. Presented by Deanna Hamelin.

Ms. Redway asked if there were any questions or comments on this item from the Board or from the public.

Mr. Sheehy asked which actions Musco Olive Company has taken and will be taking to deal with the wastewater discharge issues.

Mr. Hamilton responded that extensive action has been taken. He stated that the Company is currently operating under a cease and desist order issued as a result of the level of dissolved solids in the water that the Company was applying to land. In addition, Mr. Hamilton stated that the authorities had some concerns about water exiting the Company's property. He said that, in response, the Company put in place an extensive berm and pump system to address the amount dissolved solids in the wastewater. He said that a system has been devised to evaporate off the worst quality wastewater so that the average dissolved solids in the waste water applied to the land will put the Company in compliance with permitted limits.

Mr. Sheehy then asked what type of monitoring is being done on the ground water.

Mr. Hamilton responded that there are up gradient and down gradient monitoring wells on the Company's site where groundwater samples are taken monthly. He said that the primary source of monitoring is a surge tank, which is the collection point for all of the water that is stored temporarily in a reservoir before land application. He said that the point of determining compliance is at the surge tank. Mr. Hamilton added that the Company will continue to monitor its waste water, and that samples are taken daily and submitted monthly to the Regional Water Quality Control Board. Mr. Hamilton stated new leadership at Musco Olives is taking these issues more seriously than previous Company management. He stated that he joined the Company in October 2005 and that, in February 2006, the Company's Board of Directors declared wastewater compliance as the number one business issue for the Company. He stressed that the Company has become aggressive in addressing these issues.

Mr. Hazelroth joined the meeting at 10:41 am.

Ms. Redway then asked if the Regional Water Quality Control Board is happy with what is currently occurring at the Company and if it supports this project. Ms. Tanous responded affirmatively.

Ms. Holton-Hodson then asked if the RENEWS system is new technology or if it has been time-tested.

Mr. Hamilton responded that it is both.. He stated that the RENEWS system involves piecing together technology that has been in existence for decades, such as water

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evaporation technology and technology for the use of the steam engine to an electric generator. With respect to other aspects of the RENEWS system, there were two pilot projects, one called the demonstration unit which was the first concept test and the second a one-six scale installation that's been running since the first of the year, from which there has been significant learning which will be incorporated into the final commercial design.

Ms. Redway asked if there were any further questions or comments on this item from the Board or from the public. There were none.

Mr. Sheehy moved approval of the item. Upon a second, the motion passed unanimously.

6. PUBLIC COMMENT

Ms. Redway asked for public comments. There were none.

7. ADJOURNMENT

There being no further business, public comments or concerns, the meeting was adjourned at 10:45 am.

Respectfully submitted,

Tom Dresslar
Executive Director