

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: January 17, 2012
Request for Initial Resolution

Prepared by: *Deanna Hamelin*

<p>Applicant: Flex OC Renewables, LLC and/or its Affiliates</p> <p>Project Location: City of Orange (Orange County)</p>	<p>Amount Requested: \$6,000,000 TE \$3,000,000 TX</p> <p>Application No.: 856(SB)</p> <p>Initial Resolution No.: 12-02</p>
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Summary. Flex OC Renewables, LLC and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$9,000,000 to finance a landfill gas-to-energy project (the “Project”) and associated equipment to generate and transport the gas. The Company has secured an option with Orange County for all of the landfill gas produced at the Santiago Canyon Landfill over the next 10 years plus a 10 year option agreement for the gas.

Borrower. Flex OC Renewables, LLC is a subsidiary of FlexEnergy, Inc. The Company is a developer of clean energy and was incorporated in Delaware on December 31, 2010.

The principal stockholder of the Company is as follows:

FlexEnergy, Inc.	100%
Total:	100%

The principal stockholders of Flex Energy, Inc. are as follows:

RNS Capital Partners	34%
SAIL Venture Partners	33%
Edan Prabu	13%
Ingersoll Rand	8%
Joseph Perry	7%
Total:	100%

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.

Project Description. The Project consists of the construction and equipping of a landfill gas to energy facility at the Santiago Canyon Landfill (the “Landfill”). On December 8, 2011, the Company secured an option with Orange County, the owner of the Landfill, for exclusive rights to all of the gas produced at the Landfill over the next 20 years (10 years plus a 10 year option) and to have a designated location on site for the necessary equipment. In addition, the Project will include the installation of approximately 2.0 Megawatts of generation consisting of four 250kW generators and three 333kW generators and associated equipment installation for the transport of the gas from Orange County’s gas collection system to the Project generators.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation between the second and fourth quarter of 2012.

Financing Details. The Company is currently exploring whether a private placement of the bonds or a negotiated sale would be the best financing option. A final decision will be made at the time the Company submits a request for Final Resolution and volume cap allocation. The Company anticipates the issuance of \$6,000,000 in tax-exempt bonds and \$3,000,000 in taxable bonds.

Financing Team.

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Issuer's Counsel: Office of the Attorney General
Underwriter or Private Placement Agent: To Be Determined

Staff Recommendation. Staff recommends approval of Initial Resolution No. 856 (SB) for Flex OC Renewables, LLC and/or its Affiliates for an amount not to exceed \$9,000,000.

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
FLEX OC RENEWABLES, LLC AND/OR ITS AFFILIATES**

January 17, 2012

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, Flex OC Renewables, LLC, a Delaware 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 installation of facilities and equipment for the conversion of methane gas, including, but not limited to, the construction of electric generators and the acquisition of equipment for the conditioning and transfer of methane gas to such generator, as more fully described in the Application (collectively, the “Project”) to be owned and/or 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 \$9,000,000 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 \$9,000,000 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 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 January 17, 2015 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: 856(SB)

LOCATION: 3099 Canyon Road
Orange, CA 92862

TYPE: Solid Waste Disposal

AMOUNT: Up to \$9,000,000