

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: December 17, 2008
Request for Initial Resolution

Prepared by: *Doreen Smith*

Applicant: EarthRenew, Inc. and/or its Affiliates	Amount Requested: \$12,780,000
Project	Application No.: 00816(SB)
Location: Hanford (Kings County)	Initial Resolution No.: 08-10

Summary. EarthRenew, Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$12,780,000 (the “Project”) to finance buildings and equipment related to the processing of raw manure to fertilizer. The Project is located in Hanford. The Company anticipates that the Project will provide waste diversion and environmental benefits.

Borrower. The Company’s business is the production of fertilizers and energy generation. The Company was organized in California on November 4, 2004. The Company is 100% owned by EarthRenew Organics Ltd. of Canada.

Legal Questionnaire. The 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 Description. EarthRenew will process approximately 225 tons per day of raw manure generated at the 3H Cattle Company in Hanford. 3H has approximately 20,000 head of cattle. From the manure, EarthRenew will manufacture a new class of proprietary fertilizers by cooking the raw manure without burning or degrading the content. It will also create energy through the burning of natural gas or biogas, the heat of which is an integral part of the manure processing.

The Company will lease approximately two acres of land from the 3H Cattle Company that is presently operating as a feed lot. Most of the equipment utilized in the process is skid mounted and will be housed in an approximately 15,000 square foot sheet metal building with cement floors to protect it from the outside elements.

The Project will involve two primary types of equipment:

- Equipment that is associated with the processing of raw manure to fertilizer.
- Equipment used in the generation of energy from the burning of natural gas or biogas.

The anticipated Project and issuance costs are listed below:

Construction of New Building	\$ 2,391,640
Power processing	2,961,028
Manure processing	6,109,230
Bond Issuance Expenses	1,318,102
Total	<u>\$12,780,000</u>

Anticipated Timeline. Construction is anticipated to begin in the first quarter of 2009 and be completed by the fourth quarter of 2009. Equipment is currently under construction with a planned completion date of fourth quarter 2009.

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Air Quality.

- During processing, the bag house reduces the fine particulates emitted into the air.
- Fewer trucks used to haul raw manure will decrease the truck traffic that raises dust into the air and compacts soil.
- The methane mitigation process of killing the micro-organisms stops production of methane as soon as the manure enters the cooker; so there will be an immediate reduction in the amount of methane otherwise produced and released into the air.

Water Quality.

- The processing of manure improves water quality by trapping nutrients, organic matter and salts in the final product.
- The project will utilize much of the feedlot's flush water; that will eliminate the need to spread this water out on the farmer's land, which is the current industry approach.

Energy Efficiency.

- The process uses up to 90% of the natural gases' energy value.
- Processing the manure at the site results in a reduction in the number of trucks hauling raw manure.
- Using the exhaust stream of the turbine, energy is recycled that otherwise would be wasted by emitting it into the air.

Recycling of Commodities. Manure is processed into easy to apply, slow release organic matter fertilizer products that can then be utilized by farms, on lawns and gardens, in parks, in municipal flower gardens, on golf courses and for landscaping.

Climate Change. The Company intends to verify, collect and sell its emissions credits. There will be monitoring systems built into the units to control, measure and substantiate emissions credits as they are created. The potential net emissions credits are calculated by subtracting actual carbon emissions from total emissions credits generated.

Other.

- The Project will produce a needed product in the organic farming sector in California.
- The product is safe for children and pets in contrast to raw manure.
- The Project will result in the employment and training of local people to operate the unit permanently.
- The Project will provide tax income to the local community.

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

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in the first quarter of 2009. Since the Project involves a technology not previously approved for funding, CPCFA staff will complete a new technology policy review. The review will be presented to the Authority prior to any request for approval of a Final Resolution for the Project.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds 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 "A-" by Fitch Rating Agency or equivalent. The target date for financing is March or April 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

Staff Recommendation. Staff recommends approval of Initial Resolution No. 08-10 for EarthRenew, Inc. and/or its Affiliates for an amount not to exceed \$12,780,000.

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

Initial Resolution No. 08-10
Application No. 00816(SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/RESOURCE RECOVERY FACILITIES FOR
EARTHRENEW, INC. AND/OR ITS AFFILIATES**

DECEMBER 17, 2008

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, EarthRenew, 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 and construction of facilities for treatment of manure, biosolids and other organic waste materials and production of fertilizer products, 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 \$12,780,000 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 \$12,780,000 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. 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 December 17, 2011 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: 00816(SB)

LOCATION: 19190 – 6th Ave
Hanford, CA 93230

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$12,780,000