

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: February 21, 2012**  
**Request for Amendment to Initial Resolution**

Prepared by: *Deanna Hamelin*

<b>Applicant:</b> FlexEnergy, Inc. and/or its Affiliates	<b>Amount Requested:</b> \$11,400,000 TE \$ 7,000,000 TX
<b>Project Location:</b> Various locations in Orange, Fresno, San Bernardino, and Solano counties	<b>Application No.:</b> 856(SB) <b>Initial Resolution No.:</b> 12-02 <b>Prior Actions:</b> IR approved 01/17/12

**Summary.** FlexEnergy, Inc. and/or its Affiliates (the “Company”) requests approval of an amendment to Initial Resolution (IR) No. 12-02 to change the applicant from Flex OC Renewables, LLC to its parent company, FlexEnergy, Inc.; to increase the bond amount from \$9,000,000 to \$18,400,000; and to add additional project sites.

At the January 17, 2012 California Pollution Control Financing Authority (CPCFA) Board Meeting, an IR for Flex OC Renewables, LLC was approved for an amount not to exceed \$9,000,000. This request included one project site in Orange County.

The current request includes five clean energy projects that will convert landfill and sewer gas into energy. The projects are located at different sites throughout California, (the “Projects”) and are detailed below.

**Borrower.** The Company is a developer of clean energy and was incorporated in Delaware on December 31, 2010.

The following companies are wholly owned affiliates of FlexEnergy, Inc.:  
 Flex OC Renewables, LLC; Flex San Joaquin Valley Renewables, LLC; Flex Victor Valley Renewables, LLC; Flex Corona Wastewater Renewables, LLC; and Flex Fairfield Wastewater Renewables, LLC.

The principal stockholders of FlexEnergy, Inc. are as follows:

RNS Capital Partners	34%
SAIL Venture Partners	33%
Edan Prabu	13%
Ingersoll Rand	8%
Joseph Perry	7%
Various (less than 3% each)	<u>5%</u>
<b>Total:</b>	<b><u>100%</u></b>

**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.**

**Project One: Santiago Canyon Landfill**

The Project consists of the construction and equipping of a landfill gas-to-energy facility at the decommissioned Santiago Canyon Landfill (the “Landfill”). On December 8, 2011, Flex OC Renewables, LLC, 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 generators and associated equipment installation for the transport of the gas from Orange County’s gas collection system to the project generators.

**Project Two: Flex San Joaquin Valley Renewables**

This project consists of the construction and equipping of two landfill gas-to-energy projects located at the Southeast Regional Landfill in the City of Selma and American Avenue Disposal in the City of Kerman. At these locations, Flex San Joaquin Valley Renewables, LLC, will look to secure an option with Fresno County for the landfill gas produced at the two locations over the next 20 years.

**Project Three: Flex Victor Valley Renewables**

Flex Victor Valley Renewables, LLC will look to secure an option with the Victor Valley Wastewater Reclamation Authority (VWVRA) for the anaerobic digester gas produced at the facility. The project includes the installation of generators. The power generated will be sold to VWVRA and used onsite to power the wastewater treatment plant.

**Project Four: Flex Corona Wastewater Renewables**

Flex Corona Wastewater Renewables, LLC will look to secure an option with Inland Empire Utilities Agency (IEUA) for the anaerobic digester gas produced at the Regional Water Recycling Plant No. 2. The project includes the installation of generators. The power generated will be sold to the IEUA and used to power the wastewater treatment plant.

**Project Five: Flex Fairfield Wastewater Renewables**

Flex Fairfield Wastewater Renewables, LLC will look to secure an option with the Fairfield-Suisun Sewer District (FSSD) for the anaerobic digester gas produced at their wastewater treatment plant. The project includes the installation of generators. The power generated will be sold to FSSD and used onsite to power the wastewater treatment plant.

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

**Agenda Item 4.B.1.**

**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 \$11,400,000 in tax-exempt bonds and \$7,000,000 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 an amendment to Initial Resolution No. 12-02 for Flex Energy, Inc. and/or its Affiliates for an amount not to exceed \$18,400,000.

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

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

**February 21, 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**, at the request of Flex OC Renewables, LLC, a Delaware corporation and affiliate of FlexEnergy, Inc., a Delaware corporation, and/or its Affiliates (the “Company”), the Authority adopted its Initial Resolution No. 12-02 on January 17, 2012 (the “Initial Resolution”) in the amount of not to exceed \$9,000,000 to assist in financing the acquisition, construction and rehabilitation of solid waste disposal facilities and equipment described as the “Project” in the Initial Resolution; and

**WHEREAS**, the Company has submitted an amendment to its application to the Authority and has requested the Authority to amend the Initial Resolution in order to increase its dollar amount to reflect Project cost increases and new project sites;

**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 Company means any person or entity which controls, is controlled by, or is under common control with, the Company, 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 \$18,400,000 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. All references in the Initial Resolution to the dollar amount thereof shall be changed from “9,000,000” to “18,400,000.”

**Section 3.** Exhibit A to the Initial Resolution is replaced by the attached Exhibit A.

**Section 4.** The meaning of the term “Applicant” in the Initial Resolution is hereby amended to mean “FlexEnergy, Inc., a Delaware corporation.”

**Section 6.** Except as set forth in Sections 2, 3 and 4, all of the provisions of the Initial Resolution shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall take effect upon its adoption.

**EXHIBIT A**

**NUMBER:** 856(SB)

**LOCATION:** 3099 Santiago Canyon Road  
Orange, CA 92862

12716 East Dinuba  
Selma, CA 93622

18950 W American Ave  
Kerman, CA 93630

20111 Shay Road  
Victorville, CA 92394

16400 El Prado Road  
Chino, CA 91708

1010 Chadbourne Road  
Fairfield, CA 94534

**TYPE:** Solid Waste Disposal Facilities

**AMOUNT:** Up to \$18,400,000