

**THE BONDS DESCRIBED HEREIN ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS  
AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED.**

**NEW ISSUE – BOOK-ENTRY ONLY**

**NO RATING**

*In the opinion of McGuireWoods LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except for interest on any Bond for any period that such Bond is held by a “substantial user” of facilities financed or refinanced by the Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of calculating federal alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”*

**\$117,200,000**  
**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**Solid Waste Disposal Revenue Bonds**  
**(Rialto Bioenergy Facility, LLC Project)**  
**Series 2019 (AMT)**  
**(Green Bonds)**

**Dated: Date of Issuance**

**Due: December 1, 2040**

The California Pollution Control Financing Authority (the “**Authority**”) is issuing its Solid Waste Disposal Revenue Bonds (Rialto Bioenergy Facility, LLC Project) Series 2019 (AMT) (Green Bonds) (the “**Bonds**”) pursuant to an Indenture, dated as of January 1, 2019 (the “**Indenture**”), by and between the Authority and UMB Bank, N.A., as trustee (the “**Trustee**”). Ownership interests in the Bonds may be purchased, in denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof, in book-entry only form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Bonds. Upon receipt of payments of principal of, interest and premium, if any, on and purchase price for the Bonds, DTC will in turn remit such principal, interest, premium, if any, or purchase price to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See “APPENDIX F – BOOK-ENTRY SYSTEM.”

The Bonds will bear interest from their date of issuance. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2019. Principal of the Bonds is payable as follows:

\$25,805,000 6.750% Term Bond due December 1, 2028; Yield: 7.000%; CUSIP\*: 130536 RF4

\$91,395,000 7.500% Term Bond due December 1, 2040; Yield: 8.000%; CUSIP\*: 130536 RG2

**The Bonds will be subject to optional and mandatory redemption prior to maturity.** See “THE BONDS – Redemption.”

There is no initial or planned third party credit enhancement or liquidity facility supporting the payment of principal, interest and purchase price with respect to the Bonds.

The Bonds are limited obligations of the Authority and, except to the extent payable out of Bond proceeds or any income from the investment thereof, will be payable solely from, and secured solely by, a pledge of payments derived by the Authority under a Loan Agreement, dated as of January 1, 2019 (the “**Loan Agreement**”), by and between the Authority and Rialto Bioenergy Facility, LLC, a Delaware limited liability company (the “**Borrower**”). The proceeds of the Bonds will be used to (i) finance the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of solid waste treatment, disposal and recycling facilities, as further described herein; (ii) fund 24 months of capitalized interest; (iii) fund a reserve fund for the Bonds; and (iv) pay a portion of the costs of issuance of the Bonds.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.**

**This cover page contains certain information for general reference only. It is not intended as a summary of this issue. Investors are advised to read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.**

*The Bonds are offered when, as and if issued by the Authority, subject to the approval of legality by McGuireWoods LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by the Honorable Xavier Becerra, Attorney General of the State of California, for the Borrower by Gresham Savage Nolan & Tilden PC and for the Underwriter by Orrick, Herrington & Sutcliffe LLP. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about January 30, 2019.*

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**Honorable Fiona Ma**  
**Treasurer of the State of California**  
**As Agent for Sale**

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**WESTHOFF, CONE & HOLMSTEDT**

Dated: January 16, 2019

\* CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Bonds only at the time of issuance of the Bonds and none of the Authority, the Operator, the Trustee or the Placement Agent make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the Bonds.



## NOTICE TO INVESTORS

The Bonds are being offered hereby only to Qualified Institutional Buyers (“QIBs”) within the meaning of Rule 144A under the Securities Act of 1933, as amended, which term includes both institutions and individuals meeting certain criteria of financial sophistication, net worth, knowledge and experience.

Certain of the information set forth herein has been obtained from the Authority, the Borrower and other sources which are believed to be reliable. Such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Limited Offering Memorandum nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Borrower since the date hereof. This Limited Offering Memorandum is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

No person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Borrower or the Underwriter. This Limited Offering Memorandum does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The descriptions of the terms and conditions of the agreements contained in this Limited Offering Memorandum are brief summaries of certain provisions of such agreements. They do not purport to be complete and are qualified in their entirety by reference to the complete and final text of such agreements and should be reviewed carefully before a decision is made to purchase the Bonds. Copies of all such agreements are available to prospective purchasers of the Bonds during the period of the offering and may be obtained, upon written request, from the Underwriter, Westhoff, Cone & Holmstedt, 1777 Botelho Drive, Suite 345, Walnut Creek, CA 94596, and thereafter, from UMB Bank, N.A., 120 South Sixth Street, Suite 1400, Minneapolis, MN 55402, Attn: Corporate Trust & Escrow Services. Prospective purchasers, including future Holders and prospective transferees, may also obtain from the Borrower, upon written request to UMB Bank, N.A., access to certain agreements, reports, projections and other information compiled by the Borrower and made available pursuant to a centralized electronic database as of the Date of Delivery of the Bonds, and following the Date of Delivery, made available at such other location and/or in such other format (electronic or otherwise) or manner as the Borrower may determine from time to time), provided that such prospective purchaser has executed a nondisclosure agreement in a form and substance acceptable to Borrower in its reasonable discretion, and such prospective purchaser is not a competitor in respect of the Borrower or the Project, as determined by the Borrower in its reasonable discretion.

## FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Borrower in any way, regardless of the level of optimism communicated in the information. The Borrower is not obligated to and does not plan to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the section entitled “BOND DEBT SERVICE” herein and in the projections of future operating results of the Project and the Borrower in APPENDIX A attached hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR

ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BORROWER DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. This offering is made only by delivery of a copy of this Limited Offering Memorandum by the Underwriter to QIBs. The private offering is made only to QIBs for investment only.

The Authority makes no representation as to the accuracy or completeness of any information in this Limited Offering Memorandum and takes no responsibility for its contents, other than the information relating to the Authority under the headings "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION" (as it relates to the Authority).

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF THE SECURITIES ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE LIMITED OFFERING MEMORANDUM.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, THE BORROWER, AND THE PROJECT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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## LIMITED OFFERING MEMORANDUM

**\$117,200,000**

**California Pollution Control Financing Authority  
Solid Waste Disposal Revenue Bonds  
(Rialto Bioenergy Facility, LLC Project)  
Series 2019 (AMT)  
(Green Bonds)**

### SUMMARY STATEMENT

The following Summary Statement is subject in all respects to more complete information contained in this Limited Offering Memorandum and in the appendices herein. The offering of the Bonds (as defined below) to potential investors is made only by means of this entire Limited Offering Memorandum, including the appendices, and no person is authorized to detach this Summary Statement from this Limited Offering Memorandum or to otherwise use it without the entire Limited Offering Memorandum, including the appendices. Capitalized terms used herein and not otherwise defined will have the meanings given to such terms as set forth in APPENDIX C herein.

**The Authority:** California Pollution Control Financing Authority (the “**Authority**”), is a political subdivision and public instrumentality of the State of California (the “**State**”). See “THE AUTHORITY.”

**The Borrower:** Rialto Bioenergy Facility, LLC (the “**Borrower**”) is a Delaware limited liability company formed and wholly-owned by Anaergia Services LLC (“**Anaergia**”). See “THE BORROWER.”

**Anaergia:** Anaergia is the Borrower’s parent company and the United States operating subsidiary of the ultimate parent company, Anaergia, Inc. Anaergia Inc. is a multinational company headquartered in Canada offering sustainable solutions for the generation of renewable energy and the conversion of waste to resources. See “THE BORROWER.”

**The Project:** The Project is a multi-feedstock bioenergy facility that will convert mixed organic food waste diverted from the municipal solid waste stream into renewable electricity, renewable natural gas, and marketable soil amendment/fertilizer. The Project will also convert Class B biosolids into Class A fertilizer products using waste heat from the process. The Project will produce over 600,000 MMBtu/year of renewable natural gas, up to 40,300 megawatt hours per year of renewable electricity (through approximately 4.6 MW of installed capacity) and 9,855 tons of marketable soil amendment/fertilizer. The Project is located on 503 East Santa Ana Avenue, Rialto, California. See “THE PROJECT AND THE APPLICATION OF BOND PROCEEDS.”

**Process:** The Project processes food waste and biosolids. Food waste is processed through anaerobic digesters to produce biogas that generates electricity and renewable natural gas for pipeline injection. Waste heat from the process is used to dry biosolids into Class A fertilizer. See “THE PROJECT AND THE APPLICATION OF BOND PROCEEDS.”

**Contracted Feedstock:** The Project will utilize approximately 700 tons per day of pre-processed food and organic waste in anaerobic digesters and dry up to 300 tons per day of biosolids. The Borrower has entered into long-term contracts with Waste Management Recycling and Disposal Services of California, Inc. and Republic Waste Services of Southern California, LLC for the supply of the majority of its food and organic waste. The Borrower has long-term contracts with the City of Rialto Wastewater Treatment Plant and Denali Water Solutions, LLC to supply biosolids. See “APPENDIX A - CERTAIN INFORMATION REGARDING RIALTO

BIOENERGY FACILITY, LLC” and “APPENDIX B - INDEPENDENT ENGINEER’S REPORT” for additional information regarding the Borrower’s feedstock contracts.

**Contracted Offtake Agreements:**

The Borrower has entered into agreements with the City of Anaheim and Southwest Gas Corporation for the sale of renewable natural gas from the Project. The Borrower is entitled to enter into a State of California mandated power purchase agreement with Southern California Edison under the California Bioenergy Market Adjusting Tariff program to sell renewable electricity produced by the Project. See “APPENDIX A - CERTAIN INFORMATION REGARDING RIALTO BIOENERGY FACILITY, LLC” and “APPENDIX B - INDEPENDENT ENGINEER’S REPORT.”

**Equity:**

Project equity totaling approximately \$44.9 million (comprising approximately \$17.4 million of Project cost expenditures to date, \$19.3 million of grants and \$8.2 million of cash at financial closing) represents 37.1% of the approximately \$121.3 million of total direct Project costs. See “APPENDIX A - CERTAIN INFORMATION REGARDING RIALTO BIOENERGY FACILITY, LLC.”

**Design-Build (Guaranteed Maximum Price) Construction Contract:**

The Borrower has entered a guaranteed maximum price design-build contract (the “GMP”) for the construction of the Project with W.M. Lyles Co. W.M. Lyles Co. is responsible for all aspects of the design, engineering, permitting, procurement, construction, installation and commission of the Project on a turnkey basis, subject to liquidated damages for non-performance. Pursuant to the contract, the GMP is not to exceed \$98,276,849. See “APPENDIX A - CERTAIN INFORMATION REGARDING RIALTO BIOENERGY FACILITY, LLC.”

**Limited Guaranty:**

Pursuant to the Guaranty Agreement, and subject to the termination event provisions and other limitations therein, Anaergia (the “**Guarantor**”) will unconditionally guaranty (collectively, the “**Guaranteed Obligations**”): (a) to the Trustee, for the benefit of the Holders and Beneficial Owners of the Bonds, the full and prompt payment (when and as the same becomes due), subject to the Aggregate Cap and the Individual Demand Cap (each as defined and set forth below), of (i) the principal of and redemption premium, if any, on the Bonds (whether by maturity, by acceleration, call for redemption or otherwise); (ii) the interest on the Bonds; and (iii) all Loan Repayments pursuant to the Loan Agreement; (b) to the Trustee, for the benefit of the Trustee and the Authority, the full and prompt payment (when and as the same becomes due) of certain other amounts due or to become due from the Borrower under the Loan Agreement (the amounts described in the foregoing clause (a) and this clause (b), the “**Guaranteed Debt Service Obligations**”); and (c) to the Trustee, for the benefit of the Holders and Beneficial Owners of the Bonds, the full and prompt payment (when and as the same becomes due and payable) of the Project Costs (other than Debt Service) that, assuming the sufficiency, in the aggregate, of funds then held in the Tax-Exempt Subaccount or the Grant Subaccount and the satisfaction of all conditions to disbursement thereof, would be paid from either or both of the Tax-Exempt Subaccount or the Grant Subaccount of the Project Fund (the “**Guaranteed Project Costs**”); provided that (x) the Guarantor’s cumulative liability for payment of the Guaranteed Obligations, whether in respect of one or more occurrences, will be limited to an aggregate amount not to exceed \$10,000,000 (the “**Aggregate Cap**”); and (y) the Guarantor’s liability with respect to any demand for payment of any Guaranteed Obligation (the “**Individual Demand Cap**”) will be limited to the lesser of (1) such amount as would not cause the Aggregate Cap to be exceeded, and (2) (A) in the case of demand in respect of a Guaranteed Debt Service Obligation, the amount by which, at the time such Guaranteed Obligation becomes due and payable, such Guaranteed Obligation exceeds: (i) if the Bonds have been accelerated, the aggregate amount of all funds then held by Trustee, or (ii) in any other case, the aggregate amount of the following: (w) funds then held in the Tax-Exempt Subaccount or Grant Subaccount of the Project Fund in excess of the amount then required to fund completion of the Project, (x) to the extent that such Guaranteed Obligation includes interest on the Bonds, funds then held in the Capitalized Interest Account, (y) to the extent that such Guaranteed Obligation includes payment of any amount in respect of redemption of the

Bonds, funds then held in the Redemption Account in respect of such redemption, and (z) funds then held in the Revenue Fund and not allocated to any of the Redemption Account, the Debt Service Reserve Fund or the Capital Replacement Fund; or (B) in the case of a demand in respect of any Guaranteed Project Cost, the amount by which, at the time such Guaranteed Obligation becomes due and payable by Guarantor in accordance with the provisions of the Guaranty Agreement, such Guaranteed Obligation exceeds the aggregate amount of all funds then held in the Tax-Exempt Subaccount or the Grant Subaccount of the Project Fund. See “SECURITY FOR THE BONDS – The Guaranty Agreement.”

**Independent Engineer:**

Harris Group Inc. (the “**Independent Engineer**”) has been retained as the independent engineer to prepare a technical report on the Project (the “**Independent Engineer Report**”) and to report that the Project is consistent with the green bond principles and California’s environmental objectives. See the Independent Engineer’s Report included as APPENDIX B herein and Green Bond Opinion Letter in APPENDIX H.

**Construction Monitor:**

The Borrower will retain a consulting firm (the “**Construction Monitor**”) to perform certain services, including review and approval of requisitions from the Project Fund and certain change orders under the Construction Contract. See “APPENDIX C - SELECTED DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Project Fund,” “—Capital Replacement Fund,” and “—Certain Covenants of the Borrower.”

**Summary Conclusions of the Independent Engineer:**

Among the various conclusions made in the Independent Engineer’s Report, the Independent Engineer determined that (1) there is adequate feedstock supply in the local area to support the Project; (2) based upon the anticipated conversion yields, the Project will be able to produce the proposed rates of solids, electricity and renewable natural gas; (3) the design-build model incorporating Anaergia’s process design is appropriate for the Project; (4) the Project’s construction costs are within a reasonable range for a production facility of its size and scope; (5) the operations and maintenance estimates are reasonable and achievable to support the projected performance of the Project; (6) the construction timeline is reasonable and allows for adequate start-up of the Project; and (7) the financial model for the Project is consistent with those of comparable scope and size. See “APPENDIX B - INDEPENDENT ENGINEER’S REPORT.”

**Ground Lease:**

The Borrower and Rialto Utility Authority entered a ground sublease agreement (the “**Lease Agreement**”) on April 1, 2016 for the Project site at 503 East Santa Ana Avenue, Rialto, CA 92376. The initial term of the Lease is 22 years. The Borrower has the right to extend the term for up to two additional consecutive five-year periods. See “THE PROJECT AND THE APPLICATION OF BOND PROCEEDS” and “SECURITY FOR THE BONDS – Lease Agreement.”

**Green Bonds:**

The Authority has designated the Bonds as “Green Bonds” based on the opinion letter prepared by Harris Group Inc., indicating that the Project is consistent with Green Bond principles developed by the International Capital Market Association and with California’s environmental objectives. See “THE BONDS – Green Bonds Determination” and the Green Bond Opinion Letter included as APPENDIX H herein.

**Bonds:**

The Authority will issue its Solid Waste Disposal Revenue Bonds (Rialto Bioenergy Facility, LLC Project) Series 2019 (AMT) (Green Bonds) in the aggregate principal amount of \$117,200,000 (the “**Bonds**”), pursuant to an Indenture dated as of January 1, 2019 (the “**Indenture**”), by and between the Authority and UMB Bank, N.A., as trustee (the “**Trustee**”). The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Bonds are being issued in Book-Entry Form. See “THE BONDS.”

**Limited Obligations:**

**THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND OTHER INCOME PLEDGED**

**UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.**

**Loan Agreement:** Proceeds of the Bonds will be loaned by the Issuer to the Borrower pursuant to a Loan Agreement dated as of January 1, 2019 between the Authority and the Borrower (the “**Loan Agreement**”) to (i) finance the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of the Project; (ii) fund 24 months of capitalized interest; (iii) fund a reserve fund for the Bonds; and (iv) pay a portion of the costs of issuance of the Bonds.

**Maturity:** The Bonds will have a final maturity of December 1, 2040.

**Denominations:** The Bonds will be sold in minimum denominations of \$250,000 and integral multiples of \$5,000 in excess thereof.

**Interest:** Interest on the Bonds is payable at the rates shown on the front cover page hereof on June 1 and December 1 of each year, commencing on June 1, 2019.

**Principal:** The principal of and premium, if any, on the Bonds are payable at final maturity, acceleration or redemption in lawful money of the United States of America upon surrender thereof at the Corporate Trust Office of the Trustee.

**Redemption:** ***Sinking Fund Redemption.*** The Bonds will be subject to semi-annual mandatory sinking fund redemption on each mandatory sinking fund redemption date and in the respective principal amounts as shown herein at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption as shown herein. See “THE BONDS – Redemption – Sinking Fund Redemption.”

***Mandatory Redemption Upon Invalidity.*** In the event of a prepayment pursuant to the Loan Agreement as a result of invalidity, Bonds Outstanding on the date of the occurrence of the invalidity will be redeemed in whole at any time within 30 days thereafter, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption. See “THE BONDS – Redemption – Mandatory Redemption Upon Invalidity.”

***Mandatory Redemption of Bonds Upon a Determination of Taxability.*** In the event of a prepayment pursuant to the Loan Agreement as a result of a Determination of Taxability, Bonds Outstanding on the date of the occurrence of the Determination of Taxability will be redeemed in whole or in part (as required by the Loan Agreement) at any time within 30 days thereafter, at a redemption price of 105% of the principal amount thereof, without premium, plus accrued interest to the date of redemption. No other redemptions of Bonds will be made pursuant to certain other provisions of the Indenture until after all redemptions required in respect of such Determination of Taxability have been effected. See “THE BONDS — Redemption — Mandatory Redemption Upon a Determination of Taxability.”

***Mandatory Redemption from Excess Cash due to Offtake Expiration Event.*** If the Trustee receives any funds from the Borrower from monthly deposits of Excess Cash during the continuance of an Offtake Expiration Event (as defined below), then if, as of the date on which notice of redemption is required to be delivered pursuant to the Indenture in respect of the next succeeding Interest Payment Date, (i) the Trustee has not received notice from the Borrower that an Offtake Expiration Event is no longer continuing, then such funds will be applied to redeem the Bonds then Outstanding, in whole or in part, on such Interest Payment Date, at a redemption price of one hundred percent (100%) of the principal amount thereof, without premium, plus accrued interest to the date of redemption, and the amount

so redeemed will be credited to the payment of Loan Repayments under the Agreement, or (ii) the Trustee has received notice from the Borrower that an Offtake Expiration Event is no longer continuing, then such funds will be transferred to the Revenue Fund. See “THE BONDS — Redemption — Mandatory Redemption from Excess Cash due to Offtake Expiration Event.”

“Offtake Expiration Event” means the occurrence of the following: (i) the Borrower fails to either (A) exercise, at least two (2) years prior to the stated expiration date of the Southwest Gas Offtake Agreement, its rights to extend such agreement for a term of at least five (5) years or (B) enter into an agreement to replace the Southwest Gas Offtake Agreement on terms with similar or more advantageous prices for the sale of renewable natural gas than in the Southwest Gas Offtake Agreement and otherwise on commercially reasonable terms and for a term of at least five (5) years, and (ii) the Independent Consultant is unable to deliver a report to the Trustee that the Borrower is nonetheless expected to achieve the Days Cash on Hand Requirement and each component of the Coverage Requirement set forth in the Loan Agreement (without including capital contributions to the Borrower from its members for purposes of calculating EBITDA) after the expiration of the Southwest Gas Offtake Agreement without replacement. See “APPENDIX C – SELECTED DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS – Offtake Expiration Event.” Once commenced, an Offtake Expiration Event will be deemed to continue until such time, if any, as Borrower has so extended the Southwest Gas Offtake Agreement or entered into one or more Offtake Agreements, each having a term of at least five (5) years, on the basis of which the Independent Consultant is able to deliver a report to the Trustee that, taking such Offtake Agreements into account, the Borrower is expected to achieve the Days Cash on Hand Requirement set forth in the Agreement and each component of the Coverage Requirement set forth in the Agreement (without including any capital contributions to the Borrower from its members for purposes of calculating EBITDA).

***Optional Redemption Upon Occurrence of Extraordinary Events.*** The Bonds may be redeemed in whole or in part on any date at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, upon receipt by the Trustee of a written notice from the Borrower stating that any of the following events has occurred:

(i) all of the Project or a portion thereof is damaged or destroyed, condemned or taken by eminent domain to such extent that, in the opinion of an Independent Consultant evidenced by a certificate provided to the Authority and the Trustee, which opinion may be conclusively relied upon by the Trustee and the Authority, that (1) it is not practicable or desirable to rebuild, repair or replace the Project or such portion thereof or the facility at which the Project is located within a period of six (6) consecutive months following such damage, destruction or condemnation, and the Borrower is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof or the facility at which the Project is located for a period of at least six (6) consecutive months, or (2) the cost of repair or replacement of the Project or such portion thereof or the facility at which the Project is located would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) the continued operation of all or a portion of the Project is enjoined or prevented or is otherwise prohibited by, or conflicts with, any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or other governmental body.

Anything under “Optional Redemption Upon Occurrence of Extraordinary Events” to the contrary notwithstanding, (A) the Bonds will not be redeemed in part upon the occurrence of an extraordinary event pursuant to the Indenture unless the Borrower has delivered a certificate to the Authority and the Trustee providing that (i) the property forming part of the portion of the Project that was so damaged or destroyed by casualty or was taken or condemned is not essential to the Borrower’s use or possession of such portion of the

Project, or (ii) the property forming part of the portion of the Project that was so damaged or destroyed by casualty or was taken or condemned has been repaired, replaced, restored, relocated, modified or improved to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or such taking or condemnation, and (B) if any of the events described above have occurred with respect to a portion of, but not all of, the Project, the amount of Bonds that may be redeemed will not exceed an amount derived by multiplying the total principal amount of the Bonds by a fraction (x) the numerator of which is the original cost of the Project or portion thereof so affected and (y) the denominator of which is the total original cost of the Project. See “THE BONDS – Redemption – Optional Redemption Upon Occurrence of Extraordinary Events.”

**Optional Redemption.** On any date on and after December 1, 2024, the Bonds may be redeemed by the Authority, at the direction of the Borrower, in whole or in part, at a redemption price expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption as shown herein. See “THE BONDS – Redemption – Optional Redemption.”

**Optional Redemption from Excess Proceeds in the Project Fund.** On any date on and after December 1, 2021, the Bonds may be redeemed from excess Bond proceeds on deposit in the Project Fund, in whole or in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), plus accrued interest thereon to the date of redemption. See “THE BONDS – Redemption — Optional Redemption from Excess Proceeds in the Project Fund.”

**Restrictions on Transfer:**

The Bonds may be transferred only to Qualified Institutional Buyers in Authorized Denominations.

**Debt Service Reserve Fund:**

The Debt Service Reserve Fund will, so long as no event of default under the Indenture has occurred and is continuing, be used solely to pay the principal of and interest on the Bonds in the event of a deficiency in the amounts required to be on deposit in the Revenue Fund. Upon the occurrence and during the continuation of an event of default under the Indenture, funds on deposit in the Debt Service Reserve Fund shall be applied by the Trustee at the direction of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding. The total amount required to be maintained in the Debt Service Reserve Fund will equal the then applicable Reserve Requirement (taking into account any reserve funds then held in respect of Parity Debt). The “Reserve Requirement” means, as of the date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service, (ii) one hundred twenty five percent (125%) of the average annual debt service on the Bonds and any Parity Debt, and (iii) ten percent (10%) of the original principal amount of the Bonds and any Parity Debt. Initially, the Reserve Requirement equals \$11,084,937.50.

**Liquidity:**

The Borrower covenants to maintain a minimum of 60 days cash on hand. See “FINANCIAL COVENANTS – Days Cash on Hand Covenant.”

**Security:**

Pursuant to the Loan Agreement, the Borrower will agree to repay amounts in installments which will be sufficient to pay, when due, the principal of, and interest on the Bonds, and to fill and replenish various funds established under the Indenture. To secure its obligations under the Loan Agreement, the Borrower will enter into and deliver to the Trustee various security agreements.

See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” for a more complete description of the security for the Bonds.

**Additional Debt:**

Subject to the satisfaction of conditions set forth in the Loan Agreement, the Borrower may incur certain types of additional Indebtedness, including certain Indebtedness on parity with the obligations of the Borrower under the Loan Agreement. See “FINANCIAL



COVENANTS – Additional Parity Indebtedness Covenant” and “– Other Indebtedness Covenant.”

**Risk Factors:**

Investing in the Bonds involves a significant degree of risk. Prospective investors in the Bonds are encouraged to read and consider the risk factors set forth under “RISK FACTORS” below as well as other information included in this Limited Offering Memorandum and all appendices herein.

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## INTRODUCTION

### General

This Limited Offering Memorandum is provided to furnish information in connection with the limited offering, issuance and sale by the California Pollution Control Financing Authority (the “**Authority**”) of \$117,200,000 principal amount of its Solid Waste Disposal Revenue Bonds (Rialto Bioenergy Facility, LLC Project), Series 2019 (AMT) (Green Bonds) (the “**Bonds**”). The Bonds will be limited obligations of the Authority as described under the caption “THE BONDS – Limited Obligations” herein. The Bonds will be issued pursuant to an Indenture, dated as of January 1, 2019 (the “**Indenture**”), by and between the Authority and UMB Bank, N.A., as trustee (the “**Trustee**”). The proceeds of the Bonds will be loaned to Rialto Bioenergy Facility, LLC, pursuant to a Loan Agreement, dated as of January 1, 2019 (the “**Loan Agreement**”), by and between the Authority and the Borrower (as defined herein).

**THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND OTHER INCOME PLEDGED UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.**

### THE AUTHORITY

The Authority is a political subdivision and public instrumentality of the State of California (the “**State**”) created pursuant to Division 27 of the Health and Safety Code of the State, commencing at Section 44500 (the “**Act**”), for the purpose of providing industry within the State with an alternative method of financing in providing, enlarging, and establishing pollution control facilities to the mutual benefit of the people of the State and to protect their health and welfare. In furtherance of such purposes, the Authority is authorized to issue revenue bonds and to construct, replace, lease, enter into contracts for the sale of pollution control facilities and make loans to lend financial assistance in the acquisition, construction or installation of pollution control facilities. The Authority consists of three public officials who hold office ex officio: the State Treasurer, the State Controller, and the State Director of Finance. Pursuant to the Act, the Authority authorized the issuance of the Bonds, the loan of the proceeds of the Bonds to the Borrower pursuant to the Loan Agreement and the securing of the Bonds by a pledge and assignment to the Trustee of Revenues pursuant to the Indenture. The Authority’s principal offices are located at 801 Capitol Mall, Second Floor, Sacramento, California 95814.

The Authority makes no representation or warranty concerning the economic feasibility of the Project (as defined herein) or the creditworthiness of the Borrower, and no such representation or warranty shall be implied from the issuance of the Bonds or the other transactions described or contemplated herein.

### THE BORROWER

The Borrower is a Delaware limited liability company and a subsidiary of Anaergia Services LLC (“**Anaergia**”). Anaergia formed the Borrower after purchasing the assets of a large-scale biosolids processing facility located in the City of Rialto, California, which had ceased operations. Anaergia is the Borrower’s parent company and the United States operating subsidiary of the ultimate parent company, Anaergia, Inc. Anaergia, Inc. is a multinational company headquartered in Canada offering sustainable solutions for the generation of renewable energy and the conversion of waste to resources.

## THE PROJECT AND THE APPLICATION OF BOND PROCEEDS

The proceeds of the Bonds will be loaned by the Authority to the Borrower pursuant to the terms of the Loan Agreement. Such proceeds will be used to (i) finance the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of solid waste treatment, disposal and recycling facilities, as further described below (the “**Project**”); (ii) fund 24 months of capitalized interest; (iii) fund a reserve fund for the Bonds; and (iv) pay a portion of the costs of issuance of the Bonds.

The Borrower, has developed a multi-feedstock bioenergy facility that will produce up to 40,300 megawatt hours per year of renewable electricity (through approximately 4.6 MW of installed capacity, 600,000 MMBtu/yr of renewable natural gas, and 9,855 tons of marketable soil amendment/fertilizer). The Borrower will utilize primarily pre-processed food and organic waste for anaerobic digestion and wastewater sludge (Class B biosolids) from wastewater treatment plants for drying, as feedstocks for the Project. The Borrower chose these feedstocks because these streams are readily available and because, under new regulations in the California marketplace, they are required to be diverted from landfills to alternative beneficial uses, such as the creation of renewable energy/fuels and saleable coproducts. The Borrower has entered into long-term contracts with Waste Management Recycling and Disposal Services of California, Inc. and Republic Waste Services of Southern California, LLC for the majority of its food and organic waste and with the City of Rialto Wastewater Treatment Plant and Denali Water Solutions LLC to supply biosolids. The Project is located on a brownfield site that previously processed biosolids from a wastewater plant.

At the heart of the Project are two anaerobic digesters that break down organic matter in the wet fraction into biogas, a mixture of methane, carbon dioxide, water vapor and other gases. The Project will clean and combust a fraction of the biogas in four reciprocating engine generators for conversion into two distinct renewable energy products: (i) electricity for onsite use and for export to Southern California Edison under the Bioenergy Market Adjusting Tariff program enacted in September 2012, and (ii) renewable natural gas, a portion of which will be transferred to the City of Anaheim for power generation and a portion of which will be transferred to Southwest Gas Corporation.

After digestion, some of the suspended solids will be removed from the digestate. Based on the market conditions, these solids may either be combined with the biosolids and dried in the belt drier that will use heat from the engine jacket and exhaust to drive off moisture until the solids attain 92% total solids content or may be utilized as a cake fertilizer for agricultural applications.

The Borrower and Rialto Utility Authority (“**RUA**”) executed a ground sublease agreement (the “**Lease Agreement**”) on April 1, 2016 for the Project site at 503 East Santa Ana Avenue, Rialto, CA 92376. The Borrower will pay \$10,000 per month for the Project site for the first five years of the Lease Agreement term. RUA may adjust the rent every five years in proportion to the cumulative increase in the Consumer Price Index published by the Bureau of Labor Statistics of the U.S. Department of Labor. The initial term of the Lease Agreement is 22 years, which may be extended for up to two additional consecutive five-year periods, beginning immediately upon the end of the original term, pursuant to the terms of the Lease Agreement.

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## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are set forth below. See “Facility Capital Cost and Bond Financing” set forth in APPENDIX A for more details.

### Sources of Funds

Principal Amount of Bonds	\$117,200,00.00
Less: Original Issue Discount	(5,153,279.50)
Borrower’s Contribution <sup>(1)</sup>	44,979,506.58
Interest Earnings	4,000,000.00
Total Sources of Funds:	\$161,026,227.08

### Uses of Funds

Project Costs	\$124,477,224.35
Deposit to Reserve Fund	11,084,937.50
Deposit to Capitalized Interest Fund <sup>(2)</sup>	17,192,925.00
Deposit to Taxable Subaccount of Project Fund – Working Capital	5,970,836.22
Underwriter’s Discount	597,720.00
Costs of Issuance <sup>(3)</sup>	1,702,584.01
Total Uses of Funds	\$161,026,227.08

<sup>(1)</sup> Includes approximately \$17,402,505.58 of Project cost expenditures to date, \$19,365,801.00 of grants and \$8,211,200.00 of cash at financial closing.

<sup>(2)</sup> Represents 24 months of capitalized interest.

<sup>(3)</sup> Includes fees of the Authority, the State’s Agent for Sale, Bond Counsel, Underwriter’s Counsel, Disclosure Counsel, the Trustee, Trustee’s Counsel, Purchaser’s Counsel, Borrower’s Counsel, CDLAC, CDIAC and other miscellaneous expenses.

## THE BONDS

*The following is a summary, which does not purport to be complete, of certain provisions of the Bonds. Reference is made to the Indenture and the form of the Bonds included therein for the detailed provisions of the Bonds.*

### General

The Bonds will be dated their Date of Delivery, and will mature (subject to prior redemption) on the dates set forth on the inside cover page hereto. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year (each, an “**Interest Payment Date**”), commencing June 1, 2019. Interest on the Bonds will be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

The Bonds are issuable in Authorized Denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof. The Bonds will be transferable and exchangeable as set forth in the Indenture, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in Authorized Denominations. See “APPENDIX F – BOOK-ENTRY SYSTEM” herein.

Principal of and premium, if any, on the Bonds will be payable at final maturity, acceleration or redemption upon surrender thereof at the Corporate Trust Office of the Trustee. Payment of the interest on any Bond will be made to the Person appearing on the bond registration books of the Bond Registrar as the Bondholder thereof on the Record Date, such interest to be paid by the Paying Agent to such Bondholder (i) by check mailed by first class mail on the Interest Payment Date, to such Bondholder’s address as it appears on the registration books or at such other address as has been furnished to the Bond Registrar as provided in the Indenture, in writing by such Bondholder not later than the Record Date, or (ii) upon written request at least three Business Days prior to the applicable Record Date of the

Bondholder of Bonds aggregating not less than \$1,000,000 in principal amount of such Bonds, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder will specify in its written notice.

“**Record Date**” means, with respect to any Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

Pursuant to the Indenture, any payment or transfer which otherwise would become due on any day which is not a Business Day will become due or will be made on the next Business Day, with the same effect as if it had been made on the due date.

**Limited Obligations**

**THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND OTHER INCOME PLEDGED UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.**

**Redemption**

The Bonds are subject to redemption if and to the extent the Borrower is entitled to make and makes, or is required to make, a prepayment pursuant to the Loan Agreement. The Bonds will not be called for optional redemption, and the Trustee will not give notice of any such redemption, unless the Borrower has so directed in writing to the Trustee with a copy to the Authority. Subject to the foregoing, the Bonds will be redeemed upon the following terms:

**Sinking Fund Redemption.** The Bonds will be subject to semi-annual mandatory sinking fund redemption on each mandatory sinking fund redemption date and in the respective principal amounts as set forth below.

The Trustee will redeem the Bonds maturing on December 1, 2028, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption as follows:

Redemption Date	Principal Amount
6/1/2021	\$1,260,000
12/1/2021	1,265,000
6/1/2022	1,350,000
12/1/2022	1,350,000
6/1/2023	1,440,000
12/1/2023	1,445,000
6/1/2024	1,540,000
12/1/2024	1,545,000
6/1/2025	1,645,000
12/1/2025	1,650,000
6/1/2026	1,760,000
12/1/2026	1,765,000
6/1/2027	1,880,000
12/1/2027	1,885,000
6/1/2028	2,010,000
12/1/2028 <sup>†</sup>	2,015,000

<sup>†</sup> Final 2028 Term Bond maturity.

The Trustee will redeem the Bonds maturing on December 1, 2040, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
6/1/2029	\$2,155,000
12/1/2029	2,155,000
6/1/2030	2,320,000
12/1/2030	2,320,000
6/1/2031	2,500,000
12/1/2031	2,495,000
6/1/2032	2,685,000
12/1/2032	2,690,000
6/1/2033	2,890,000
12/1/2033	2,895,000
6/1/2034	3,115,000
12/1/2034	3,115,000
6/1/2035	3,355,000
12/1/2035	3,350,000
6/1/2036	3,605,000
12/1/2036	3,610,000
6/1/2037	3,880,000
12/1/2037	3,885,000
6/1/2038	4,180,000
12/1/2038	4,180,000
6/1/2039	4,500,000
12/1/2039	4,500,000
6/1/2040	4,840,000
12/1/2040 <sup>†</sup>	16,175,000

<sup>†</sup> Final 2040 Term Bond maturity.

In the event of a partial redemption pursuant to “– Mandatory Redemption of Bonds Upon a Determination of Taxability,” “– Mandatory Redemption from Excess Cash due to Offtake Expiration Event,” “– Optional Redemption Upon Occurrence of Extraordinary Events,” “– Optional Redemption” and “– Optional Redemption from Excess Proceeds in the Project Fund” discussed below, the Borrower will provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed on a pro-rata basis (i.e. each sinking fund redemption shall be reduced by a like percentage as closely as possible, in Authorized Denominations, after giving effect to any partial redemption).

***Mandatory Redemption Upon Invalidation.*** In the event of a prepayment pursuant to the Loan Agreement as a result of invalidity, Bonds Outstanding on the date of the occurrence of the invalidity will be redeemed in whole at any time within 30 days thereafter, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

***Mandatory Redemption of Bonds Upon a Determination of Taxability.*** In the event of a prepayment pursuant to the Loan Agreement as a result of a Determination of Taxability, Bonds Outstanding on the date of the occurrence of the Determination of Taxability will be redeemed in whole or in part (as required by the Loan Agreement) at any time within 30 days thereafter, at a redemption price of 105% of the principal amount thereof, without premium, plus accrued interest to the date of redemption. No other redemptions of Bonds will be made pursuant to certain other provisions of the Indenture until after all redemptions required in respect of such Determination of Taxability have been effected.

***Mandatory Redemption from Excess Cash due to Offtake Expiration Event.*** If the Trustee receives any funds from the Borrower from monthly deposits of Excess Cash during the continuance of an Offtake Expiration Event (as defined below), then if, as of the date on which notice of redemption is required to be delivered pursuant to the Indenture in respect of the next succeeding Interest Payment Date, (i) the Trustee has not received notice from the Borrower that an Offtake Expiration Event is no longer continuing, then such funds will be applied to redeem the Bonds then Outstanding, in whole or in part, on such Interest Payment Date, at a redemption price of one hundred percent (100%) of the principal amount thereof, without premium, plus accrued interest to the date of redemption, and the amount so redeemed will be credited to the payment of Loan Repayments under the Agreement, or (ii) the Trustee has received notice from the Borrower that an Offtake Expiration Event is no longer continuing, then such funds will be transferred to the Revenue Fund.

“Offtake Expiration Event” means the occurrence of the following: (i) the Borrower fails to either (A) exercise, at least two (2) years prior to the stated expiration date of the Southwest Gas Offtake Agreement, its rights to extend such agreement for a term of at least five (5) years or (B) enter into an agreement to replace the Southwest Gas Offtake Agreement on terms with similar or more advantageous prices for the sale of renewable natural gas than in the Southwest Gas Offtake Agreement and otherwise on commercially reasonable terms and for a term of at least five (5) years, and (ii) the Independent Consultant is unable to deliver a report to the Trustee that the Borrower is nonetheless expected to achieve the Days Cash on Hand Requirement and each component of the Coverage Requirement set forth in the Loan Agreement (without including any capital contributions to the Borrower from its members for purposes of calculating EBITDA) after the expiration of the Southwest Gas Offtake Agreement without replacement. See “APPENDIX C – SELECTED DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS – Offtake Expiration Event.” Once commenced, an Offtake Expiration Event will be deemed to continue until such time, if any, as Borrower has so extended the Southwest Gas Offtake Agreement or entered into one or more Offtake Agreements, each having a term of at least five (5) years, on the basis of which the Independent Consultant is able to deliver a report to the Trustee that, taking such Offtake Agreements into account, the Borrower is expected to achieve the Days Cash on Hand Requirement set forth in the Agreement and each component of the Coverage Requirement set forth in the Agreement (without including any capital contributions to the Borrower from its members for purposes of calculating EBITDA).

***Optional Redemption Upon Occurrence of Extraordinary Events.*** The Bonds may be redeemed in whole or in part on any date at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, upon receipt by the Trustee of a written notice from the Borrower stating that any of the following events has occurred:

(i) all of the Project or a portion thereof is damaged or destroyed, condemned or taken by eminent domain to such extent that, in the opinion of an Independent Consultant evidenced by a certificate provided to the Authority and the Trustee, which opinion may be conclusively relied upon by the Trustee and the Authority, that (1) it is not practicable or desirable to rebuild, repair or replace the Project or such portion thereof or the facility at which the Project is located within a period of six (6) consecutive months following such damage, destruction or condemnation, and the Borrower is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof or the facility at which the Project is located for a period of at least six (6) consecutive months, or (2) the cost of repair or replacement of the Project or such portion thereof or the facility at which the Project is located would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) the continued operation of all or a portion of the Project is enjoined or prevented or is otherwise prohibited by, or conflicts with, any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or other governmental body.

Anything under this subheading to the contrary notwithstanding, (A) the Bonds will not be redeemed in part upon the occurrence of an extraordinary event pursuant to the Indenture unless the Borrower has delivered a certificate to the Authority and the Trustee providing that (i) the property forming part of the portion of the Project that was so damaged or destroyed by casualty or was taken or condemned is not essential to the Borrower’s use or possession of such portion of the Project, or (ii) the property forming part of the portion of the Project that was so damaged or

destroyed by casualty or was taken or condemned has been repaired, replaced, restored, relocated, modified or improved to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or such taking or condemnation, and (B) if any of the events described above have occurred with respect to a portion of, but not all of, the Project, the amount of Bonds that may be redeemed will not exceed an amount derived by multiplying the total principal amount of the Bonds by a fraction (x) the numerator of which is the original cost of the Project or portion thereof so affected and (y) the denominator of which is the total original cost of the Project.

**Optional Redemption.** On any date on and after December 1, 2024, the Bonds may be redeemed by the Authority, at the direction of the Borrower, in whole or in part, at a redemption price expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, as follows:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 1, 2024 through November 30, 2025	105.00%
December 1, 2025 through November 30, 2026	103.75%
December 1, 2026 through November 30, 2027	102.50%
December 1, 2027 through November 30, 2028	101.25%
December 1, 2028 and any date thereafter	100.00%

**Optional Redemption from Excess Proceeds in the Project Fund.** On any date on and after December 1, 2021, the Bonds may be redeemed from excess Bond proceeds on deposit in the Project Fund, in whole or in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), plus accrued interest thereon to the date of redemption.

**Selection of Bonds for Redemption.** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption by lot in any manner which the Trustee in its sole discretion will deem appropriate.

**Notice of Redemption.** Notice of redemption will be mailed by first class mail not less than 30 days nor more than 60 days before such redemption date to the respective Holders of any Bonds designated for redemption at their addresses on the registration books maintained by the Bond Registrar. Each notice of redemption will state the redemption date, the place or places of redemption, if less than all of the Bonds are to be redeemed, the distinctive number(s) of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered, and, with regard to optional redemption pursuant to the provision described above under “– Optional Redemption,” in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date. Neither failure to receive such notice nor any defect therein will affect the sufficiency of such redemption. With respect to any notice of optional redemption of Bonds, such notice may be conditional upon the fulfillment of any conditions set out within such notice. In the event that such notice of redemption contains conditions which are not met, the redemption will not be made and the Trustee will give notice, no less than two Business Days before the redemption was to be made, in the manner in which the notice of redemption was given, that the redemption will not be made.

**Partial Redemption of Bonds.** Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Borrower, a new Bond or Bonds of Authorized Denominations and of like maturity equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.



**Effect of Redemption.** Notice of redemption having been duly given as described above, and moneys for payment of the redemption price (including premium, if any) of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, except for payment of particular Bonds for which moneys are being held by the Trustee which moneys will be pledged to such payment, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said redemption price (including premium, if any) and interest accrued to the date fixed for redemption.

### **Green Bonds Determination**

The Authority has designated the Bonds as “Green Bonds” based on the opinion letter prepared by Harris Group Inc., indicating that the Project is consistent with the Green Bond Principles developed by the International Capital Market Association (the “**Green Bond Principles**”) and with California’s environmental objectives (the “**Green Bond Opinion Letter**”). The Borrower has agreed in the Loan Agreement that, on an annual basis, it will deliver a written report to the Authority, with a copy to the Trustee and the Bondholders, that provides an overview of the Project, including (i) identification of Bond proceeds allocated to portions of the Project that constitute an eligible green project under the Green Bond Principles (until such time as the Borrower has filed the final project account disbursement certificate required by the Loan Agreement), (ii) identification of the amount and use of Bond proceeds not so allocated (until such time as the Borrower has filed such final project account disbursement certificate), and (iii) environmental impact reporting using quantitative and qualitative performance indicators, which indicators shall include, at a minimum, (A) renewable electricity produced by the Project, (B) renewable natural gas produced by the Project and (C) tons of organics diverted from landfills due to operation of the Project. A copy of the Green Bond Opinion Letter is attached hereto as APPENDIX H.

The purpose of designating the Bonds as Green Bonds is to allow investors to invest directly in bonds that finance such environmentally beneficial projects. The Bonds are secured by a pledge of Revenues under the Indenture, and the holders of the Bonds do not assume any specific project risk or economic benefit related to the Project as a result of such designation.

### **SECURITY FOR THE BONDS**

*The following section includes brief summaries of certain provisions of the Loan Agreement, the Pledge and Security Agreement, the Membership Interest Pledge Agreement, the Collateral Assignment, Collateral Assignment of Feedstock Agreements, the Guaranty Agreement, Collateral Assignment of Offtake Agreements, the Lease Agreement, the Leasehold Deed of Trust and the Lessor Estoppel. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the respective documents, copies of which are on file with the Trustee.*

### **General**

Payment of principal of, premium, if any, and interest on the Bonds will be paid from certain Loan Repayments (as defined herein) received by the Authority and the Trustee from the Borrower pursuant to the Loan Agreement. The Bonds are also payable from income derived from the investment of moneys held under the Indenture under the circumstances set forth in the Indenture.

### **The Loan Agreement**

Pursuant to the Loan Agreement, on the 25th day of each month, until the principal of, premium, if any, and interest on, the Bonds have been fully paid or provision for such payment has been made as provided in the Indenture, the Borrower covenants and agrees to pay to the Trustee as a repayment on the loan made to the Borrower from Bond proceeds pursuant to the Loan Agreement, a sum equal to one-sixth (1/6) of the total amount of interest and principal

becoming due and payable on the Bonds on the next Bond Payment Date (as defined herein), as provided in the Indenture (the “**Loan Repayments**”).

Each Loan Repayment will at all times be sufficient to pay one-sixth (1/6) of the total amount of interest and principal (whether at maturity or upon scheduled mandatory redemption) becoming due and payable on the Bonds on the next Bond Payment Date; provided that if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrower will be relieved of any obligation to make any further payments under the provisions of the Loan Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption (including without limitation sinking fund redemption) or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Borrower will forthwith pay such deficiency as a Loan Repayment under the Loan Agreement.

The obligations of the Borrower to make the payments required by the Loan Agreement and to perform and observe the other agreements on its part contained therein will be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Loan Agreement, the Borrower will pay all payments required to be made on account of the loan (which payments will be net of any other obligations of the Borrower) as prescribed in the Loan Agreement and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, sinking fund installments, if any, and interest on the Bonds has been fully paid, or provision for the payment thereof have been made as required by the Indenture, the Borrower (i) will not suspend or discontinue any payments provided for in the Loan Agreement; (ii) will perform and observe all of its other covenants contained in the Loan Agreement; and (iii) except as provided in the Loan Agreement, will not terminate the Loan Agreement for any cause.

A more complete description of the Loan Agreement is set forth in APPENDIX C attached to this Limited Offering Memorandum.

### **Pledge of Gross Revenue Fund and Security Documents**

**Gross Revenue Fund.** The Borrower agrees under the Loan Agreement that, as long as any Loan Repayments remain unpaid, all of the Gross Revenues will be deposited as soon as practicable upon receipt in a bank account or fund designated as the “Gross Revenue Fund” which the Borrower will establish and maintain subject to the provisions described further below, in an account or accounts at such banking institution or institutions as the Borrower will from time to time designate in writing to the Trustee for such purpose (herein called the “Depository Bank(s)”). The Borrower pledges and assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest, whether now owned or thereafter acquired, of the Borrower in, to, and under the Gross Revenue Fund, all of the Gross Revenues, all investment property, instruments, money and other property on deposit in or credited to the Gross Revenue Fund, and all proceeds of the foregoing, to secure the payment of the Loan Repayments and the performance by the Borrower of its other obligations under the Loan Agreement and the payment and performance of all obligations of the Borrower under any agreement securing Parity Debt.

Pursuant to the Loan Agreement, the Gross Revenue Fund will at all times be subject to an Account Control Agreement. “Account Control Agreement” means (i) that certain Blocked Account Control Agreement (“Shifting Control”) dated as of January 30, 2019, among the Borrower, the Trustee and Silvergate Bank, as depository bank, and (ii) any other similar agreement between a depository institution, the Borrower and the Trustee whereby the Trustee is granted the right of control over funds or bank accounts of the Borrower.

Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by the Borrower at any time for any lawful purpose, except as provided in the Loan Agreement. In the event that (i) the Borrower is delinquent for more than one Business Day in the payment or required prepayment of any Loan Repayment or any similar payment with respect to Parity Debt, or (ii) any other Loan Default Event occurs and is continuing; then the Trustee may notify the Authority, the Borrower and the Depository Bank of such event, and may cause the Depository

Bank(s) to transfer control of any Gross Revenue Fund to the name and credit of the Trustee in accordance with the terms of the Account Control Agreement.

Notwithstanding the transfer of control over a Gross Revenues Fund to the Trustee, the Borrower will continue to deposit all Gross Revenues into the Gross Revenue Fund as provided in the Loan Agreement until the amounts on deposit in said fund are sufficient to pay in full (or have been used to pay in full) all Loan Repayments in default and payments required with respect to Parity Debt in default and until all other Loan Default Events or events of default with respect to Parity Debt known to the Trustee have been cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) will be transferred by the Trustee back to the name and credit of the Borrower within ten Business Days.

During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Trustee will use and withdraw from time to time amounts in said fund to make Loan Repayments and the other payments required of the Borrower under the Loan Agreement or with respect to any Parity Debt as such payments become due (whether by maturity, prepayment, acceleration or otherwise), and, if such amounts are not sufficient to pay in full all such payments due on any date, then to the payment of Loan Repayments and debt service on such Parity Debt, ratably, according to the amounts due respectively for Loan Repayments and such debt service, without any discrimination or preference, and to such other payments in the order which the Trustee, in its sole discretion, will determine to be in the best interests of the holders of the Bonds and such Parity Debt, without discrimination or preference.

During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Borrower will not be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Trustee, in its sole discretion, so directs for the payment of current or past due operating expenses of the Borrower.

***Pledge and Security Agreement.*** The Borrower will execute and deliver to the Trustee a Pledge and Security Agreement (the “**Pledge and Security Agreement**”) pursuant to which the Borrower will grant to the Trustee a security interest in the Collateral (as defined in the Pledge and Security Agreement).

***Membership Interest Pledge Agreement.*** Anaergia Services LLC, as the sole member of the Borrower, will execute a Membership Interest Pledge Agreement, pursuant to which Anaergia Services LLC will pledge, among other things, its limited liability company membership interests in the Borrower to the Trustee.

***Collateral Assignment.*** The Borrower will execute a Collateral Assignment of Contracts, Permits, Licenses and Plans (the “**Collateral Assignments**”), pursuant to which the Borrower will assign its interests in certain revenue-generating contracts of the Borrower to the Trustee, including the Feedstock Supply Agreement, dated as of November 28, 2017, by and between the Borrower and Waste Management Recycling and Disposal Services of California, Inc.

***Collateral Assignment of Feedstock Agreements.*** The Borrower will execute a Collateral Assignment of Feedstock Supply Agreement (the “**Collateral Assignments of Feedstock Agreement**”) pursuant to which the Borrower will assign its interests in the certain Feedstock Agreement with Republic Waste Services of Southern California, LLC to the Trustee.

***Collateral Assignment of Offtake Agreements.*** The Borrower will execute a Collateral Assignment of Offtake Agreements (the “**Collateral Assignments**”), pursuant to which the Borrower will assign its interests in (i) the Biomethane Purchase and Sale Agreement between SoCal Biomethane and the City of Anaheim, as assigned from SoCal Biomethane to the Borrower pursuant to that certain Assignment and Assumption Agreement by and among the City of Anaheim, SoCal Biomethane and the Borrower, (ii) the Southwest Gas Offtake Agreement and (iii) any and all other agreements under which the Borrower is obligated to sell, and a purchaser is obligated to purchase, renewable natural gas, renewable electricity or fertilizer produced at the Project in favor of the Trustee.

## **Leasehold Deed of Trust**

To secure the payment of Loan Repayments, the performance by the Borrower of its other obligations under the Loan Agreement and the payment and performance of all obligations of the Borrower under any Parity Debt, the Borrower is expected to enter into a Leasehold Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents (the “**Leasehold Deed of Trust**”). Pursuant to the Leasehold Deed of Trust, the Borrower is expected to grant to the Trustee, as beneficiary under the Leasehold Deed of Trust, for the benefit of the Holders of the Bonds, and for the benefit of the holders from time to time of Parity Debt, all of the Borrower’s right, title and interest whether now owned or hereafter acquired in and to the Borrower’s leasehold and easement interests in the Real Property (as defined in the Leasehold Deed of Trust), which includes but is not limited to the Project, the Lease Agreement, all other property or assets, any deposit accounts (including the Borrower’s interest in any funds held under the Indenture), all other receivables or contract rights.

## **Lease Agreement**

The Borrower has entered into the Lease Agreement with RUA as landlord, pursuant to which the Borrower has leased approximately seven acres of land. The initial term of the Lease Agreement is 22 years, which may be extended for up to two additional consecutive five-year periods, beginning immediately upon the end of the original term, and pursuant to the terms of the Lease Agreement.

## **The Guaranty Agreement**

Pursuant to the Guaranty Agreement, the Guarantor will unconditionally guarantee (collectively, the “Guaranteed Obligations”):

(a) to the Trustee, for the benefit of the Holders and Beneficial Owners of the Bonds, the full and prompt payment (when and as the same becomes due), subject to the Aggregate Cap and the Individual Demand Cap (each as defined and set forth below), of (i) the principal of and redemption premium, if any, on the Bonds (whether by maturity, by acceleration, call for redemption or otherwise); (ii) the interest on the Bonds; and (iii) all Loan Repayments pursuant to the Loan Agreement;

(b) to the Trustee, for the benefit of the Trustee and the Authority, the full and prompt payment (when and as the same becomes due) of certain other amounts due or to become due from the Borrower under the Loan Agreement (the amounts described in the foregoing clause (a) and this clause (b), the “Guaranteed Debt Service Obligations”); and

(c) to the Trustee, for the benefit of the Holders and Beneficial Owners of the Bonds, the full and prompt payment (when and as the same becomes due and payable) of the Project Costs (other than Debt Service) that, assuming the sufficiency, in the aggregate, of funds then held in the Tax-Exempt Subaccount or the Grant Subaccount and the satisfaction of all conditions to disbursement thereof, would be paid from either or both of the Tax-Exempt Subaccount or the Grant Subaccount of the Project Fund (the “Guaranteed Project Costs”);

PROVIDED THAT (x) the Guarantor’s cumulative liability for payment of the Guaranteed Obligations, whether in respect of one or more occurrences, will be limited to an aggregate amount not to exceed \$10,000,000 (the “Aggregate Cap”); and (y) the Guarantor’s liability with respect to any demand for payment of any Guaranteed Obligation (the “Individual Demand Cap”) will be limited to the lesser of (1) such amount as would not cause the Aggregate Cap to be exceeded, and (2) (A) in the case of demand in respect of a Guaranteed Debt Service Obligation, the amount by which, at the time such Guaranteed Obligation becomes due and payable, such Guaranteed Obligation exceeds: (i) if the Bonds have been accelerated, the aggregate amount of all funds then held by Trustee, or (ii) in any other case, the aggregate amount of the following: (w) funds then held in the Tax-Exempt Subaccount or Grant Subaccount of the Project Fund in excess of the amount then required to fund completion of the Project, (x) to the extent that such Guaranteed Obligation includes interest on the Bonds, funds then held in the Capitalized Interest Account, (y) to the extent that such Guaranteed Obligation includes payment of any amount in respect of redemption of the Bonds, funds

then held in the Redemption Account in respect of such redemption, and (z) funds then held in the Revenue Fund and not allocated to any of the Redemption Account, the Debt Service Reserve Fund or the Capital Replacement Fund; or (B) in the case of a demand in respect of any Guaranteed Project Cost, the amount by which, at the time such Guaranteed Obligation becomes due and payable by Guarantor in accordance with the provisions of the Guaranty Agreement, such Guaranteed Obligation exceeds the aggregate amount of all funds then held in the Tax-Exempt Subaccount or the Grant Subaccount of the Project Fund.

For the avoidance of doubt, except in the case of acceleration, funds held in the Taxable Subaccount of the Project Fund will not be considered in determining the amount of the Individual Demand Cap.

The Guaranty Agreement will be a continuing, absolute and unconditional guaranty and will remain in full force and effect until the earliest to occur of (i) the commencement of Commercial Operations (as defined below), (ii) Guarantor's payment of the Guaranteed Obligations in an amount equal to the Aggregate Cap, or (iii) the entire principal of, redemption premium, if any, and interest on or purchase price of the Bonds has been paid or provided for according to the terms of the Indenture and certain amounts due and owing the Trustee and the Authority are fully paid (such earliest occurring event, the "Termination Event"), at which time the Guaranty Agreement will automatically terminate and be of no further force and effect. The Guarantor will agree, however, that its obligations under the Guaranty Agreement will apply to and continue with respect to any amount paid to the Trustee with respect to the Guaranteed Obligations prior to the Termination Event that is subsequently recovered from the Trustee or the Holders or Beneficial Owners of the Bonds, for any reason whatsoever (including, without limitation, as a result of a bankruptcy, insolvency or fraudulent conveyance proceeding but excluding any amounts so recovered due to any willful misconduct, bad faith or gross negligence on the part of the Trustee) notwithstanding the fact that the Bonds may have been previously paid or performed in full, the Termination Event has occurred or the Guaranty Agreement has been returned.

The obligations of the Guarantor under the Guaranty Agreement will be absolute and unconditional and will not be impaired, modified, released or limited by any occurrence or condition whatsoever (other than as provided in the provisions of the Guaranty Agreement that will allow the Borrower or Guarantor to make a good faith assertion that the Construction Contractor (or an affiliate) bears responsibility for a Guaranteed Project Cost, as further described in APPENDIX C—THE GUARANTY AGREEMENT—Guaranty of Payment, and other than the occurrence of the Termination Event, but subject to the preceding paragraph), including, without limitation:

- (i) any compromise, settlement, release, waiver, renewal, extension, indulgence, change in, amendment to or modification of any of the obligations and liabilities contained in the Bonds, the Indenture or the Agreement;
- (ii) any impairment, modification, release or limitation of the liability of the Authority or the Borrower, or any security (other than those funds held by the Trustee that are relevant to the calculation of any Individual Demand Cap) for or guaranty of the Bonds, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the federal bankruptcy laws or other statutes or from the decision of any court relating thereto;
- (iii) the assertion or exercise by the Authority, its successors or assigns, or the Trustee of any rights or remedies under the Indenture, the Agreement or the Guaranty Agreement or their delay in asserting or exercising, or failure to assert or exercise, any such rights or remedies;
- (iv) the assignment or mortgaging or the purported assignment or mortgaging, or any foreclosure of such assignment or mortgage or deed of trust of all or any part of the interest of the Borrower in the Project; and
- (v) the pledge, purchase or sale of any membership interests in the Borrower.

During the term of the Guaranty Agreement, the Guarantor will maintain its limited liability company existence and its qualification to do business in the State of California, and will not (i) dissolve or otherwise dispose

of all or substantially all of its assets, (ii) consolidate with or merge into another entity or (iii) assign the Guaranty Agreement or any of the Guarantor's obligations thereunder, unless, in each case, (A) the Guarantor has obtained the written approval of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and (B) the assignee of the Guarantor's obligations, the acquirer of the Guarantor's assets, the entity with which the Guarantor will consolidate or the entity with which the Guarantor will merge, as applicable, assumes in writing all of the obligations of the Guarantor under the Guaranty Agreement.

**“Commercial Operations”** will be deemed to have been achieved when following activities and or certifications have been completed or achieved: (i) Certificate of Substantial Completion after Commissioning of the Project, as such terms are defined in the Construction Contract, will have been provided by Borrower to Construction Contractor, (ii) twelve (12) months of Project operations after completion of Commissioning (as defined in the Construction Contract); (iii) injection of renewable natural gas produced by the Project into the SoCalGas pipeline infrastructure in compliance with applicable standards, or if applicable, injection of renewable natural gas produced by the Project into a pipeline controlled by Southwest Gas Corporation in compliance with applicable standards, (iv) completion of operations-affecting Punchlist items (as defined in the Construction Contract) as deemed by Borrower and (v) notification from Borrower to the City of Rialto of commencement of Facility operations for purposes of the Facility Operation Agreement entered into as of July 26, 2016, by and among the City of Rialto, RUA and the Borrower.

A more complete description of the Guaranty Agreement is set forth in APPENDIX C attached to this Limited Offering Memorandum.

#### **Lessor Estoppel**

The RUA is expected to enter into a Lessor Estoppel Certificate and Agreement (the **“Lessor Estoppel”**) for the benefit of the Borrower, the Authority, and the Trustee. Pursuant to the Lessor Estoppel, if an event of default under the Lease Agreement has occurred, the RUA will not terminate the Lease Agreement nor retake possession of the Project site unless and until the Trustee and the Borrower have failed to cure the default in accordance with the terms of the Lessor Estoppel and the Lease Agreement. In the event of the foreclosure of the Leasehold Deed of Trust or if the Trustee succeeds to the interest of the Borrower under the Lease Agreement by assignment or transfer-in-lieu of foreclosure, then any purchaser at such a foreclosure, including the Trustee, will be the **“Lessee”** under the Lease Agreement. In addition, pursuant to the Lessor Estoppel, in the event that the Lease Agreement is terminated because of the Borrower's default or if the Borrower's leasehold interest is foreclosed, or if the Lease Agreement is disaffirmed or rejected pursuant to bankruptcy law or other laws affecting creditors' rights, the Trustee, by notice to the RUA, may request that RUA enter into a new lease of the Project site, having a term equal to the then-remaining term of the Lease Agreement and on the same terms and conditions as those of the Lease Agreement at the time of termination.

#### **No Credit Enhancement**

**The Bonds will not be secured by any Letter of Credit or other similar credit enhancement or liquidity facility.**

The Authority will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. The Authority will not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

## **Debt Service Reserve Fund**

The Debt Service Reserve Fund, established and held in trust by the Trustee pursuant to the Indenture, will, so long as no event of default under the Indenture has occurred and is continuing, be used solely to pay the principal of and interest on the Bonds in the event of a deficiency in the amounts required to be on deposit in the Revenue Fund. Upon the occurrence and during the continuation of an event of default under the Indenture, funds on deposit in the Debt Service Reserve Fund will be applied by the Trustee at the direction of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding. The total amount required to be maintained in the Debt Service Reserve Fund will equal the then applicable Reserve Requirement (taking into account any reserve funds then held in respect of Parity Debt). The Reserve Requirement is, as of the date of calculation, amount equal to the least of (i) Maximum Annual Debt Service, (ii) one hundred twenty five percent (125%) of the average annual debt service on the Bonds and any Parity Debt, and (iii) ten percent (10%) of the original principal amount of the Bonds and any Parity Debt. Initially, the Reserve Requirement equals \$11,084,937.50.

On any Interest Payment Date immediately following the incurrence of any deficiency in the amount required to be maintained in the Debt Service Reserve Fund as a result of a withdrawal from the Debt Service Reserve Fund or a valuation pursuant to the Indenture, the Trustee will notify the Borrower that it is required to make payments pursuant to the Loan Agreement with respect to the Bonds in an aggregate amount sufficient to eliminate the deficiency, and upon receipt of such payments the Trustee will cause such deficiency to be eliminated from the Debt Service Reserve Fund in three months as provided in the Indenture, regardless of whether such deficiency is the result of a draw on the Debt Service Reserve Fund by the Trustee or a valuation of investments held in the Debt Service Reserve Fund pursuant to the Indenture.

Moneys on deposit in the Debt Service Reserve Fund will be applied, as follows: (1) on the date of each permitted or required payment from the Revenue Fund with respect to the Bonds, after use of all available funds in the Revenue Fund, moneys in the Debt Service Reserve Fund will be applied to cure any deficiency in the Revenue Fund for the payment of the Bonds; (2) as soon as practicable following each annual valuation of amounts held in the Debt Service Reserve Fund, any amount in the Debt Service Reserve Fund in excess of the Reserve Requirement (taking into account any reserve funds then held in respect of Parity Debt) will be transferred to the Revenue Fund; and (3) in each month during the twelve month period preceding the final maturity date of a series of Bonds, moneys held in the Debt Service Reserve Fund in respect of such Bonds will be credited against payment of installment payments otherwise payable in respect of principal of and interest on such Bonds and will be transferred to the Revenue Fund for the payment of such principal and interest; provided, however, that no such transfer will be made to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Debt Service Reserve Fund is not at least equal to the Reserve Requirement (taking into account any reserve funds then held in respect of Parity Debt), less the amounts previously transferred to the Revenue Fund during such twelve month period pursuant to this subparagraph (3) or otherwise.

Investments in the Debt Service Reserve Fund will be valued by the Trustee on December 1 of each year and at the time of any withdrawal from the Debt Service Reserve Fund, at the lesser of the face amount or the market value thereof as reflected in the Trustee's trust accounting system.

The Trustee will give notice to the Authority not later than five days after any deficiency in the amount required to be maintained in the Debt Service Reserve Fund as a result of a draw on the Debt Service Reserve Fund.

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## FINANCIAL COVENANTS

The Borrower will make the following financial covenants for as long as any Bonds are outstanding: (i) a Debt Service Coverage Ratio covenant; (ii) a Days Cash on Hand covenant; (iii) a Capital Replacement covenant; (iv) an Additional Parity Indebtedness covenant; and (v) a Non-Parity Indebtedness covenant.

### Debt Service Coverage Ratio Covenant

Pursuant to the Loan Agreement, the Borrower will covenant to produce sufficient annual Gross Revenues in order to provide a Debt Service Coverage Ratio for such Fiscal Year equal to at least: (i) for the Fiscal Year ended December 31, 2021, 110% with respect to the Bonds and all Parity Debt, and commencing with the Fiscal Year ended December 31, 2022, and for each Fiscal Year thereafter, 125% with respect to the Bonds and all Parity Debt (the “**Parity Coverage Requirement**”); and (ii) for the Fiscal Year ended December 31, 2021, 105% with respect to all Indebtedness of the Borrower, and, commencing with the Fiscal Year ended December 31, 2022, and for each Fiscal Year thereafter, 115% with respect to all Indebtedness of the Borrower (the “**Overall Coverage Requirement**” and, together with the Parity Coverage Requirement, the “**Coverage Requirement**”) which ratio will be calculated as of the end of such Fiscal Year, based upon the consolidated annual financial statements of the Borrower, prepared in accordance with GAAP, consistently applied, accompanied by an audit report of an independent certified public accountant (the “**Borrower’s Audited Financial Statements**”) for such Fiscal Year. For the purposes of determining compliance with the foregoing, the calculation of EBITDA may include capital contributions to the Borrower by its members, if any, so long as any such contributions are clearly identified in such Borrower’s Audited Financial Statements.

If for any Fiscal Year commencing with the Fiscal Year ending December 31, 2021, the Borrower fails to comply with the Coverage Requirement applicable to such concluded Fiscal Year, the Borrower will, within 30 calendar days of the receipt of the Borrower’s Audited Financial Statements for such concluded Fiscal Year, propose the retention of an Independent Consultant to provide to the Borrower, the Authority, the Trustee and the Holders a report that will contain recommendations to increase EBITDA for the current Fiscal Year to the level required to meet the Coverage Requirement for the current Fiscal Year or, if in the opinion of the Independent Consultant the attainment of such level is impracticable for the current Fiscal Year, the report will contain recommendations to increase EBITDA to the highest level attainable for such current Fiscal Year and an estimate of the number of Fiscal Years required to return the Borrower to compliance with the Coverage Requirement. The Borrower will provide notice of the proposed retention of an Independent Consultant to the Authority and the Trustee (and the Trustee will notify the Bondholders) at least 45 calendar days prior to formal engagement, which notice will specify the identity of the Independent Consultant proposed to be retained by the Borrower. If within 45 calendar days of the provision of such notice the Holders of a majority in aggregate principal amount of the Bonds then Outstanding notify the Trustee in writing that they object to the retention of such Independent Consultant, then such Independent Consultant will not be retained by the Borrower and the Borrower will provide notice of the proposed retention of a different Independent Consultant in the same manner. The process will continue until the Borrower has proposed retention of an Independent Consultant that is not objected to by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding.

Notwithstanding the foregoing, if either (A) the Borrower complies with each of the recommendations set forth in the report of the Independent Consultant but is nonetheless unable to increase EBITDA to the levels anticipated in the report, or (B) the Debt Service Coverage Ratio for the next Fiscal Year falls below 1.15 with respect to the Bonds and all Parity Debt, then the Holders of a majority in aggregate principal amount of the Bonds then Outstanding will have the right to (1) appoint their own Independent Consultant to replace the Independent Consultant chosen by the Borrower, (2) remove any entity engaged by the Borrower to provide services relating to management of the Project (the “**Project Manager**”) if the Independent Consultant’s report identifies such Project Manager as a material cause of the Borrower’s failure to comply with the Coverage Requirement, or (3) notwithstanding the provisions of Section 5.18(c), direct the Borrower to suspend payment of any fees to any Project Manager that are in excess of the fair market value of the services provided by such Project Manager (if and to the extent such fair market value is identified in the Independent Consultant’s report) until such time as the Borrower demonstrates compliance with the Coverage Requirement. In the event that either (i) a Project Manager is removed pursuant to subclause (2) above or (ii) the agreement between such Project Manager and the Borrower is terminated following the application of



subclause (3) above, the replacement Project Manager will be subject to the prior consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding.

**“Independent Consultant”** means any professional consulting, accounting, engineering, financial advisory firm or commercial banking firm or individual selected by the Borrower having the skill and experience necessary to render the particular report required and having a favorable reputation for such skill and experience, and which firm or individual is licensed by, or permitted to practice in, the State of California, and which firm or individual does not control the Borrower and is not controlled by or under common control with the Borrower.

**“EBITDA”** means, with respect to any period, Net Income for such period plus all amounts deducted in arriving at such Net Income amount in respect of (i) federal, state and local income taxes, (ii) interest expense, (iii) amortization expense and (iv) depreciation expense; provided, however, that the following items will be excluded from the computation of **“EBITDA”**: (A) extraordinary items of income or loss, (B) gains or losses from the extinguishment of Indebtedness, (C) unrealized gains and losses on investments or Financial Product Agreements, (D) any gain or loss from the disposition of assets not in the ordinary course of business, (E) any loss from impairment of the value of assets, (F) financing costs that are treated as a current expense, rather than amortized and (G) any other item that is nonrecurring and also a non-cash item. **“Net Income”** means, with respect to any period, the sum of the excess of revenues over expenses of the Borrower for such period as determined by GAAP in the United States

The Borrower agrees to transmit a copy of the report of the Independent Consultant to the Authority the Trustee and the Bondholders within five (5) days of the Borrower’s receipt thereof. The Borrower will, promptly upon its receipt of such report of the Independent Consultant, take such action as will be in substantial conformity with the recommendations contained therein.

If the Borrower retains and substantially complies with the recommendations of the Independent Consultant, the Borrower will be deemed to have complied with the Debt Service Coverage Ratio covenant set forth in the Loan Agreement for the concluded Fiscal Year, notwithstanding that the Coverage Requirement was not met for such concluded Fiscal Year. Notwithstanding the foregoing, the Borrower will not be excused from taking any action or performing any duty required under the Loan Agreement or the Indenture and no other Event of Default will be waived by the operation of the provisions of the Loan Agreement.

A Loan Default Event will exist if the Debt Service Coverage Ratio for any Fiscal Year, commencing with the Fiscal Year ending December 31, 2021, is less than (i) 105% with respect to the Bonds and all Parity Debt or (ii) 100% with respect to all Indebtedness of the Borrower.

### **Days Cash on Hand Covenant**

Pursuant to the Loan Agreement, the Borrower will covenant that it will manage its business such that Days Cash on Hand, commencing with the Fiscal Year ending December 31, 2021, will not be less than 30 Days Cash on Hand for such Fiscal Year, and commencing with the Fiscal Year ending December 31, 2022 (and for each Fiscal Year thereafter), will not be less than 60 Days Cash on Hand for such Fiscal Year (the **“Days Cash on Hand Requirement”**). The determination of each component of the Days Cash on Hand calculation, including operating expenses, will be made by the Borrower’s independent certified public accountant utilizing the last audited annual financial statements of the Borrower and a detailed summary of such calculation will be included as supplementary information in the Borrower’s Audited Financial Statements.

If, as of the end of any Fiscal Year, commencing with the Fiscal Year ending December 31, 2021, Days Cash on Hand is less than the Days Cash on Hand Requirement applicable to such concluded Fiscal Year, the Borrower within 30 calendar days of the receipt of the Borrower’s Audited Financial Statements for such concluded Fiscal Year, propose the retention of an Independent Consultant (the **“Independent Consultant”**) to provide to the Borrower, the Authority, the Trustee and the Holders a report that will contain recommendations to increase Days Cash on Hand for the current Fiscal Year to the level required to meet the Days Cash on Hand Requirement for such current Fiscal Year or, if in the opinion of the Independent Consultant the attainment of such level is impracticable for such current Fiscal Year, the report will contain recommendations to increase Days Cash on Hand to the highest level attainable for such

current Fiscal Year and an estimate of the number of Fiscal Years required to return Days Cash on Hand to a level that meets the Days Cash on Hand Requirement. The Borrower will provide notice of the proposed retention of an Independent Consultant to the Authority and the Trustee (and the Trustee will notify the Bondholders) at least 45 calendar days prior to formal engagement, which notice will specify the identity of the Independent Consultant proposed to be retained by the Borrower. If within 45 calendar days of the provision of such notice the Holders of a majority in aggregate principal amount of the Bonds then Outstanding notify the Trustee in writing that they object to the retention of such Independent Consultant, then such Independent Consultant will not be retained by the Borrower and the Borrower will provide notice of the proposed retention of a different Independent Consultant in the same manner. The process will continue until the Borrower has proposed retention of an Independent Consultant that is not objected to by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding.

Notwithstanding the foregoing, if either (A) the Borrower complies with each of the recommendations set forth in the report of the Independent Consultant but is nonetheless unable to increase Days Cash on Hand to the levels anticipated in the report, or (B) the Days Cash on Hand for the next Fiscal Year falls below 30, then the Holders of a majority in aggregate principal amount of the Bonds then Outstanding will have the right to (i) appoint their own Independent Consultant to replace the Independent Consultant chosen by the Borrower, (ii) remove any Project Manager if the Independent Consultant's report identifies such Project Manager as a material cause of the Borrower's failure to comply with the Days Cash on Hand Requirement, or (iii) notwithstanding the provisions of the Distributions Covenant, direct the Borrower to suspend payment of any fees to any Project Manager that are in excess of the fair market value of the services provided by such Project Manager (if and to the extent such fair market value is identified in the Independent Consultant's report) until such time as the Borrower demonstrates compliance with the Days Cash on Hand Requirement. In the event that a Project Manager is either (i) removed pursuant to subclause (2) above or (ii) the agreement between such Project Manager and the Borrower is terminated following the application of subclause (3) above, the replacement Project Manager will be subject to the prior consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding.

The Borrower agrees to transmit a copy of the report of the Independent Consultant to the Authority, the Trustee and the Bondholders within five (5) days of the receipt of thereof. The Borrower will, promptly upon its receipt of such report of the Independent Consultant, take such action as will be in substantial conformity with the recommendations contained therein.

If the Borrower retains and substantially complies with the recommendations of the Independent Consultant, the Borrower will be deemed to have complied with the Days Cash on Hand covenant set forth in the Loan Agreement for such concluded Fiscal Year, notwithstanding that Days Cash on Hand was less than the Days Cash on Hand Requirement for such concluded Fiscal Year. Notwithstanding the foregoing, the Borrower will not be excused from taking any action or performing any duty required under the Loan Agreement and no other Event of Default will be waived by the operation of the provisions of the Loan Agreement.

A Loan Default Event will exist and be continuing if the Borrower's Days Cash on Hand is less than 30 Days Cash on Hand.

### **Capital Replacement Fund Covenant**

Pursuant to the Loan Agreement, the Borrower will covenant that it will furnish or cause to be furnished an annual budget providing for the repair and maintenance of its facilities sufficient to ensure that the Borrower's liquidity covenant and Parity Coverage Requirement are met. By May 25th and November 25th of each year, commencing with November 25, 2021, the Borrower will pay to the Trustee, for deposit into the Capital Replacement Fund, an amount equal to the greater of (i) \$190,000 or (ii) such amount as the Independent Consultant may determine, in a physical needs assessment of the Project conducted within ninety (90) days of each of the fifth (5th) and tenth (10th) anniversaries of the Date of Delivery, to be necessary to fund adequately all budgeted capital repairs and replacements for the Project.

## **Distributions Covenant**

Pursuant to the Loan Agreement, the Borrower will not, prior to and during the Fiscal Year ending December 31, 2022, make distributions on any of its membership interests, with the exception of tax distributions to equity members of the Borrower to pay federal, state and local income taxes attributable to such equity members as a result of his, her or its direct or indirect ownership of the Borrower, which will be calculated by an independent certified public accountant, for such Fiscal Year, nor make any Additional Debt Payments. Thereafter, the Borrower will not make distributions on any of its membership interests, with the exception of tax distributions thereon, nor any Additional Debt Payments, unless all of the following are met:

- (a) with respect to the Fiscal Year prior to the date on which distributions and/or Additional Debt Payments are to be made, the Borrower has met or exceeded the Days Cash on Hand Requirement and (without including any capital contributions to Borrower from its members for purposes of calculating EBITDA) each component of the Coverage Requirement applicable to such prior Fiscal Year;
- (b) no event has occurred and no condition exists which would constitute a Loan Default Event under this Agreement or which, with the passing of time or with the giving of notice or both, would become such a Loan Default Event;
- (c) the Borrower has made the required deposits under the Capital Replacement Fund Covenant;
- (d) there will remain, following any such distributions and/or Additional Debt Payments, no less than 60 Days Cash on Hand (to be calculated using the applicable Borrower Expenses reflected in the Borrower's annual budget for the current Fiscal Year); and
- (e) Borrower Expenses have not exceeded and are not projected to exceed the total amount reflected in the Borrower's annual budget for the current Fiscal Year.

The Borrower will be permitted to pay and/or reimburse any of its members and affiliates for development, service and operation and maintenance fees payable to such member or affiliate and/or current operating expenses incurred or to be incurred by such member or affiliate on the Borrower's behalf, including, without limitation, management and services fees to cover administrative salaries and benefits for personnel working for the Borrower, and sales, marketing, legal and accounting expenses relating to the Project, provided that (i) such payments and reimbursements are reflected in the Borrower's annual budget for the current Fiscal Year and (ii) no such payment or reimbursement will exceed the amount specified therefor in such budget.

## **Additional Parity Indebtedness Covenant**

Pursuant to the Loan Agreement, the Borrower will covenant that it will not issue or incur additional Indebtedness on a parity with the obligations of the Borrower under the Loan Agreement unless the Borrower satisfies all of the following conditions:

- (a) the Borrower will file with the Authority and the Trustee:
  - (i) a certificate of an Authorized Representative of the Borrower demonstrating that, based on the Borrower's last audited Fiscal Year, the Borrower can meet or exceed (without including any capital contributions to Borrower from its members for purposes of calculating EBITDA) the Parity Coverage Requirement when taking into account the debt service on the proposed parity debt, or
  - (ii) a certificate of an Independent Consultant that the Borrower's Debt Service Coverage Ratio for each of the next five (5) Fiscal Years following the earlier of (A) the end of the period during which interest on the proposed parity debt is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the proposed parity debt is to be incurred, or (B) the

date on which substantially all projects financed with the proposed parity debt and all projects financed with existing Parity Debt are expected to commence operations, will be at least equal to 150% with respect to the Bonds, all existing Parity Debt and all proposed parity debt for such period; provided, that for the purpose of providing this Independent Consultant's report, the Independent Consultant may adjust the foregoing estimated Debt Service Coverage Ratio to reflect: (1) an allowance for EBITDA that is estimated to be derived from any increase in the rates, fees and charges for contracts in effect and being charged or from any increase in the rates, fees and charges that are expected to be charged; and (2) an allowance for revenues that are estimated to be derived from customers anticipated to be served by the additions, betterments or improvements to be financed by the proposed parity debt;

- (b) a Certificate by an officer of the Borrower that the project to be acquired and constructed with the proceeds of such proposed parity debt is technically feasible and the estimated cost of the acquisition and construction thereof is reasonable, and (after giving effect to the completion of all uncompleted projects) the rates, fees and charges estimated to be fixed and prescribed for the operation of the Project for each Fiscal Year from the Fiscal Year in which such proposed parity debt is to be incurred to and including the first complete Fiscal Year after the latest commencement date of operation of any uncompleted project are economically feasible and reasonably considered necessary based on projected operations for such period, and stating that, to the best of such officer's knowledge, the assumptions contained in the forecast/projection of the Independent Consultant are reasonable;
- (c) At the time of such incurrence of the proposed parity debt, no Event of Default or Loan Default Event will have occurred and be continuing; and
- (d) Upon the issuance of such proposed parity debt, a reserve account will be established for such proposed parity debt and funded in an amount that, together with the amount then held in the Debt Service Reserve Fund and the amounts then held in any reserve funds for existing Parity Debt, is sufficient to satisfy the Reserve Requirement.

### **Other Indebtedness Covenant**

Pursuant to the Loan Agreement, (i) the Borrower may incur additional Short-Term Indebtedness, Subordinate Debt and Contingent Debt Liabilities for working capital purposes as in its judgment is deemed expedient, provided that in no event will the Borrower incur such additional Indebtedness to the extent that such incurrence would cause the Borrower to fail to comply with the Overall Coverage Requirement, when taking into consideration EBITDA (without including any capital contributions to Borrower from its members for purposes of calculating EBITDA) and debt service on existing Indebtedness for the Fiscal Year prior to the date such additional Indebtedness will be incurred, and (ii) the Borrower may incur Nonrecourse Indebtedness and additional Subordinate Debt not otherwise permitted by subclause (i) of this paragraph, provided that payments of debt service in respect of such Nonrecourse Indebtedness or additional Subordinate Debt (collectively, "**Additional Debt Payments**") will be made solely as permitted by the Loan Agreement.

The Borrower covenants that, except as specifically permitted by the Loan Agreement, it will neither incur additional Indebtedness, nor create, assume, incur or suffer to be created, assumed or incurred any liens on the Facility or any of its revenues (other than Permitted Liens). "**Facility**" means any location at which any portion of the Project exists.

## **PROJECTED REVENUES AND EXPENSES**

Set forth in APPENDIX A is a section entitled “FINANCIAL SUMMARY – Projected Financial Statements” that contains projected revenues of the Borrower and income statements, balance sheets and cash flows of the Project after acceptance of the Project. There can be no assurance that the actual operational and economic results for the Project will conform to the projections therefor. Any material adverse failure to achieve these results could adversely affect the ability of the Borrower to make Loan Repayments under the Loan Agreement. See “RISK FACTORS – Reliance on Projections and Underlying Assumptions.” The table on the following page sets forth the debt service for the Bonds. Debt service coverage assuming annual EBITDA is more fully described in APPENDIX A.

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**BOND DEBT SERVICE**

<b>Date</b>	<b>Principal</b>	<b>Interest<sup>(1)</sup></b>	<b>Semi-Annual Total</b>	<b>Annual Total</b>
6/1/19	\$ 0	\$2,889,366.56	\$2,889,366.56	
12/1/19	0	4,298,231.25	4,298,231.25	\$7,187,597.81
6/1/20	0	4,298,231.25	4,298,231.25	
12/1/20	0	4,298,231.25	4,298,231.25	8,596,462.50
6/1/21	1,260,000	4,298,231.25	5,558,231.25	
12/1/21	1,265,000	4,255,706.25	5,520,706.25	11,078,937.50
6/1/22	1,350,000	4,213,012.50	5,563,012.50	
12/1/22	1,350,000	4,167,450.00	5,517,450.00	11,080,462.50
6/1/23	1,440,000	4,121,887.50	5,561,887.50	
12/1/23	1,445,000	4,073,287.50	5,518,287.50	11,080,175.00
6/1/24	1,540,000	4,024,518.75	5,564,518.75	
12/1/24	1,545,000	3,972,543.75	5,517,543.75	11,082,062.50
6/1/25	1,645,000	3,920,400.00	5,565,400.00	
12/1/25	1,650,000	3,864,881.25	5,514,881.25	11,080,281.25
6/1/26	1,760,000	3,809,193.75	5,569,193.75	
12/1/26	1,765,000	3,749,793.75	5,514,793.75	11,083,987.50
6/1/27	1,880,000	3,690,225.00	5,570,225.00	
12/1/27	1,885,000	3,626,775.00	5,511,775.00	11,082,000.00
6/1/28	2,010,000	3,563,156.25	5,573,156.25	
12/1/28	2,015,000	3,495,318.75	5,510,318.75	11,083,475.00
6/1/29	2,155,000	3,427,312.50	5,582,312.50	
12/1/29	2,155,000	3,346,500.00	5,501,500.00	11,083,812.50
6/1/30	2,320,000	3,265,687.50	5,585,687.50	
12/1/30	2,320,000	3,178,687.50	5,498,687.50	11,084,375.00
6/1/31	2,500,000	3,091,687.50	5,591,687.50	
12/1/31	2,495,000	2,997,937.50	5,492,937.50	11,084,625.00
6/1/32	2,685,000	2,904,375.00	5,589,375.00	
12/1/32	2,690,000	2,803,687.50	5,493,687.50	11,083,062.50
6/1/33	2,890,000	2,702,812.50	5,592,812.50	
12/1/33	2,895,000	2,594,437.50	5,489,437.50	11,082,250.00
6/1/34	3,115,000	2,485,875.00	5,600,875.00	
12/1/34	3,115,000	2,369,062.50	5,484,062.50	11,084,937.50
6/1/35	3,355,000	2,252,250.00	5,607,250.00	
12/1/35	3,350,000	2,126,437.50	5,476,437.50	11,083,687.50
6/1/36	3,605,000	2,000,812.50	5,605,812.50	
12/1/36	3,610,000	1,865,625.00	5,475,625.00	11,081,437.50
6/1/37	3,880,000	1,730,250.00	5,610,250.00	
12/1/37	3,885,000	1,584,750.00	5,469,750.00	11,080,000.00
6/1/38	4,180,000	1,439,062.50	5,619,062.50	
12/1/38	4,180,000	1,282,312.50	5,462,312.50	11,081,375.00
6/1/39	4,500,000	1,125,562.50	5,625,562.50	
12/1/39	4,500,000	956,812.50	5,456,812.50	11,082,375.00
6/1/40	4,840,000	788,062.50	5,628,062.50	
12/1/40	16,175,000	606,562.50	16,781,562.50	22,409,625.00
<b>Total</b>	<b>\$117,200,000</b>	<b>\$131,557,004.06</b>	<b>\$248,757,004.06</b>	<b>\$248,757,004.06</b>

<sup>(1)</sup> Bond interest is capitalized for 24 months.

## INDEPENDENT ENGINEER'S REPORT

The Borrower retained Harris Group Inc. (the “**Independent Engineer**”) in 2018 to evaluate the Project’s feasibility in an independent engineer’s study (the “**Independent Engineer’s Report**”), which is attached in full as APPENDIX B hereto. Professional engineers with the Independent Engineer reviewed and evaluated technical, project organization, management and environmental aspects of the Project, visited the Project site, and utilized their knowledge and experience in biofuel production and refining industries, as well as proprietary and public information, to develop the Independent Engineer’s Report. The Independent Engineer’s Report provides a general outline of the Project and a description of the Project’s implementation plan. Among the various conclusions made in the Independent Engineer’s Report, the Independent Engineer determined that (1) there is adequate feedstock supply in the local area to support the Project; (2) based upon the anticipated conversion yields, the Project will be able to produce the proposed rates of solids, electricity, and renewable natural gas; (3) the design-build model incorporating Anaergia’s process design is appropriate for the Project; (4) the Project’s construction costs are within a reasonable range for a production facility of its size and scope; (5) the operations and maintenance estimates are reasonable and achievable to support the projected performance of the Project; (6) the construction timeline is reasonable and allows for adequate start-up of the Project; and (7) the financial model for the Project is consistent with those of comparable scope and size. ***The Independent Engineer’s Report was prepared in connection with the issuance of the Bonds and has not been updated in connection with the issuance of the Bonds.*** For more information regarding the feasibility study, see “APPENDIX B – INDEPENDENT ENGINEER’S REPORT.” See also “RISK FACTORS – Reliance on Projections and Underlying Assumptions” herein.”

## RISK FACTORS

*The following is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed decision, potential investors should be thoroughly familiar with this entire Limited Offering Memorandum (including the appendices hereto).*

### Limited Recourse

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND OTHER INCOME PLEDGED UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

### No Personal Liability for Borrower Members

The obligations and liabilities of the Borrower under the Loan Agreement are of a nonrecourse nature and are limited to the Project and money derived from the operation of the Project. No members of the Borrower or any of their partners, members or affiliates have any personal liability for payments on the Loan Agreement with respect to the Bonds. The Borrower has no prior operating history, and therefore no representation can be made that the Borrower has substantial funds other than proceeds of the Bonds available for construction and operation of the Project. Accordingly, the Borrower does not have any historical operating history. The Borrower’s only current and anticipated asset is the Project.

### Tax-Exempt Status of the Bonds

The tax-exempt status of the interest on the Bonds is based on continued compliance by the Borrower with certain covenants relating generally to restrictions on use of the Facility, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with proceeds of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

## **Proposed Changes to Tax Treatment of Bonds**

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future.

It is unclear whether any legislation will be proposed or enacted affecting the tax treatment of interest on the Bonds. If any such legislation is retroactive and applies to tax-exempt bonds, including the Bonds, the adoption of any such legislation could adversely affect the marketability of and the market value for the Bonds. See “TAX MATTERS” herein for further information regarding the tax status of the Bonds.

## **Lack of Marketability for the Bonds**

There can be no assurance that there will be a secondary market for the Bonds, and the absence of such a market for the Bonds could result in investors not being able to resell the Bonds should they need to or wish to do so.

## **Prepayment Risks**

All of the Bonds are subject to redemption, in advance of their stated maturities under certain circumstances. Upon the occurrence of certain events of default, the payment of the principal of and interest on the Bonds may be accelerated. Thus, there can be no assurance that the Bonds will remain outstanding until their stated maturities.

## **Risk of Audit by Internal Revenue Service**

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurance can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Internal Revenue Service is likely to treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. Neither the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bondholders. None of the Authority, the Borrower, their counsel or Bond Counsel is responsible to pay or reimburse the cost of any Bondholder of the Bonds with respect to any audit or litigation relating to the Bonds.

## **Sufficiency of Operating Cash Flow and Working Capital**

While the Borrower will at all times operate the Facility keeping in mind the financial covenants that they have committed to, certain events could occur such that the Borrower cannot provide assurance that cash flow from operations will be sufficient to service the Bonds. Cash flows from operation are subject to many factors, some of which are partially or fully beyond their control, including the following:

- the continued operation and maintenance of their facilities, consistent with forecasted performance levels;
- maintenance or enhancement of revenue from renewals or replacement of existing contracts and from new contracts to expand existing operations or operate new or additional facilities;
- market conditions affecting waste disposal, energy pricing and/or steam pricing, as well as competition from other companies for contract renewals, expansions and additional contracts, particularly after our existing contracts expire;
- general economic, financial, competitive, legislative, regulatory and other factors.

If the Borrower is unable to generate sufficient cash flow to service the Bonds, the Borrower may need to refinance or restructure the Bonds, sell assets, reduce or delay capital investments, or seek to raise additional capital. If the Borrower is unable to implement one or more of these alternatives, they may not be able to meet their payment obligations under the Bonds, which could have a material and adverse effect on their financial condition.



## **Contractual Revenue Agreements**

The Borrower expects to derive substantially all of its revenues through the various contracts it has with its customers in connection with waste disposal and the sale of organic feedstock and biofluids. Although the terms of the various revenue generating contractual arrangements differ, they are expected to be renewed and remain in place on similar or better economic terms until the maturity of the Bonds. Additionally, the Borrower expects that those customers they serve that have short term contracts or no formal contract will continue to seek Borrower's services for the foreseeable future. While the Borrower expects revenues, including those generated under the sales contracts, to be sufficient to enable the Borrower to meet its obligations under the Loan Agreement, the Borrower's revenues could be detrimentally impacted in the event that customers representing a material amount of revenue terminate, fail to extend their sales contracts, or breach their sales contracts and the Borrower is unable to secure substitute contracts. Any unexpected loss of the Borrower's anticipated revenues under the sales contracts for any of the foregoing reasons, or for other reasons not described above, would adversely impact the Borrower's ability to pay amounts required under the Loan Agreement, which would have a detrimental impact on the ability to pay debt service on the Bonds.

## **Reliance on Projections and Underlying Assumptions**

The Project and the financing thereof have been structured on the basis of certain assumptions and projections made by the Borrower with respect to the Facility's revenue generating capacity and the costs associated therewith. Harris Group Inc. has prepared the Independent Engineer's Report, attached hereto as APPENDIX B, which evaluates the feasibility of the Project. The Independent Engineer's Report contains a discussion of the many assumptions used in preparing the projections, which prospective purchasers of the Bonds should review carefully.

All assumptions included in the Independent Engineer's Report have been prepared by Harris Group Inc. While the information, assumptions and conclusions made by the Borrower have been reviewed and accepted by the Harris Group Inc. on the basis of their present knowledge and assumptions which they believe to be reasonable, there is no guarantee that the actual operational and economic results will conform with the projections and any material adverse negative difference could impact the ability of the Borrower to make Loan Repayments pursuant to the Loan Agreement.

## **Construction and Equipping Risks**

The construction, equipping and installation of the Project is subject to the risks of cost overruns, non-completion and delays due to a variety of factors. The Borrower is a limited liability company with no prior operating history. No assurance can be given that the Borrower will have funds necessary to pay any increased costs outside the scope of the construction, equipping and installation of the Project. Increased costs or delays in the completion of the Project could adversely affect the amount and timing of the receipt of Project revenues and the value of the Project. See "APPENDIX A – CERTAIN INFORMATION REGARDING RIALTO BIOENERGY FACILITY, LLC – THE PROJECT – Key Contract Service Providers."

## **Operating Risk**

As with any industrial facility, operation of the Facility could be affected by many factors, including the breakdown or failure of equipment or processes, the performance of the Facility below expected levels of output or efficiency, severe weather, labor disputes and catastrophic events such as fires, explosions, earthquakes or similar events. The occurrence of such events could significantly reduce or eliminate revenues generated by the Facility and/or significantly increase the expenses of the Project. The Project is required to comply with numerous state and local regulatory standards concerning their operation and a failure to comply may result in increased compliance costs or reduce a Facility's entitlement to operate.

## **Availability and Quality of Feedstock**

The Borrower has entered into feedstock agreements with third parties to obtain what it believes to be an adequate supply of feedstock for the Project. There can be no assurances that available feedstock for the Project under these agreements will be of sufficient quality or quantity to produce the projected output. Furthermore, there can be no assurance that the counterparties to such feedstock agreements will elect to extend the agreements at the expiration of their respective initial term, or that the Borrower would be able to enter into a replacement agreement on similar terms. In the event the Borrower fails to obtain sufficient feedstock supplies under the existing feedstock agreements, for any reason, including the reasons stated above, or any failure by any counterparty to perform its obligations under the feedstock agreements, the Borrower may be unable to obtain sufficient replacement feedstock supplies at a reasonable cost or at all. There may also be a lapse in time between when a shortfall of contracted-for feedstock occurs and when alternative feedstock becomes available. While the Borrower believes there are significant potential sources of additional feedstock supplies within a reasonable distance of the Project, there can be no assurance the Borrower can access such supplies. If available acceptable feedstock cannot be processed for the Project in sufficient quantities, the Borrower may not be able to produce expected quantities of renewable natural gas.

## **Environmental and Regulatory Compliance**

The Facility is regulated pursuant to federal, state and local environmental laws. Federal laws, such as the Clean Air Act and Clean Water Act, and their state and local counterparts, govern discharges of pollutants to air and water. Other federal, state and local laws comprehensively govern the generation, transportation, storage, treatment and disposal of solid and hazardous waste and also regulate the storage and handling of chemicals and petroleum products (such laws and regulations are referred to collectively as the Environmental Regulatory Laws).

The Environmental Regulatory Laws require that various permits be obtained for the operation of the Facility and that certain conditions be satisfied and maintained throughout the term of such permits. The Borrower currently has all material permits that are required to own and operate its Facility. The Environmental Regulatory Laws that the Facility is subject to are administrative in nature and not discretionary. The Borrower's failure to meet conditions of these permits or of the Environmental Regulatory Laws can subject it to regulatory enforcement actions by the appropriate governmental authority, which could include fines, penalties, damages or sanctions, such as orders requiring certain remedial actions or limiting or prohibiting operation.

## **Competition**

The Borrower's operations may face competition from other operators of similar facilities in and around the location of the Project. The Project may face additional competition in the future if and when there is construction of any new facilities that are similar in the service area of the Project. No assurances can be given that utilization levels at the Project will not be adversely affected by any such existing or future competition.

## **No Credit Enhancement Facility**

There is no credit enhancement facility (letter of credit or bond insurance) securing the Bonds, nor is there any provision for a credit enhancement facility to be provided to secure any of the Bonds except for the Guaranty Agreement. See "SECURITY FOR THE BONDS – The Guaranty Agreement" above.

## **Lack of Insurance; Damage, Destruction or Condemnation**

While the Borrower will maintain insurance, including business interruption insurance to protect against certain of these operational risks and have obtained certain limited warranties for limited periods relating to the Project and its equipment, the proceeds of such insurance and warranties may not be adequate to cover a facility's lost revenues or increased costs. There can be no assurance that the Project will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Project cannot generate revenues, will not exceed the coverage of such insurance policies.

In the event the Project is subject to the exercise of eminent domain by any governmental authority, no assurance can be given that any award for such taking will be adequate (i) to allow the replacing of the Project with a facility that will produce revenues sufficient to fund payments due on the Bonds or (ii) to allow funding redemption in whole of all outstanding Bonds.

### **Effect of Federal Bankruptcy Laws on Security for the Bonds**

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of Bondholders' rights in the property granted as security for the Bonds. Furthermore, if the security for the Bonds is inadequate for payment in full of the Bonds, bankruptcy proceedings and equity principles may also limit any attempt by the Trustee to seek payment from other property of the Borrower. Also, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the Bondholders of a majority in aggregate principal amount of the Bonds if the Bondholders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if a bankruptcy court concludes that the Bondholders have "adequate protection," it may: (i) substitute other security subject to the lien of the Bondholders; and (ii) subordinate the lien of the Bondholders (a) to claims by persons supplying goods and services to the Borrower after bankruptcy, and (b) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement that make bankruptcy and related proceedings by the Borrower an event of default thereunder.

### **Absence of Rating**

The Bonds have not been rated by any national credit rating agency. The Bonds are believed to bear higher rates of interest than would prevail if the Bonds were rated investment grade in order to compensate investors for a level of risk that is higher than the risk generally associated with investment grade bonds. In addition, unrated bonds typically are less liquid in the secondary market than rated bonds. See "NO RATING" in this Limited Offering Memorandum.

### **Affiliated Parties**

The Borrower's affiliates, Anaergia and Anaergia Technologies, LLC ("AT"), have contracted to provide services in connection with the construction, start-up, and operation of the Project. The support and experience of Anaergia and AT, and possibly other affiliates of the Borrower, is expected to be important to the success of the Project. The Borrower has indicated that, through those arm's-length contracts (and, possible, further negotiations and contracts with its affiliates), the Borrower expects to benefit from the information technology, management, and operations expertise of its affiliates. Pursuant to the Guaranty Agreement, Anaergia will also unconditionally guarantee certain payments with respect to the Bonds and Project Costs, subject to specific limits and an aggregate cap of \$10,000,000 on Anaergia's liability under the Guaranty Agreement until the termination of the Guaranty Agreement in accordance with its terms. See "SECURITY FOR THE BONDS – The Guaranty Agreement" above. Other than Anaergia, no affiliates of the Borrower, however, are obligated to make any payments with respect to the Bonds.

Certain of the Borrower's affiliates, including Anaergia, may also participate in the operation of similar facilities that may compete for feedstock from sources that might otherwise choose to sell to the Borrower, or to sell biogas or electrical power to customers that might otherwise purchase those products from the Borrower. The results of such competition may be to the detriment of the Borrower, but the Borrower believes that the volume targets included in the Borrower's existing feedstock and offtake contracts (and that are typically included in such contracts), as well as the multiple-year terms of those contracts, offer protection against competition, including competition with facilities operated by affiliates of the Borrower. The Borrower further anticipates that such concerns will be addressed in connection with the development of further projects by its affiliates in a manner so as to minimize their effect on the Project.

Nevertheless, the Borrower's affiliates are not be contractually prohibited from engaging in businesses that compete directly or indirectly with the Borrower, and, while the Borrower believes that its relationships with its affiliates have played an important role in the development of the Project to date and align the interests of its affiliates with the success of the Borrower, the potential involvement of Borrower's affiliates in similar facilities presents possible conflicts of interest that could have an adverse effect on the Borrower if they are not managed appropriately,

or the management team or officers fail to meet their fiduciary duties to the Borrower and its members. Further details of these relationships are set forth in “APPENDIX A - RBF, ANAERGIA INC., ANAERGIA SERVICES, AND ANAERGIA TECHNOLOGIES” herein.

### **Green Bonds**

The Bonds may not be a suitable investment for all investors seeking exposure to sustainable assets. There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green” or “sustainable,” and therefore no assurance can be provided to investors that the projects will meet all investor expectations regarding sustainability performance. There can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operating of the Project. In addition, where any negative impacts are insufficiently mitigated, the Project may become controversial, and/or may be criticized by activist groups and other stakeholders.

The Borrower does not make any representation as to the suitability of the Bonds to fulfill such environmental and sustainability criteria. Prospective investors should have regard to the factors described in the Green Bond Opinion Letter included as APPENDIX H to this Limited Offering Memorandum. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Limited Offering Memorandum regarding the use of proceeds and its purchase of Bonds should be based upon such investigation as it deems necessary.

### **The Borrower Has Only a Leasehold Interest in the Land**

As described in “SECURITY FOR THE BONDS – Lease Agreement,” the Borrower has only a leasehold interest in the land on which the Project is located and the Leasehold Deed of Trust grants to the Trustee a lien on only that leasehold interest. In addition, upon an Event of Default, the Trustee has only the right to foreclose on the leasehold estate created by the Lease Agreement and does not have the right to sell the fee interest in the land, which limits the amount the Trustee could realize under the Leasehold Deed of Trust. The ability of the Trustee to sell the leasehold interest in the land may be limited by a number of factors, including the fact that the purchaser of such interest may be able to control the Project for only a limited period of time.

### **Special Use Facilities; Liquidation of Security May Not Be Sufficient in the Event of a Default**

The Project has been specifically designed and constructed as a multi-feedstock bioenergy facility that will convert Class B biosolids and wet fraction diverted from the municipal solid waste stream into renewable electricity, renewable natural gas, and marketable soil amendment/fertilizer. The practical use of the Project is limited to its special use for such purposes; it will not be generally suitable for commercial or industrial uses. The number of entities that could be expected to purchase or lease the Project is limited, and thus the ability of the Trustee to realize funds from the sale or rental of the Project upon the occurrence of an Event of Default. In addition, the same factors that lead to foreclosure may substantially reduce the value of the Project. If it becomes necessary to foreclose the lien of the Leasehold Deed of Trust, net proceeds received and available to the holders of the Bonds from any foreclosure sale may be less than the aggregate principal amount of the Bonds then outstanding.

### **Seismic Conditions**

Generally, throughout the State of California, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. The Project site, however, is not currently located within any State of California designated fault zones. The Loan Agreement does not require earthquake insurance and the Borrower does not maintain earthquake coverage.

## ABSENCE OF MATERIAL LITIGATION

There is no litigation now pending, with service of process having been accomplished against the Authority or the Borrower, or to the knowledge of their respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or seeking to affect the validity of the Bonds, any proceedings of the Authority or the Borrower taken concerning the issuance or sale thereof, the pledge and application of any moneys or security provided for payment of the Bonds, the use of proceeds of the Bonds or the existence or powers of the Authority or the Borrower relating to the issuance, sale and delivery of the Bonds.

## NO RATING

No rating has been sought by the Borrower for the Bonds from any national credit rating agency, or is expected to be sought in the future, with respect to the Bonds. No assurance exists that any credit rating agency would be willing to issue a rating with respect to the Bonds.

## TAX MATTERS

In the opinion of McGuireWoods LLP, Bond Counsel to the Authority (“**Bond Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”), except for interest on any Bond for any period that such Bond is held by a “substantial user” of the facilities financed or refinanced by the Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of calculating federal alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

The excess, if any, of the amount payable at maturity of any maturity of the Bonds over the initial public offering price to the public at which price a substantial amount of such maturity is sold constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Bonds for federal income tax purposes. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that a holder’s adjustable basis for purposes of determining a holder’s gain or loss on disposition of the Bonds with original issue discount (the “**OID Bonds**”) will be increased by such amount. In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed below. Consequently, owners of any OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such OID Bond has not received cash attributable to such original issue discount in such year.

Owners of OID Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such OID Bonds, other tax consequences of owning OID Bonds and other state and local tax consequences of holding such OID Bonds.

The excess, if any, of the tax basis of any maturity of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for the sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of the Bonds for federal income tax purposes (or in the case of a Bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such obligation). Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Bonds.

Owners of the Bonds with bond premium should consult their personal tax advisors with respect to all matters relating to such premium.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Borrower have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these collateral tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

For example, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income consequences to certain taxpayers, including, without limitation, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income audit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Borrower have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Borrower or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority or the Borrower and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent

review of IRS positions with which the Authority or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Borrower or the Beneficial Owners to incur significant expense.

## LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of McGuireWoods LLP, Bond Counsel to the Authority. A complete copy of the proposed form of the opinion of Bond Counsel is set forth as APPENDIX D hereto. Bond counsel undertakes no responsibility for the accuracy, completeness or fairness of this Limited Offering Memorandum. Certain legal matters will be passed upon for the Authority by the Honorable Xavier Becerra, Attorney General of the State of California (“**Authority Counsel**”), for the Borrower by Gresham Savage Nolan & Tilden PC and for the Underwriter by Orrick, Herrington & Sutcliffe LLP. Authority Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Limited Offering Memorandum.

## CONTINUING DISCLOSURE

The Borrower has undertaken responsibility for continuing disclosure to owners and beneficial owner of the Bonds. The Borrower will covenant for the benefit of the owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Borrower pursuant to the Continuing Disclosure Agreement, dated the Delivery Date, by and among the Borrower and the Trustee. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “**Rule**”). See “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

The Borrower has not previously been subject to any continuing disclosure contract, undertaking, or agreement under the Rule.

## UNDERWRITING

The Bonds are being purchased by Westhoff, Cone & Holmstedt (the “**Underwriter**”). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price of \$111,449,000.50, comprising the principal amount of the Bonds, less original issue discount equal to \$5,153,279.50, less an underwriter’s discount in the amount of \$597,720.00. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The obligation of the Underwriter to accept delivery of the Bonds will be subject to various conditions contained in the Bond Purchase Contract, dated as of January 16, 2019 (the “**Bond Purchase Contract**”) among the Treasurer of the State of California, the Authority, the Underwriter and the Borrower.

The Borrower has entered into an agreement to pay the Underwriter a fee equal to 1.25% of the initial purchase price of the Bonds (representing the aggregate principal amount of the Bonds less an original issue discount of \$5,153,279.50) plus reasonable expenses upon successful financing. In addition to the underwriting discount, the Underwriter will be paid a fee equal to \$802,864.01 from proceeds in the Costs of Issuance fund. Thus, the total compensation to the Underwriter associated with the issuance of the Bonds equals \$1,400,584.01.

Pursuant to the Bond Purchase Contract, the Borrower agrees to pay certain expenses in connection with the issuance of the Bonds and to indemnify the Underwriter against certain liabilities, including liabilities under certain provisions of the federal securities laws.

The Underwriter has entered into an agreement with Piper Jaffray & Co. (“**Piper Jaffray**”) for the marketing and distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, the Underwriter will share a portion of its underwriting compensation with respect to the Bonds with Piper Jaffray.

## LIMITED OFFERING

The Bonds are being offered hereby on a limited basis only to Qualified Institutional Buyers (“**QIBs**”) within the meaning of Rule 144A under the Securities Act of 1933, as amended (“**Rule 144A**”), which term includes both institutions and individuals meeting certain criteria of financial sophistication, net worth, knowledge and experience.

The Underwriter, in a signed certificate delivered concurrently with the execution and delivery of the Bond Purchase Agreement, represents to the Authority and the Borrower that in connection with the proposed purchases of the Bonds, each of the proposed buyers to whom the Underwriter will deliver Bonds (listed on an attached exhibit) is a QIB as is defined in SEC Rule 144A and each proposed buyer owned and/or invested on a discretionary basis at least \$100,000,000 in unaffiliated securities as of the end of such buyer’s most recent fiscal year.

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The execution and delivery of this Limited Offering Memorandum has been duly authorized by the Authority and approved by the Borrower. The Authority has not provided any of the information in this Limited Offering Memorandum except for the information under the caption "THE AUTHORITY" and the information under the caption "ABSENCE OF MATERIAL LITIGATION" solely as it pertains to the Authority, and makes no representation or warranty, express or implied, as to the accuracy or completeness of any other information in this Limited Offering Memorandum.

**CALIFORNIA POLLUTION CONTROL  
FINANCING AUTHORITY**

By:       /s/ Renée Webster-Hawkins        
Name: Renée Webster-Hawkins  
Title: Executive Director

APPROVED:

**RIALTO BIOENERGY FACILITY, LLC**

By:       /s/ Arun Sharma        
Name: Arun Sharma  
Title: President

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**APPENDIX A**

**CERTAIN INFORMATION REGARDING  
RIALTO BIOENERGY FACILITY, LLC**

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# Rialto Bioenergy Facility

## APPENDIX A



## Forward-Looking Statements

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All statements, other than statements of historical facts, included in the presentation regarding our strategy, future growth, operations, financial position, operating results, and performance, as well as business prospects, opportunities, and plans, are forward-looking statements. Wherever possible, words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “will,” and similar expressions have been used to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect our current beliefs and are based on information currently available to us.

Forward-looking statements involve significant risks, uncertainties, and assumptions. A number of factors could cause actual results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements, including, but not limited to, the information set out in the Tables included in this appendix. Although the forward-looking statements contained in the presentation are based upon what we believe to be reasonable assumptions, we cannot assure you that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this presentation, and we do not assume any obligation to update or revise them to reflect new events or circumstances.

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## Executive Summary

Rialto Bioenergy Facility, LLC (“RBF”), a subsidiary of Anaergia Services LLC (“AS”), is developing a waste resource recovery facility (the “Facility” or the “Project”) that will provide a solution for the City of Los Angeles, California, Orange County, California and local solid waste haulers<sup>1</sup>, who are now under state mandate (AB1826 & SB1383) to divert food waste from landfills. In addition to receiving and processing food waste diverted from a landfill, the Facility will also provide an outlet for beneficial reuse of biosolids<sup>2</sup> for wastewater treatment plants.

The Facility will recover energy<sup>3</sup> and nutrient value from organic waste streams and biosolids, generating renewable electricity, renewable natural gas, and fertilizer. Project benefits include:

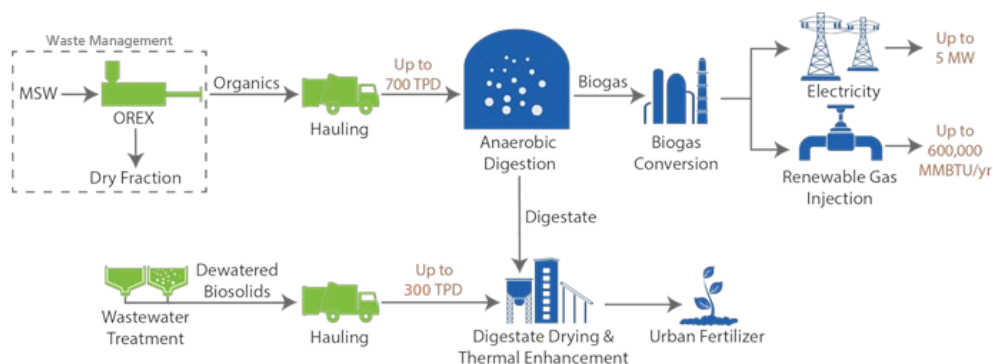
**Landfill Diversion** | Food waste is separated from the solid waste stream by specialized equipment installed at transfer stations, without reliance on source separation (“green bin”) programs.

**Renewable Energy Production** | RBF produces renewable energy and pipeline-quality biomethane from the organic waste streams it processes.

**Fertilizer Production** | RBF will produce a stable, nutrient-rich fertilizer product from its own digestate and from imported municipal biosolids that will be sold to local end users for land application.

**Greenhouse Gas Reduction** | The net GHG emissions reduction is approximately 220,000 Metric Tons CO<sub>2</sub> annually, equivalent to taking 42,500 cars off the road.

The Facility will anaerobically digest food waste received from waste haulers to produce renewable natural gas and electricity, and will use the waste heat to dry and further process biosolids for beneficial reuse. The primary sources of revenue are (1) tip fees from food waste and biosolids and (2) sale of renewable electricity and renewable natural gas.



**Figure 1: Process steps shown in blue are functions of the Rialto Bioenergy Facility.**

<sup>1</sup> Waste Management (NYSE: WM) [Contracted], Republic Services (NYSE: RSG) [Contracted], and Liquid Environmental Solutions [LOI]

<sup>2</sup> Biosolids are the residual solids left over after waste water treatment. In California these are typically hauled away out of state or applied on land.

<sup>3</sup> Energy to be sold to So Cal Edison, Anaheim Public Utilities and Southwest Gas under long term contracts.



## **RBF, Anaergia Inc., Anaergia Services, and Anaergia Technologies**

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RBF is a Delaware limited liability company wholly-owned by AS, which is Anaergia Inc.'s USA operating subsidiary. Anaergia Inc. ([www.anaergia.com](http://www.anaergia.com)) ("Anaergia") is a multinational company headquartered in Canada and a global leader in offering sustainable solutions for the generation of renewable energy and the conversion of waste to resources. Anaergia began in 2008 with the acquisition of UTS GmbH, a leading anaerobic digestion technology provider in Germany that at the time had constructed over 1500 agricultural crop-to-energy anaerobic digesters across Europe. With investments from the Benedek Family Trust, Macquarie Capital and other investors that believe in reducing global warming and carbon footprint, Anaergia has heavily invested in developing and acquiring technologies and companies to further its impact on the world by expanding its capability from converting crops to energy to converting waste to energy. Today, with over 1700 operating plants, Anaergia stands as a leader in both the agricultural and the waste sectors with large reference plants in both sectors. Most of these plants were designed and built by one of Anaergia's affiliated companies, and some of these plants are operated by Anaergia as well. At present, Anaergia has assets of over C\$100M, a normalized net equity of over C\$40 million, and a 2018 backlog of projects totaling over C\$180M. Anaergia projects a compounded annual growth rate over the next two years of over 20%. A pictorial summary of relevant Anaergia experience may be found in Exhibit A hereto.

Anaergia Technologies, LLC ("AT") is Anaergia's equipment company. AT sells integrated system solutions to clients, including operating projects. AT will provide the equipment that is the core process of the Facility, mainly the digester technology and feedstock cleaning. AT is also providing process design through a \$21,873,714 subcontract with the general contractor, W. M. Lyles Co. ("WML"), and will guarantee the process design of the Facility. (See "Facility Construction and Development Cost.") AT is also providing its OREX line to Waste Management in Sun Valley, which will provide feedstock to RBF. In addition to that project, AT's recent experience includes the OREX at Recology in San Francisco, the Omnivore digester in Victorville WWTP, and the Omnivore digester retrofit at the Camden, New Jersey wastewater treatment plant, among others.

Anaergia has significant experience operating similar plants – its most recent experience is a solid waste and anaerobic digestion processing plant in Limassol, Cyprus. In North America, AS' direct experience includes (1) a 1.2 MW CHP facility at a wastewater treatment plant in Escondido, California that converts biogas into power; (2) a 1.6 MW CHP facility at a wastewater treatment plant in Victorville, California that converts biogas into power; (3) a 3.2 MW CHP facility, presently under construction at a wastewater treatment plant in Camden, New Jersey, that converts biogas into power; (4) a solid waste and anaerobic digestion plant in Toronto, Canada that processes residential source separated organic waste to produce biogas in an anaerobic digester ("SSO"); (5) a solid waste processing system in San Francisco, California that diverts organic waste to anaerobic digesters in Oakland, California; (6) an anaerobic digester processing sewage sludge and organic waste at a wastewater plant in Victorville, California; and (7) a food waste and manure anaerobic digester at East Lansing, Michigan. AS will provide certain design services to RBF, and manage the construction of the Project, pursuant to a Technical Consulting Services Agreement that has been entered into by RBF with AS.

## Management Team

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Anaergia has over 200 employees in 14 global offices. Development and execution for RBF will be done by team members based in Anaergia's Carlsbad, California office. Bios of the primary management team follow.



Dr. Andrew Benedek is the Chairman of Anaergia Inc., and is the founder, ex-Chairman, and Chief Executive Officer of Zenon Environmental Inc. Dr. Benedek is on the advisory board of Green Seal, a non-profit environmental standard development and certification organization. Dr. Benedek holds a Ph.D. in chemical engineering from the University of Washington, and lectured at McMaster University in Hamilton, Ontario, Canada. In 1978, he coordinated the internationally-recognized Wastewater Research Group, an organization known for its excellence in research in the field of water treatment.



Arun Sharma is the Build-Own-Operate lead of AS, and President of RBF. With over 15 years of experience in project development, Mr. Sharma provides extensive experience in deal structuring, project financing, tax equity partnerships, and monetizing environmental credits. Arun holds an advanced degree in engineering from Indian Institute of Technology, Delhi and an MBA from University of Michigan (Ross).



Juan Josse is Anaergia's Chief Engineer, and he works out of Anaergia's Carlsbad office. Juan offers over 20 years of engineering experience in municipal and industrial wastewater treatment process, wastewater treatment plant mechanical design, and treatment process research. Juan holds U.S. patents for an anaerobic biological fluidized bed reactor and for an organic slurry treatment process. Before Juan joined UTS Bioenergy (an Anaergia company) in August 2010; he was a 9-year Senior Project Manager and Anaerobic Process Lead with HDR Engineering Inc. in Southern California, and he spent 5 years as a research engineer at the University of New Orleans Urban Waste Management and Research Center. He is published in numerous wastewater engineering journals, and received the 2010 Grand Concept Award from the American Council of Engineering Companies (ACEC) for the Gills Onions Waste to Energy Project.



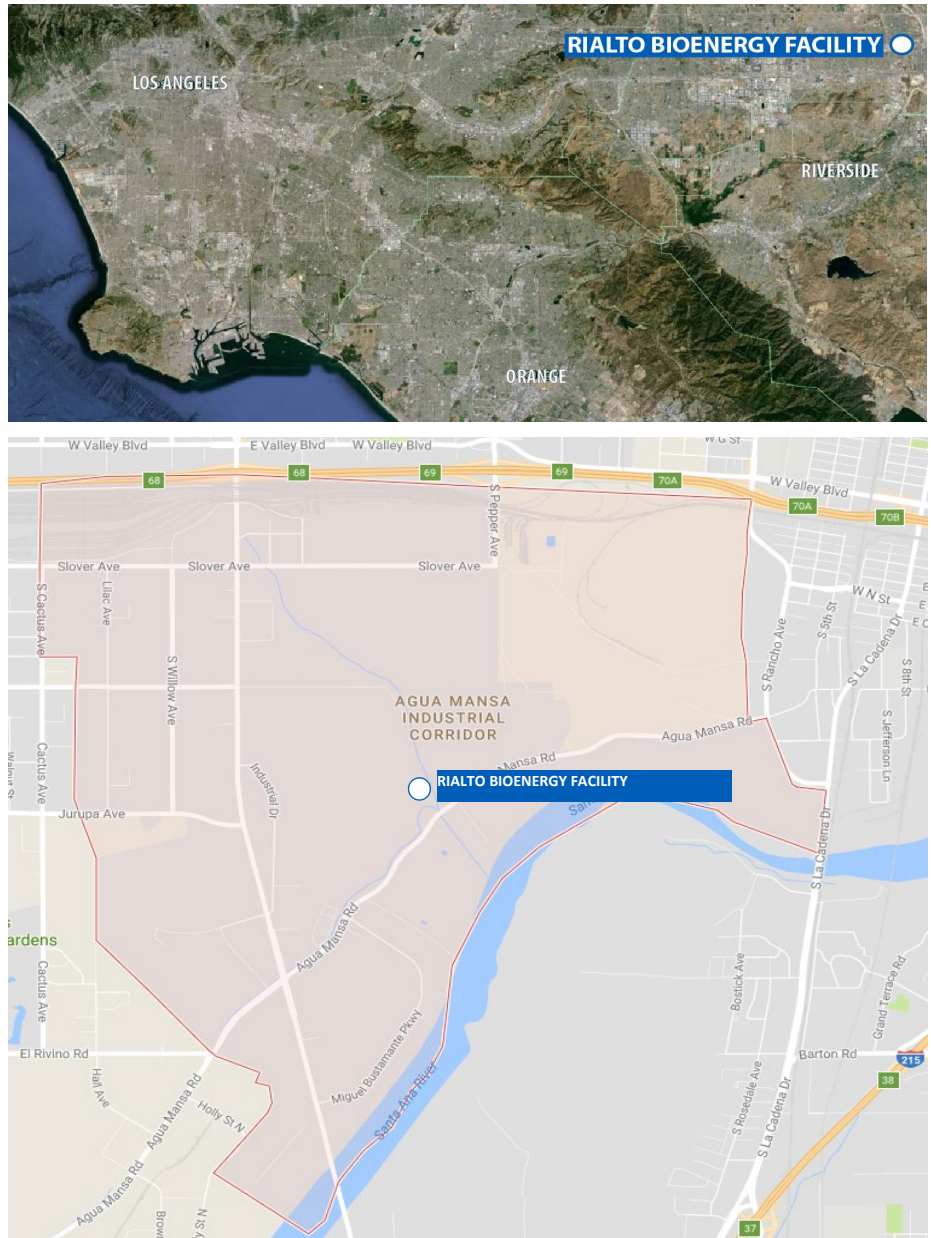
Dr. Yaniv Scherson is the Managing Director for the Western U.S. region for Anaergia and Vice President of RBF. Dr. Scherson is based in Carlsbad, California, where he leads Anaergia's projects involving the integration of organics recycling from solid waste with anaerobic digestion and wastewater for production of renewable power and renewable natural gas. Dr. Scherson leads Anaergia's turnkey system offering and supports Anaergia's Design, Build, Own, Operate, and Finance arm. Dr. Scherson has wastewater and research experience at the doctoral level, focused on resource and energy recovery from wastewater. Dr. Scherson has published his work in leading peer reviewed journals, patents, and book chapters, has presented internationally as an invited speaker, and was listed in Forbes 30 under 30. He is a licensed professional engineer in California, and holds Ph.D. and Master degrees from Stanford University.

## The Facility

The Facility will offer local solutions to two pressing waste management issues: Food Waste Diversion and Biosolids Management.

### Issue 1: Food Waste Diversion

In 2006, the California legislature passed AB32, an unprecedented clean air initiative designed to reduce greenhouse gasses in the State to 1990 levels by the year 2020. To accomplish this goal, State lawmakers passed subsequent legislation including AB 1826, a bill that bans food waste and other organics from landfills starting in 2016 and phasing in the program completely by 2019. Reducing the portion of collected waste that ends up in landfills means waste haulers must not only separate organic material from the waste stream, but also divert that material away from landfill to an approved disposal site such as a compost or anaerobic digestion facility. Only a few small solutions exist across the state; there is an urgent need for new commercial organics management facilities to be developed quickly.



**Figure 2: Rialto Bioenergy Facility Location, including Agua Mansa Industrial Corridor overlay (Bottom)**



## Issue 2: Biosolids Management

Large quantities of biosolids produced by regional wastewater treatment facilities are hauled long distances to central California and Arizona for land application and composting. Not only is the hauling cost significant in this business-as-usual scenario, but land application options are dwindling, with increasing restrictions and bans on the practice. Wastewater treatment plant managers are responding to this shift by looking for new sustainable options for biosolids management and disposal, as recently reported to the Southern California Alliance of Publicly Owned Treatment Works (SCAP). In response to this market demand, the introduction of RBF’s biosolids processing solution in the LA basin will greatly reduce GHG impacts and transportation cost while providing a reliable long-term management solution.



Figure 3: Site Rendering of the Rialto Bioenergy Facility

## The Acquisition

In 2014, Anaergia acquired a biosolids drying facility in Rialto, California (50 miles east of Los Angeles), with a vision of creating an organics recycling and biosolids management infrastructure for the region. The acquisition included the solid waste facility permits necessary for organics processing and recycling.

The Facility is located near the center of the Agua Mansa Industrial Corridor, an area zoned for heavy industry. The plant’s neighbors are other heavy industrial users, such as the Rialto Waste Water Treatment Plant, a petroleum tank farm, a car demolition plant, and a closed landfill. The land is owned by the City of Rialto and ground leased by the City of Rialto to the Rialto Utility Authority (“RUA”), and has been subleased by the RUA to RBF for a twenty-year term with renewal options.



Figure 4: Rialto Bioenergy Facility Site

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## Site Information

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The site, previously built and owned by EnerTech Environmental, Inc., housed infrastructure originally designed to accept biosolids from regional wastewater control authorities and process them into a coal substitute that could be used to fire cement kilns. Construction costs for the EnerTech site were approximately \$200 million. In May 2013, Anaergia acquired the assets for \$2.46 million. The assets acquired include:

- A 7-acre site lease with the City
- City's commitment to deliver biosolids
- Two 400,000-gallon low-solids digesters
- Sludge Receiving Basin, Storage Tanks, and Drying Equipment
- Air treatment equipment, including an ammonia stripper, scrubber, and exhaust flare
- Wastewater treatment tanks
- Access to the Inland Empire Brine Discharge System
- A complete Environmental Impact Report for the Facility and a Solid Waste Facilities Permit that allows for reception of up to 1,080 tons of material per day, including 400 tons per day of biosolids.

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## Process

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The Facility is designed to accept up to 700 tons per day ("TPD") of organics/food waste under contracts with Waste Management and Republic Services, and up to 300 TPD of biosolids under contract from Denali Water Solutions ("Denali") who hauls from the three largest wastewater plants in Southern California: City of Los Angeles, Los Angeles County, and Orange County Sanitation Districts. The process begins with the separation of a "wet organic fraction" from mixed waste streams at Waste Management's Sun Valley Facility using an OREX line supplied by AT. Waste Management will then transfer the separated waste that is rich in organic material, like food waste, to RBF in enclosed sludge trailers commonly used to transport wastewater treatment plant sludge. Republic Services will separate organics from solid waste at its transfer station in Anaheim, CA and transport the organic fraction to RBF in covered end dump trucks.

The Waste Management and Republic Service contracts require the companies to pay a tip fee per ton of organic material delivered to the Facility (see discussion of Feedstock Contracts herein). Once the waste is received it will be fed into anaerobic digesters to reduce its mass and produce methane-rich biogas. The biogas will be converted into two distinct renewable energy products: (1) renewable natural gas ("RNG"), a portion of which will be transferred to the City of Anaheim for power generation and a portion of which will be transferred to Southwest Gas Corporation and (2) electricity for onsite use and for export to Southern California Edison under the BioMAT<sup>4</sup> program.<sup>5</sup>

RBF will also receive dewatered biosolids, for a tip fee, from area wastewater treatment plants (located in the City of Rialto, LA County, and Orange County) that do not have drying capabilities. These dewatered biosolids will be combined with digestate from RBF's on-site digesters, then dried on-site using waste heat from the process to create

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<sup>4</sup> Bioenergy Market Adjusting Tariff program (mandated by Senate Bill 1122, signed into law in September, 2012)

<sup>5</sup> See "Feedstock and Offtake Contracts – Offtake Contracts."

valuable fertilizer and hauled by Denali under contract and sold to local agricultural outlets as fertilizer for land application.

In addition to the regular, committed feedstocks of organic fraction of MSW and regional wastewater biosolids, RBF will accept opportunity liquid wastes and fats, oils, and greases (“FOG”) for tip fees.

## Facility Construction and Development Cost

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RBF has a guaranteed maximum price (“GMP”) design-build contract for the construction of the Facility with WML (“WML Contract”). WML is responsible for all aspects of the design, engineering, permitting, procurement, construction, installation, and commission of the Project on a turnkey basis, subject to liquidated damages for non-performance. Pursuant to the contract, the GMP is not to exceed \$98,276,849. Under the contract, WML provides Guarantees for (1) a Feedstock Reception Date of May 15, 2020, (2) a Substantial Completion Date of August 15, 2020, and (3) a Final Completion Date of December 30, 2020. AT is a subcontractor under the WML Contract, and will provide certain process design, engineering, equipment supply, commissioning, and training. WML has also entered into a Technical Consulting Services Agreement (“TCSA”) with GHD, an environmental design and engineering firm, for detailed design and engineering, equipment procurement and certain start up and commissioning activities.

WML has partially financed the work performed under the GMP contract to date by agreeing, pursuant to the WML Contract, to defer up to \$7,000,000 in payments until issuance of the Series 2019 Bonds. RBF’s obligations to WML in respect of that deferred compensation have been secured by a security interest in the Project, which will be released concurrently with issuance of the Series 2019 Bonds.

A complete summary of the WML contract and its contracting parties may be found in Harris Independent Engineer’s Report (the “IE Report”), Appendix B hereto, at Section 6. A summary breakdown of the GMP price is as follows:

**WML Design-Build Contract GMP Price:**

W.M. Lyles Co. <sup>(1)</sup>	\$62,515,135
AT equipment	21,873,714
Genset, Biogas upgrade	8,888,000
Project Contingency	<u>5,000,000</u>
<b>Total</b>	<b><u>\$98,276,849</u></b>

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<sup>(1)</sup>Includes fee of \$4,338,349 to GHD under its TCSA agreement with WML

In addition, RBF has entered into a Technical Consulting Services Agreement (as amended, “TCSA”), with its parent entity, AS, pursuant to which AS will provide services to RBF in connection with the design and construction of the Facility, including (i) management of on-site activities; (ii) oversight of construction contractor’s service, schedule, and budget; (iii) plant-level engineering work related to the specifications for major equipment and the procurement of that equipment, as well as the verification of contractor-supplied equipment and engineering and plant control narrative; (iv) review of engineering plans and designs prepared by the contractor’s design engineer; (v) management of administrative work related to grants from CalRecycle, the California Energy Commission, and the U.S. Department of Energy (including but not limited to the preparation of progress reports and invoice submittals; participation in update meetings; procurement of grant-sponsored equipment; and coordination with the

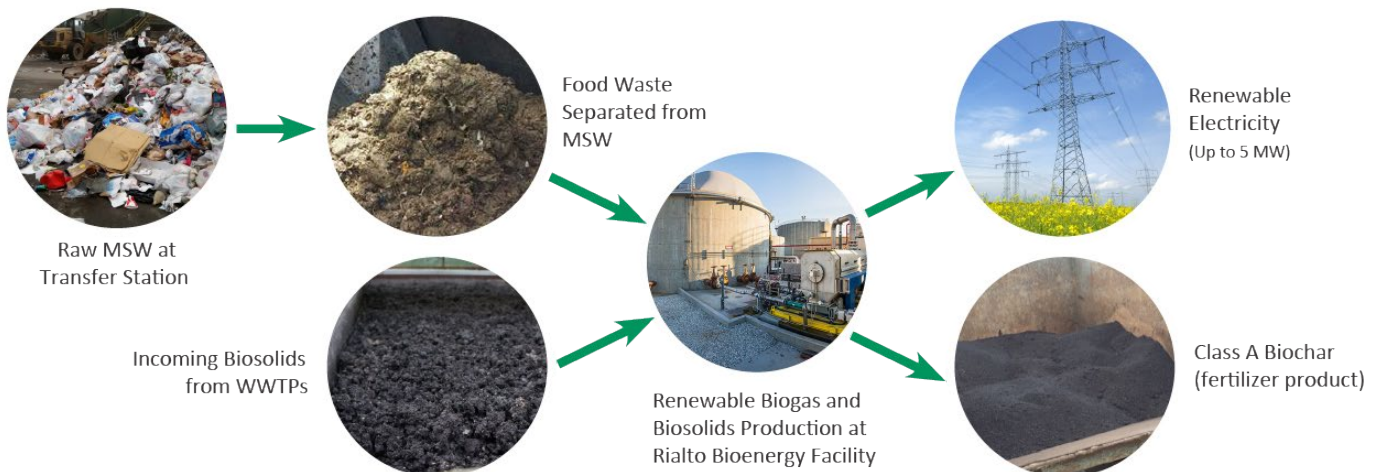
contractor of required filings and paperwork); (vi) oversight and verification of the proper installation of equipment and of construction work; (vii) support during plant commissioning, including but not limited to equipment-specific testing, plant testing, punch lists, development of protocols and SOPs; and (viii) support and oversight during performance testing. Aggregate payments to AS in respect of services under the TCSA will total \$4,210,732, payable over the period of construction in 23 monthly installments of \$175,447, starting with the month following the month in which the Series 2019 Bonds are issued, and a final payment of \$175,447 due when the Project has achieved “substantial completion” (i.e., when the Facility has reached the testing stage) under the WML Contract. In addition, RBF and AS have entered into an operations and maintenance agreement, so that once the Project is operational, AS will provide operation and maintenance services, as well as labor and personnel, under contract with RBF, for a fee of \$350,000 per year, plus reimbursement of on-site and off-site personnel costs, labor, materials, and a maximum annual bonus of \$700,000 per year.

The air permit issued to RBF by the South Coast Air Quality Management District (SCAQMD) will require adjusting the maximum permissible NOx emissions from 4 tons per year to 10 tons per year in order for the facility to operate the CHPs for the operating hours intended. The current air permit issued to RBF enables all activities through Q1 2021 that include completion of construction, commissioning, start up, final completion, and the first quarter of operations. Operations beyond Q1 2021 will require acquisition of NOx offsets and an amendment to the air permit to increase emissions from 4 tons to 10 tons per year. The amendment is an administrative process requiring the purchase of NOx offsets. SCAQMD is in the process of transitioning the emissions trading program used to acquire NOx offsets from a legacy cap and trade program that is in the process of being phased out to a new program that is currently under development between SCAQMD and the U.S. EPA. The development of the new program is anticipated to occur over the next few months, and is expected to impact over 250 existing operating facilities in the SCAQMD air basin that emit more than 4 tons of NOx per year. In the current transitional period, offsets can be procured only by direct purchase from an existing emitter that carries excess offsets. In the event of delay in the roll-out of the new emissions program, RBF has secured an option to purchase the required NOx offsets from Plains Pipeline, L.P. for \$2.97M, effective through July 31, 2019. It is expected that the new emissions program will enable the purchase of NOx offset at a lower one-time cost or annual payment option for the NOx offsets. In the event the new program for NOx offsets is delayed, RBF will exercise the option. Payment for the option is budgeted in working capital.



## Feedstock and Offtake Contracts

Below is a pictorial summary of the Facility process from feedstock intake through renewable energy and fertilizer output.



### Feedstock Contracts

The Facility has a capacity to process up to 700 TPD of organic waste and 300 TPD of biosolids. RBF expects to have contracts for 100% of its feedstock by its commercial operation date. A summary of each of the feedstock contracts follows:

A further discussion of each of the feedstock contracts may be found in Appendix B, the IE Report, Section 7.

**Waste Management Food Waste Feedstock Agreement:** Waste Management has committed to collect, process, and deliver food waste collected in their two commercial franchise zones in Los Angeles which is conservatively anticipated to be 300 TPD and up to 500 TPD to RBF. The contract length is 10 years, with extension options. The contract has a mechanism for tip fee adjustment after 5 years based on market conditions. Tip Fees include a base price and escalation. Waste Management purchased an OREX line from AT to separate the food waste from the waste they collect in the Los Angeles franchise. Waste Management purchased an OREX line with capacity to produce 900 TPD of food waste because of the additional food waste anticipated in their franchise zone as well as the neighboring cities they serve that are outside of the Los Angeles franchise but under California state mandated organics diversion regulation. Based on Waste Management's number of customer accounts and CalRecycle characterization date, Waste Management forecasts up to 2,400 TPD of food waste in the Los Angeles Franchise and neighboring cities they serve.

**Republic Services Food Waste Feedstock Agreement:** The Agreement with Republic Services is for up to 100 TPD of separated food waste delivered to RBF. The contract length is 10 years with extension options. The contract has a mechanism for making a market price adjustment every five years, but no adjustment will take place unless market prices have changed by more than 20% of the theretofore-applicable contract price. The contact pledges the Orange County Zones of Republic Services. The current contract is for 100 TPD; however, Republic has indicated interest in



pledging their Los Angeles franchise zones, which are equal in size to Waste Management's, and would increase their food waste feedstock to 300 TPD. Tip Fees include a base price and escalation.

**Denali Water Solutions ("Denali") Biosolids Feedstock Agreement:** The agreement with Denali is to supply 300 TPD of Biosolids, which will be dried at the Facility, using onsite waste heat, to produce a Class A product. The contract term is 10 years' in duration, and is backed by capacity commitments from The City of Los Angeles, Los Angeles County, and Orange County Sanitations District. The three sanitation districts collectively produce approximately 3,000 TPD. Tip fee includes base price and escalation. Denali is also contracted to haul digestate and biosolid to local agricultural outlets for use as fertilizer with anticipated sales.

**City of Rialto Facility Operating Agreement:** Pursuant to the facility operating agreement with the City and the RUA, RBF expects to process approximately 25 TPD of dewatered municipal biosolids produced by the adjacent wastewater treatment plant operated by the RUA.

**Liquid Environmental Solutions:** Liquid Environmental Solutions ("LES") has executed a Commitment Letter for Liquid Organics pursuant to which LES states that it is prepared to negotiate to provide RBF with between 30,000 and 50,000 gallons of liquid organics (in the form of grease trap waste and food waste from LES's customers in the Southern California marketplace) based on reaching a mutual agreement on expenses of both parties and satisfactory logistics regarding delivery, receipt, and processing of the material.

### Offtake Contracts

A summary of each of the offtake contracts follows:

A further discussion of each of the offtake contracts may be found in Appendix B, the IE Report, Section 7.

**City of Anaheim Renewable Gas Offtake Agreement:** The city of Anaheim Gas contract is a 20-year contract for the supply of renewable natural gas from the Facility at a base price of approximately \$13 per MMBTU, with a fixed annual escalation. The contract provides flexibility in the amount of renewable natural gas to be supplied, such that the quantity can be varied between 105,000 MMBTU and 210,000 MMBTU.

**Southwest Gas Corporation Renewable Gas Offtake Agreement:** The Southwest Gas contract is a 10-year contract for the supply of renewable natural gas at a base price of approximately \$11 per MMBTU during the initial three years of the term, \$10 per MMBTU during the next three years, and \$9 per MMBTU during the final four years of the term, plus, in each case, an incremental amount based upon a percentage of renewable attribute value (RINS<sup>6</sup> and LCFS (low-carbon fuel standard) credits). The contract provides flexibility in the amount of renewable natural gas to be supplied, such that the quantity can be varied between 105,000 MMBTU and 210,000 MMBTU.

**Southern California Edison (So Cal Edison) Renewable Electricity Offtake Agreement:** The California BioMAT program provides a programmatic, legislatively-mandated power purchase agreement ("BioMAT PPA") with So Cal Edison. RBF expects to sell approximately 18,000 MW-hrs of electricity to So Cal Edison under a BioMAT PPA that

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<sup>6</sup> "RIN" stands for "Renewable Identification Number"--a serial number assigned to a batch of biofuel for the purpose of tracking its production, use, and trading under the United States Environmental Protection Agency's Renewable Fuel Standard.

provides for the payment to RFB of a fixed price of 12.7 Cents/kWh over a 20 year period. The BioMAT PPA must be executed within 24 months from when the Facility commences commercial operations.

## **Facility Capital Cost and Bond Financing**

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The total Project costs are projected to be approximately \$121.3 million. Total grants and borrower's equity equal \$44.9 million, or 37.1% of total Project costs. The annual revenues are expected to be at least approximately \$29.5 million, producing approximately \$19.4 million in EBITDA. RFB also qualifies for a 30% investment tax credit ("ITC") on the electricity portion of the Project; the ITC is currently estimated to be approximately \$22 million. While the Project is not dependent on ITC, RFB incurred the significant qualifying costs required to qualify for "start of construction" and "safe harbor" ITC. Neither the benefits from ITC, nor financial enhancements are included in the base case financials.

Site construction began on the Project in June, 2018. The construction activities to date include demolition and clearing, preparation work for installation of equipment, and earth works. As described above, in "Facility Construction and Development Cost," RFB has entered into a GMP (guaranteed maximum price) Design-Build contract with WML that has a guaranteed maximum price of \$98,276,849. Other costs for the Facility include the allocation of funds for the acquisition of the existing Facility, purchase of equipment for the Facility, consulting fees, permits, labor and development costs, and reserves for debt service and capital improvements of the Facility.

Anaergia has invested approximately \$15.6 million in RFB so far. RFB will contribute further equity through grants and additional cash at the closing of the Series 2019 Bond issuance. The following is a summary of sources and uses of funds:

**Table 1: Sources/Uses**

<i>Sources of Funds</i>	<i>Total</i>	<i>Bonds</i>	<i>Spent To-Date</i>	
			<i>(1)</i>	<i>Additional Equity</i>
<b>Principal Amount of Bonds</b>	<b>\$117,200,000</b>	<b>\$117,200,000</b>	\$0	\$0
Less: Original Issue Discount	(5,153,280)	(5,153,280)	0	0
Estimated Investment Earnings during Construction (2)	4,000,000	4,000,000	0	0
<i>Grants:</i>				
Calrecycle	\$4,000,000	\$0	\$0	\$4,000,000
California Energy Commission ("CEC")	8,000,000	0	0	8,000,000
US Department of Energy ("DOE")	3,000,000	0	0	3,000,000
South Coast Air Quality Management District ("SCAQMD")	4,365,801	0	0	4,365,801
<b>Subtotal Grants</b>	<b>\$19,365,801</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,365,801</b>
<i>Borrower's Equity:</i>				
Spent To-Date (1)	\$17,402,506	0	\$17,402,506	\$0
Additional Cash Equity	8,211,200	0	0	8,211,200
Subtotal Borrower's Equity	\$25,613,706	\$0	\$17,402,506	\$8,211,200
<b>Total Equity</b>	<b>\$44,979,507</b>	<b>\$0</b>	<b>\$17,402,506</b>	<b>\$27,577,001</b>
<b>Total Sources of Funds</b>	<b>\$161,026,227</b>	<b>\$116,046,721</b>	<b>\$17,402,506</b>	<b>\$27,577,001</b>

<i>Uses of Funds</i>				
<i>EPC Cost:</i>				
Construction Contract - Lyles	\$62,515,135	\$62,515,135	\$0	\$0
Anaergia Technologies - Equipment (3)	21,873,714	21,873,714	0	0
Grant Equipment (4)	8,888,000	0	0	8,888,000
Project Contingency	5,000,000	0	0	5,000,000
<b>Subtotal EPC Cost</b>	<b>\$98,276,849</b>	<b>\$84,388,849</b>	<b>\$0</b>	<b>\$13,888,000</b>
Equipment (5)	\$5,192,460	\$0	\$5,192,460	\$0
Acquisition of Existing Facility	2,463,344	0	2,463,344	0
Labor Costs prior to Bond Financing	5,230,868	0	5,230,868	0
Pre-Development Expenses	3,871,301	0	3,871,301	0
Interconnections - SoCalGas	1,018,669	0	481,331	537,338
Interconnections - SoCal Edison	950,000	0	0	950,000
Permits	336,798	0	163,202	173,596
AS Technical Services Consulting Agreement (6)	4,210,732	1,139,075	0	3,071,658
Lease Payments to City	250,000	0	0	250,000
<b>Total Project Costs</b>	<b>\$121,801,021</b>	<b>\$85,527,924</b>	<b>\$17,402,506</b>	<b>\$18,870,592</b>
Working Capital	5,970,836	0	0	5,970,836
Contingency	2,676,203	0	0	2,676,203
Capitalized Interest (7)	17,192,925	17,192,925	0	0
Debt Service Reserve Fund (8)	11,084,938	11,084,938	0	0
Costs of Issuance	2,300,304	2,240,934	0	59,370
<b>Total Uses of Funds</b>	<b>\$161,026,227</b>	<b>\$116,046,720</b>	<b>\$17,402,506</b>	<b>\$27,577,001</b>

(1) Represents Project Costs spent through December 31, 2018.

(2) Assumes reinvestment rates of 2.58% per annum on the Project Fund, 2.81% per annum on the Capitalized Interest Fund, and 3.22% per annum on the Debt Service Reserve Fund.

(3) Includes major process equipment -- feedstock polishing, digester mixers, in-tank desulfurization system, biosolids dryers, biogas conditioning system, and wastewater treatment system-- as well as engineering, design, procurement, process guarantee training, and start up support.

(4) Includes CHP engine, battery, biogas upgrading system, and an anaerobic digester to be purchased with a portion of the CalRecycle and CEC grants.

(5) Includes purchase of three combined heat and power (CHP) engine systems.

(6) Includes labor costs and fees for Anaergia Services to support project level engineering, permitting, grant administration, construction, financing, contract management during construction period through commissioning.

(7) Based on 24 months of interest.

(8) Equals Maximum Annual Net Debt Service.

## Financial Projections and Assumptions

**Table 2. Summary of Contracted Revenues Snapshot (12 months)**

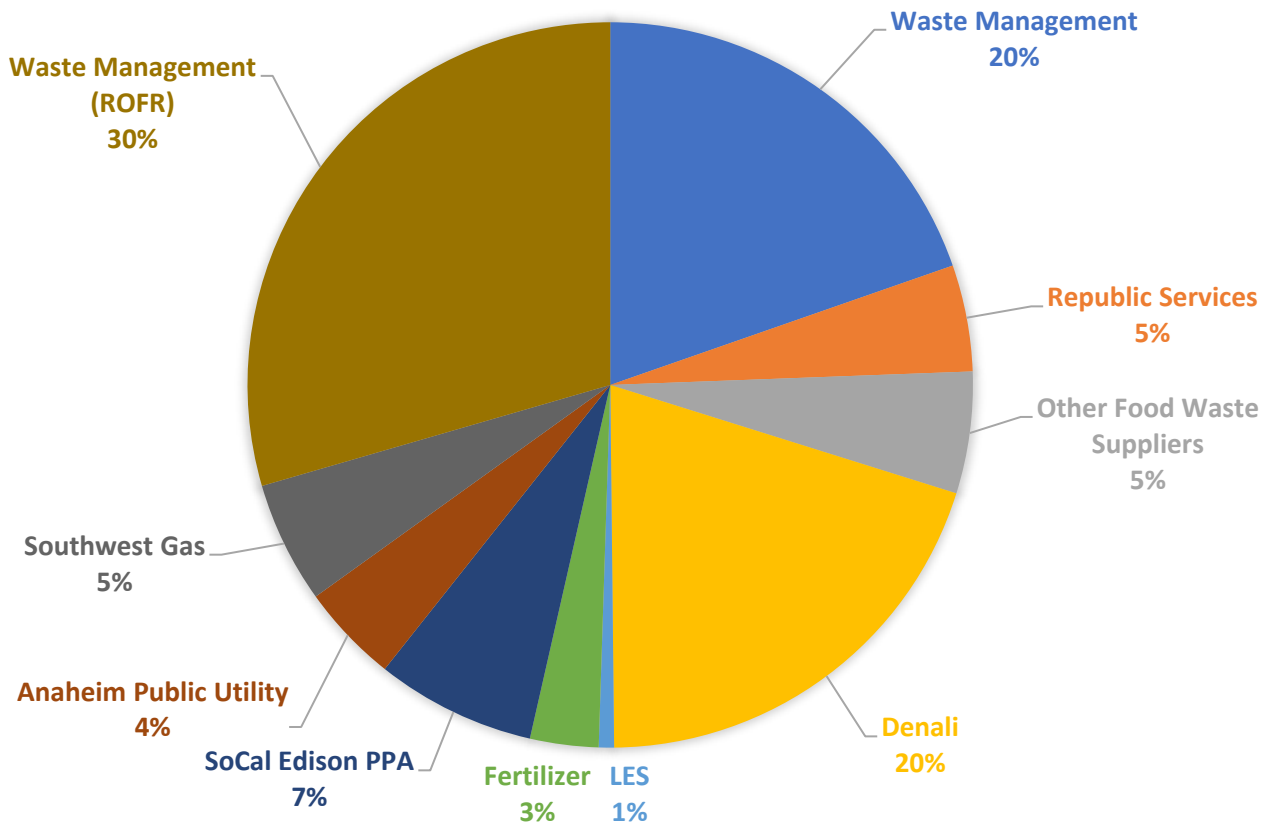
Source	Contracting Party	Amount	Term (yrs.)	Annual Revenue (\$M)
Food Waste Tip Fee	Waste Management	300 - 500 TPD	10	3.5 – 5.8
Food Waste Tip Fee	Republic Services	100 - 300TPD	10	1.4 – 4.2
Food Waste Tip Fee	Others NC*	300 TPD	-	3.9
BioSolids	Denali	300 TPD	10	5.9
Fats Oils and Grease	Liquid Environmental Solutions (LOI)	50 TPD	-	0.2
Fertilizer	Multiple Agricultural Outlets (under negotiation)	80 TPD	-	0.9
Renewable Power	So Cal Edison	2 MW	20	2.1
Renewable Gas	Anaheim Public Utility	110,000 - 210,000 MMBTU	20	1.3
Renewable Gas	Southwest Gas	110,000 - 210,000 MMBTU	10	1.6
Renewable Gas	Waste Management (ROFR)	290,000 MMBTU	-	8.7
<b>Total Annual Revenue</b>				<b>\$29.5</b>

NC\* - Contracts under negotiation. Any additional food waste feedstock not contracted will be displaced by additional food waste contracted with Waste Management and Republic Services.

As summarized above, the Facility is expected to achieve a minimum of approximately \$29.5 million in annual revenue through the sale of energy (renewable electricity and renewable natural gas) and tip fees from food waste and biosolids. Revenues are projected to result in a minimum Debt Service Coverage Ratio of 1.79. Waste Management and Republic Services have pledged organic waste to RBF, respectively, from their City of Los Angeles and Orange County franchised zones. Pursuant to available data and CalRecycle publications (as described in the Independent Engineer's Report, Exhibit B) there is adequate food waste in the franchised zones to fill the capacity of RBF. The assumptions underlying the financial model include following key assumptions:

1. Contracted revenues and an extrapolation of uncontracted revenue at similar prices. There is a sensitivity analysis included in Appendix B, the IE report, Section 9.
2. A useful life of 20 years (confirmed in Appendix B, the IE Report) and stable revenue at full capacity during that period.
3. Operations and Maintenance costs are estimated based on unit processes of similar size and based on prior experience of OEMs.
4. A conventional level of contingency, start-up cost, and reserves have been included in the financial model.
5. Legislative drivers will continue to drive organics diversion from landfills, thereby running the plant at full capacity.

Figure 5: Projected Revenue Sources



Tables 3 and 4 on the following pages present the Projected Revenues, Expenses, and Debt Service Coverage, both periodically through the first full year of operations in 2021 and annually from 2020 through 2025.

**Table 3. Projected Revenues, Expenses and Debt Service Coverage – Periodic through First Full Year of Operations in 2021**

<b>Period Ending</b>	<b>7/31/2020</b>	<b>8/31/2020</b>	<b>9/30/2020</b>	<b>10/31/2020</b>	<b>11/30/2020</b>	<b>12/31/2020</b>	<b>6/30/2021</b>	<b>12/31/2021</b>
<b>Revenues</b>								
Tipping Fees	\$53,632	\$107,264	\$155,705	\$214,527	\$259,509	\$321,791	\$7,441,408	\$7,441,408
Offtake Sales	21,110	42,220	61,287	84,439	102,145	126,659	2,928,994	2,928,994
Spot Gas Sales (1)	31,351	62,703	91,020	125,405	151,700	188,108	4,350,000	4,350,000
<b>Total Revenues</b>	<b>\$106,093</b>	<b>\$212,186</b>	<b>\$308,012</b>	<b>\$424,372</b>	<b>\$513,353</b>	<b>\$636,558</b>	<b>\$14,720,402</b>	<b>\$14,720,402</b>
<b>Expenses</b>								
Transport & Disposal	\$6,749	\$13,499	\$19,595	\$26,997	\$32,658	\$40,496	\$534,831	\$540,223
Host Fee	4,024	8,049	11,683	16,097	19,472	24,146	318,895	322,110
Water	1,752	3,504	5,087	7,009	8,478	10,513	138,844	140,243
Consumables	11,555	23,109	33,546	46,218	55,909	69,328	915,619	924,851
CHP Maintenance	6,860	13,719	19,915	27,439	33,192	41,158	543,585	549,065
Fixed cost excluding insurance	8,957	17,915	26,005	35,829	43,342	53,744	709,799	716,955
SG&A - Anaergia Services	2,321	4,642	6,739	9,285	11,232	13,927	183,942	185,797
Wear Parts	6,867	13,733	19,935	27,466	33,225	41,199	544,125	544,125
Labor	8,148	16,295	23,654	32,590	39,424	48,885	645,637	652,147
Insurance	3,232	6,465	9,384	12,929	15,640	19,394	256,142	258,724
OPEX Contingency	2,822	5,644	8,193	11,288	13,655	16,932	223,626	225,607
<b>Total Expenses</b>	<b>\$63,287</b>	<b>\$126,574</b>	<b>\$183,736</b>	<b>\$253,148</b>	<b>\$306,227</b>	<b>\$379,722</b>	<b>\$5,015,044</b>	<b>\$5,059,847</b>
<b>EBITDA</b>	<b>\$42,806</b>	<b>\$85,612</b>	<b>\$124,276</b>	<b>\$171,224</b>	<b>\$207,126</b>	<b>\$256,836</b>	<b>\$9,705,357</b>	<b>\$9,660,555</b>
<b>Bond Debt Service (2)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,149,367</b>	<b>\$5,520,706</b>
<b>Debt Service Coverage Ratio</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>2.34 : 1</b>	<b>1.75 : 1</b>
Revenues after Debt Service	\$42,806	\$85,612	\$124,276	\$171,224	\$207,126	\$256,836	\$5,555,991	\$4,139,849
Deposit to Capital Maintenance Fund	-	-	-	-	-	-	(190,000)	(190,000)
Surplus available to Members	42,806	85,612	124,276	171,224	207,126	256,836	5,365,991	3,949,849
Cumulative Capital Maintenance Fund	-	\$0	\$0	\$0	\$0	\$0	\$190,000	\$380,000

(1) Assumes sales of 290,000 MMBTU per annum at an average contract price of \$30 per MMBTU.

Total current value is \$75/MMBTU sold to Waste Management as a ROFR.

(2) Bond interest capitalized for 24 months.

**Table 4. Projected Revenues, Expenses and Debt Service Coverage – Annual 2020-2025**

<b>Year Ending Dec. 31</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>						
Tipping Fees	\$1,112,427	\$14,882,816	\$15,225,230	\$15,575,612	\$15,934,147	\$16,301,030
Offtake Sales	437,860	5,857,987	5,906,641	5,956,378	5,902,221	5,954,197
Spot Gas Sales (1)	650,288	8,700,000	8,874,000	9,051,480	9,232,510	9,417,160
<b>Total Revenues</b>	<b>\$2,200,575</b>	<b>\$29,440,803</b>	<b>\$30,005,871</b>	<b>\$30,583,469</b>	<b>\$31,068,878</b>	<b>\$31,672,386</b>
<b>Expenses</b>						
Transport & Disposal	\$139,993	\$1,075,054	\$1,096,663	\$1,118,706	\$1,141,253	\$1,164,193
Host Fee	83,471	641,005	653,890	667,033	680,477	694,155
Water	36,342	279,087	284,697	290,419	296,272	302,227
Consumables	239,665	1,840,470	1,877,464	1,915,201	1,953,802	1,993,074
CHP Maintenance	142,284	1,092,650	1,114,612	1,137,016	1,159,933	1,183,248
Biogas Upgrading	185,791	1,426,754	1,455,431	1,484,686	1,514,610	1,545,054
Fixed cost excluding insurance	48,147	369,739	377,171	384,752	392,507	400,396
Wear Parts	142,425	1,088,249	1,110,014	1,132,214	1,154,859	1,177,956
Labor	168,996	1,297,784	1,323,869	1,350,479	1,377,698	1,405,390
Insurance	67,046	514,866	525,215	535,772	546,571	557,557
OPEX Contingency	58,534	449,233	458,257	467,462	476,875	486,455
<b>Total Expenses</b>	<b>\$1,312,695</b>	<b>\$10,074,891</b>	<b>\$10,277,282</b>	<b>\$10,483,739</b>	<b>\$10,694,858</b>	<b>\$10,909,703</b>
<b>EBITDA</b>	<b>\$887,880</b>	<b>\$19,365,912</b>	<b>\$19,728,589</b>	<b>\$20,099,730</b>	<b>\$20,374,021</b>	<b>\$20,762,683</b>
<b>Bond Debt Service (2)</b>	<b>\$0</b>	<b>\$9,670,073</b>	<b>\$11,080,463</b>	<b>\$11,080,175</b>	<b>\$11,082,063</b>	<b>\$11,080,281</b>
<b>Debt Service Coverage Ratio</b>	<b>n/a</b>	<b>2.00 : 1</b>	<b>1.78 : 1</b>	<b>1.81 : 1</b>	<b>1.84 : 1</b>	<b>1.87 : 1</b>
Revenues after Debt Service	\$887,880	\$9,695,839	\$8,648,127	\$9,019,555	\$9,291,958	\$9,682,402
Deposit to Capital Maintenance Fund	-	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)
Surplus available to Members	887,880	9,315,839	8,268,127	8,639,555	8,911,958	9,302,402
Cumulative Capital Maintenance Fund	-	\$380,000	\$760,000	\$1,140,000	\$1,520,000	\$1,900,000
45 days cash		\$2,296,705	\$2,300,270	\$2,302,880	\$2,304,483	\$2,304,861

(1) Assumes sales of 290,000 MMBTU per annum at an average contract price of \$30 per MMBTU.

Total current value is \$75/MMBTU sold to Waste Management as a ROFR.

(2) Bond interest capitalized for 24 months.

### Renewable Natural Gas Attributes

The project will be selling renewable natural gas (RNG) for transportation fuel to Waste Management under a ROFR conservatively estimated for modeling purposes with renewable attributes at \$30/MMBTU. The RNG value is based on the sum of the natural gas commodity price, the California Low Carbon Fuel Standard (LCFS) credit value, and the EPA Renewable Index Number (RIN) credit value. Current market price of RNG from RBF is \$3/MMBTU for commodity natural gas, \$46/MMBTU<sup>7</sup> for LCFS credit, and \$26/MMBTU<sup>8</sup> for RIN credit. The total current value for RNG sale is \$75/MMBTU.

### Contract Counterparties

#### Lyles Construction – Design-Build GMP Contractor

Headquartered in Fresno, California, Lyles Construction Group (LCG), the parent company of WML, provides construction services throughout California and northern Nevada, specializing in infrastructure construction. Expanding from inception in 1945 in the oil fields of Avenal, California, LCG now performs a wide range of infrastructure construction, including: pipelines, water and wastewater treatment plants, industrial plants, pumping stations, ground-water storage facilities, earthwork, grading, paving, concrete flatwork, wet and dry utilities, irrigation facilities, canals, HVAC, refrigeration, and plumbing.

LCG is listed in ENR's Top 400 Contractors and Top 200 Environmental Firms, and provides contracting services for individual projects up to \$250MM, with current single and aggregate bonding capacities of \$500MM and \$1B, respectively. Additionally, LCG has averaged over 1 million craft man-hours per year over the last five years, and WML itself is the contractor for the CR&R Riverside County Environmental Center, in Perris, California, an organic waste-to-energy project being developed in four phases. The first two phases have been completed and are operational, producing up to 2 megawatts of power. (Phase 1 work provided a complete, functioning conversion plant, while the remaining phases expand the Center's processing capacity.) Upon full buildout, the facility is expected to be capable of processing 300,000 tons per year of organic waste to energy, and to produce nearly 4 megawatts. WML has previously worked with Anaergia to construct both an Omnivore installation in Victorville, California, and a biogas-powered power generation facility in Victor Valley, California. The Facility will include both an Omnivore and a biogas-powered power-generating system.

In order to maintain optimum project control, which will ensure maximum competitiveness and on-time completion, LCG has the capability to self-perform the following types of work: pipelines, earthwork, grading, paving, concrete flatwork, wet and dry utilities, structural concrete, mechanical and civil piping, HVAC, refrigeration, plumbing, and equipment installation.

### Waste Management

Waste Management has committed to collect, process, and deliver food waste collected in their two commercial franchise zones in Los Angeles which is conservatively anticipated to be 300 TPD and up to 500 TPD to RBF. Waste

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<sup>7</sup> LCFS value based on Lawrence Berkeley National Lab Life Cycle Analysis to determine Carbon Intensity of the fuel (-187 g/MJ) and the current California market price of \$185 per metric ton of CO<sub>2</sub> (source: <https://www.arb.ca.gov/fuels/lcfs/credit/lrtweeklycreditreports.htm>)

<sup>8</sup> RIN value based on current EPA price of \$2.25 for D3 RINs and 11.727 RIN/MMBTU conversion factor (source: <https://www.epa.gov/fuels-registration-reporting-and-compliance-help/rin-trades-and-price-information>)



Management is the largest environmental solutions provider in North America, serving more than 21 million municipal, commercial and industrial customers in the U.S. and Canada.

#### **Republic Services**

Republic Services will supply approximately 100 TPD food waste feedstock from Orange County, and has expressed its intent to supply more feedstock from Los Angeles, which would increase total tonnage to 300 TPD. After Waste Management, Republic Services is the second largest provider of services in the domestic non-hazardous solid waste industry, as measured by revenue.

#### **Denali Water Solutions**

Denali Water Solutions will supply up to 300 TPD of biosolids from the City of Los Angeles, Los Angeles County, and Orange County Sanitation Districts, and will provide sales and marketing services for the fertilizer produced at the Facility. Denali sells their converted products (e.g. compost, mulch) under the brand names “WeCare Organics” and various WeCare Compost® trademark names.

#### **City of Rialto**

The City of Rialto owns not only the land on which the Facility sits, but also the adjacent wastewater treatment facility. RBF has an executed site lease agreement with the RUA, ground lessee of the Project site from the City of Rialto, and a facility operating agreement with the City and the RUA, under which RBF expects to process approximately 25 TBD of dewatered municipal biosolids produced by the adjacent wastewater treatment plant operated by RUA.

#### **Liquid Environmental Solutions**

LES has executed a Commitment Letter for Liquid Organics stating that it is prepared to negotiate to provide RBF with between 30,000 and 50,000 gallons of liquid organics, subject to reaching mutual agreement on expenses of both parties and satisfactory logistics regarding delivery, receipt, and processing of the material.

#### **City of Anaheim**

The City of Anaheim, CA owns and operates electric and water utilities for that city. RBF through an affiliate has contracted with Anaheim Public Utilities for sale of renewable natural gas.<sup>9</sup>

#### **Southwest Gas**

Southwest Gas is an investor owned regulated public utility and provides natural gas service to Arizona, Nevada, and portions of California. It has over 2 Million Customers. RBF has contracted renewable natural gas with Southwest Gas.<sup>10</sup>

#### **Southern California Edison**

RBF will execute a Power Purchase Agreement (PPA) with Southern California Edison for up to 3MW of renewable electricity. The Power Purchase Agreement to be executed is mandated by SB 1122 (The Bioenergy Feed-in Tariff Program), and its terms and pricing structure are consistent throughout the State of California.

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<sup>9</sup> See “Feedstock and Offtake Contracts – Offtake Contracts.”

<sup>10</sup> See “Feedstock and Offtake Contracts – Offtake Contracts.”

## Grants & Incentives

Given the innovative nature of the Facility, RBF has been awarded grants and incentives from the US Department of Energy, the California Energy Commission (CEC), CalRecycle, and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) with respect to the Project.<sup>11</sup>

**DOE** – The DOE selected RBF as a grantee for funding under the Department’s Office of Energy Efficiency and Renewable Energy (EERE). The grant will support engineering and design of the Facility, and additional funds are available to support its construction. The DOE grant is for \$3 million, and is distributed in a first phase to finalize engineering.

**CalRecycle** – CalRecycle awarded RBF a \$4M grant towards the purchase of an anaerobic digester.

**California Energy Commission (CEC)** – The CEC awarded RBF two grants. The first grant is for \$3 million, to reimburse costs for the procurement, installation, and associated balance of plant infrastructure for the biogas upgrading system, which converts biogas into renewable natural gas for pipeline injection.<sup>12</sup> This grant requires that a portion of the renewable natural gas (880,000 DGE / year) be used for transportation fuel for the duration of the grant term, which is 3 years of operation, which RBF anticipates being able to satisfy through sales of biogas to owners or operators of transportation fleets. The second grant from the CEC is for \$5 million, to reimburse costs for the procurement, installation, and associated balance of plant infrastructure for one 1.6 MW CHP engine, 2 MWhr of energy storage with batteries, and a microgrid system controller.

**South Coast Air Quality Management District (SCAQMD)** – SCAQMD has awarded a grant of \$4,365,801 to RBF. The grant is distributed as a reimbursement for costs incurred related to the biogas upgrading to the RNG system already in design. The purpose of the grant is to promote biomethane projects in the SCAQMD that reduce emissions and improve air quality. The proposal by RBF was the largest awarded amount and highest ranking proposal (99 out of 100 points), illustrating the air district’s strong support for the project. The grant does not require the project to change design, equipment, or cost in any way.

The Project has been awarded \$19,365,801 in grants to date, with an additional grant from the California Energy Commission currently under review. If received, funds will be used to reduce the overall cost of the project, or pay for enhancements to the Facility.

**Table 5: Summary of RBF Grants**

Grant Source	Status	Amount (\$Millions)
CalRecycle	Awarded	\$4.0
California Energy Commission	Awarded	3.0
California Energy Commission	Awarded	5.0
U.S. Department of Energy	Awarded	3.0
South Coast Air Management District	Awarded	4.3
<b>TOTAL GRANTS AWARDED TO DATE</b>		<b>\$19.3</b>

<sup>11</sup> <http://www.treasurer.ca.gov/caeatfa/meeting/staff/2017/20170919/3.pdf>

<sup>12</sup> The original applicant and awardee of this grant is an RBF affiliate, Anaheim Energy, LLC, which contracted with RBF such that RBF will be paid grant funds and own all equipment, as acknowledged by the CEC.

Grant Source	Status	Amount (\$Millions)
California Energy Commission	Under Review	5.0
<b>TOTAL GRANTS AWARDED TO DATE PLUS UNDER REVIEW</b>		<b>\$24.3</b>

### Technology

The redevelopment of the Facility site for use by RBF will benefit from Anaergia’s global experience and proprietary technologies. Anaergia’s organics extraction and cleaning technologies work together to efficiently extract and prepare organic material for renewable energy production. Anaergia’s proprietary systems facilitate not only the efficient separation of the organic fraction of municipal solid waste, but also process it to remove small physical contaminants (such as grit, plastic, and glass) and light contaminants like plastic film. Clean organic feedstock is necessary not only for continued digester operation, but also to ensure that the digestate it produces is of acceptable quality for land application.

Anaergia’s digestion technologies (high solids mixing and recuperative thickening) are in place at hundreds of reference facilities, enabling digestion of substrates of varying quality and solids content. Those digestion technologies will be implemented at the Facility to ensure flexible and efficient digester operation and biogas production.

### Changing Regulations

Organic Waste Diversion - AB 1826 was signed by Governor Brown on September 28<sup>th</sup>, 2014, requiring that each jurisdiction adopt an organics recycling program beginning January 1<sup>st</sup>, 2016, with full implementation scheduled for January 2019. This legislation necessitates organics recycling infrastructure like that which is proposed by RBF. Subsequent law, SB 1383, requires statewide organics diversion from landfill of 50% by 2020 and 75% by 2025 – equivalent to roughly 20M tons per year of diversion that will require approximately 200 new facilities across California. SB 1383 requires all jurisdictions in California to subscribe to an organics collection and processing program whereby organic waste is diverted from landfill and used for beneficial reuse such as in anaerobic digesters. The law authorizes the adoption of regulations that require local jurisdictions to impose requirements on generators or other relevant entities within their jurisdiction and that authorize local jurisdictions to impose penalties on generators for noncompliance.

Sludge Disposal Options –Quantities of biosolids production are increasing in Southern California while options for disposal are becoming increasingly constrained. These pressures will be alleviated by construction of alternative biosolids disposal options in the region.


### Support from Partnering Agencies

This project has garnered the support of state and local leaders, environmental organizations, municipalities, and utility managers who are aligned behind the Project’s potential. Some of the agencies/groups that have lent written support to the Project include the California Association of Sanitation Agencies (CASA), San Bernardino County, Water Environment & Reuse Foundation (WERF), Bioenergy Association of California, Senator Connie M Leyva (20<sup>th</sup> Senate District), Assembly Member Rocky J Chavez (76<sup>th</sup> District), County of Los Angeles Department of Public Works, National Association of Clean Water Agencies (NACWA), among others.




## Exhibit A

Relevant key project references for Anaergia are outlined below:


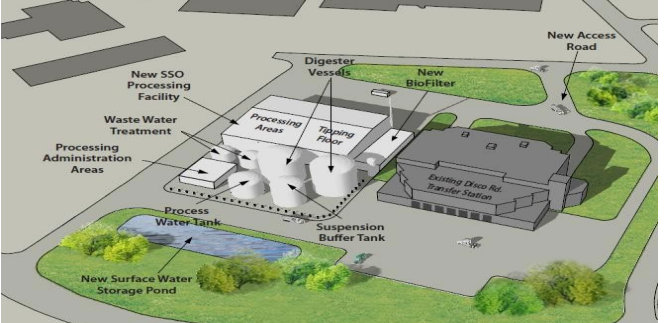

### Anaergia EPC Projects

<p><b>Szarvas, Hungary</b>            Commissioned: 2011            Feedstock: 120.000 t/year            Agricultural products and waste streams:</p> <ul style="list-style-type: none"> <li>- Slaughterhouse wastes, whey,</li> <li>- turkey and cow manure,</li> <li>- pig slurry,</li> <li>- sorghum</li> </ul> <p>Digesters: 2 x Helios at 2.100m<sup>3</sup> each            + 3x Helios at 3.700m<sup>3</sup> each</p>	
<p><b>Röblingen, Germany</b>            Commissioned: 2011            Feedstock: 90.000 t/year            Agricultural products and waste streams:</p> <ul style="list-style-type: none"> <li>- pig slurry,</li> <li>- cattle and chicken manure,</li> <li>- corn silage,</li> <li>- whole crop silage</li> </ul> <p>Digesters: 2x Helios at 2.000m<sup>3</sup> + 2x Helios at 3.000m<sup>3</sup> + 2x Helios at 4.500m<sup>3</sup> each</p>	
<p><b>Dessau, Germany</b>            Commissioned: 2013            Feedstock: 70.000 t/year            Agricultural products and waste streams:</p> <ul style="list-style-type: none"> <li>- Maize silage</li> <li>- Chicken dry manure</li> <li>- Grass silage</li> </ul> <p>Digesters: 2x Tritons at 6.500m<sup>3</sup> each</p>	
<p><b>Raynham Farm, England</b>            Commissioned: 2015            Feedstock: 33.000 t/year            Agricultural products:</p> <ul style="list-style-type: none"> <li>- Sugar Beet Pulp</li> <li>- Whole crop rye</li> <li>- Chicken litter</li> </ul> <p>Digesters: 1x Triton at 7.500m<sup>3</sup></p>	



<p><b>Orlovnjak, Croatia</b>          Commissioned: 2015          Feedstock: 110.000 t/year          Agricultural products:          - Cattle and Pig slurry          - Cattle and chicken dry manure          - Sugar beet + Corn Silage          Digesters: 1x Triton at 9.000m<sup>3</sup> + 1x Helios at 5.000m<sup>3</sup></p>	
<p><b>Cardiff, England - Garbage to Energy</b>          Commissioned: 2016          Feedstock: 35.000 t/year          Waste: Source Separated waste (SSO)          Digesters : 2 x Helios á 3.000m<sup>3</sup></p>	
<p><b>WasteMart, South Africa - Garbage to Energy</b>          Commissioned: 2017          Feedstock: 170.000 t/year          Waste: MSW + SSO Garbage          Digesters: 2 x Helios at 6.800m<sup>3</sup> each</p>	

**Designed-Built and Operated by Anaergia:**

<p><b>Limassol, Cyprus</b>          Commissioned: 2017          Feedstock: 140.000 t/year          Municipal Solid Waste (MSW)          Project information:          - Waste sorting line          - Anaerobic Digestion          - CHP          - Wastewater Treatment          - Air Treatment          Digesters: 2 x Helios tanks of 3.600m<sup>3</sup> each          10 years' operating contract for waste recycling, digestion, wastewater treatment, CHP.</p>	
<p><b>Toronto, Canada Garbage to Energy</b>          To be Commissioned: Q1 2018          Feedstock: 55.000 t/year          Source Separated waste (SSO)          Project information:          - Waste Pre Processing          - Waste Polishing          - Anaerobic Digestion          - Digestate Treatment using MBR          02 Digesters 5,300 &amp; 3,500 M<sup>3</sup> each          O&amp;M contract start date: Spring of 2018          O&amp;M contract duration: 3 + 3 years' operating contract</p>	
<p><b>Victor Valley, USA</b>          Commissioned: 2014          Feedstock: Co-digestion of Bio-solids &amp; Food waste (high strength Organics)          Bio solids – 22,000 MT/Year Mixed waste          Digester Volume – 1,250 Nm<sup>3</sup>          Project information:          - Anaergia patented Omnivore with Recuperative Thickening          - In addition also operating CHP – 800 KWe x 2          O&amp;M contract start date: Fall of 2014          O&amp;M contract duration: ~ 3 Year operating contract</p>	

**Digestion Plants Operated by Anaergia's Team:**

<p><b>Camden, New Jersey, USA</b>          Under construction          Municipal Plant Omnivore Design with Recuperative Thickening          3.8MW Plant          Anaergia will operate CHP plant for 10 years</p>	
<p><b>Fair Oaks Farms, USA</b>          Commissioned: 2012          Feedstock: 1,500 NM3/Hr of Biogas              - Biogas from Dairy Manure          Project information:              - Biogas Upgrading and Injection in gas line              - Process integration for using upgraded Biogas for Fuelling Trucks          Digesters : Existing          O&amp;M contract start date: Dec 2012          O&amp;M contract duration: 3 years' operating contract, now taken over by owner</p>	
<p><b>Singapore Public Utility Board (PUB), Singapore</b>          Commissioned: 2017          Feedstock: Source Segregated Food waste – 10,000 TPY and Sewage Sludge 13, 000 MT/year          Biogas – 120 Nm3/Hr          Project information:              - Waste sorting line              - Anaerobic Digestion              - And Air Treatment          Digesters 2x Helios at 3.000m<sup>3</sup> each          O&amp;M contract start date: Sep 2015          O&amp;M contract duration: 5 Years</p>	



<p><b>Pellmeyer Farm, Germany</b>          Commissioned: 1996          Feedstock: 20.000 tons/year          - Organic wastes          3xHelios á 1.000m<sup>3</sup> each</p>	
<p><b>Biomasse Kraftwerk Eggertshofen GmbH, Germany</b>          Commissioned: 2006          Feedstock: 50.000 tons/year          - Maize silage          - Grass silage          2xHelios á 1.500m<sup>3</sup> + 1xHelios á 2.300m<sup>3</sup></p>	
<p><b>Friedl GbR, Germany</b>          Commissioned: 2005          Feedstock: 10.000 tons/year          - slurry, manure          - silo corn          1xHelios á 1.000m<sup>3</sup></p>	



**Digestion Plant Operated by Anaergia's Team:****Bronkhorstspuit, South Africa**

Commissioned: 2016

Feedstock: 200.000 tons/year

- Cattle manure,
- Organic wastes (dog food, ice cream, beer waste, food processing waste, paper pulp)

Project information:

- Anaerobic Digestion
- CHP

Digesters: 1 x 5.300m<sup>3</sup> + 2 x 8.000m<sup>3</sup> built by other company but not operating at more than 3 MW

Anaergia team was hired to troubleshoot and operate the plant for 1 year and transfer back to client. In 1 year Anaergia successfully raised plant to design capacity of 4.6 MW.

BMW is the off-taker of electricity.



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**APPENDIX B**  
**INDEPENDENT ENGINEER'S REPORT**

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**INDEPENDENT ENGINEER'S REPORT**

**RIALTO BIOENERGY FACILITY LLC'S**

**BIOENERGY FACILITY**

**Bloomington, CA**



**HARRIS GROUP INC.**

**Project 80348.00**

*October 7, 2018*

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This report has been prepared at the request of and for the use of the client. The conclusions, observations and recommendations contained herein constitute only the opinions of Harris Group Inc. To the extent that statements and books of record and accounts of the client, statements of independent public accountants and auditors employed by the client and information prepared by others have been used in the preparation of this report, Harris Group Inc. has relied upon the same to be accurate, and for which no assurances are intended and no representations or warranties are made. Harris Group Inc. makes no certification and gives no assurance except as explicitly set forth in this Report.

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## **SECTION 1 - EXECUTIVE SUMMARY**

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## SECTION 1 EXECUTIVE SUMMARY

This report was prepared by Harris Group Inc. in connection with Rialto Bioenergy Facility LLC, to finance its facility through Solid Waste Disposal Revenue Bonds (Rialto Bioenergy Facility LLC Project). This report reviews the technical, project organization, management, financial, and environmental aspects of the proposed bioenergy facility (the “Project”) to be built in Bloomington, CA, which is a census designated place governed by City of Rialto.

### PROJECT OVERVIEW

The Rialto Bioenergy Facility LLC (“RBF”), through its parent company, Anaergia Services LLC (“Anaergia”), has developed a multi-feedstock bioenergy facility that will produce up to 40,300 megawatt hours (“MWh”) per year of renewable electricity (through approximately 4.6 MW of installed capacity), 600,000 MMBtu/yr of renewable natural gas (“RNG”), and 9,855 tons (unless noted otherwise, “ton” refers to a short ton, equal to 2,000 pounds) of marketable soil amendment/fertilizer. RBF will utilize primarily pre-processed food and organic waste and wastewater sludge (Class B biosolids) from Wastewater Treatment Plants (“WWTPs”) as feedstocks for the Project. Additionally, a small amount of liquid wastes will be taken by RBF as (“Opportunity Feedstock”). RBF chose these feedstocks because they are readily available and because, under new regulations in California, they are required to be diverted from landfills to beneficial uses such as producing renewable energy/fuels and saleable coproducts. The Project is located on a brownfield site that previously processed biosolids from an adjacent WWTP.

The largest volume (700 tons per day or “tpd”) of feedstock will be the wet fraction (“WF”) of organic waste that will result from the off-site processing of municipal solid waste (“MSW”) and source separated organics (“SSO”) from several large contracted waste haulers. WF will be separated from MSW and SSO collected by waste haulers using Anaergia’s organics extrusion (“OREX”) press (or similar) technology prior to being trucked to the Project site. The WF is a stackable cake with a total solids (“TS”) content of approximately 30%. In addition, the Project will receive up to 300 tpd of biosolids from different WWTPs and converted into fertilizer through drying that uses waste heat from the Project’s on-site combined heat and power plant (“CHP”).

At the heart of the Project are two anaerobic digesters that break down organic matter in the WF into biogas, which is a mixture of methane (“CH<sub>4</sub>”), carbon dioxide (“CO<sub>2</sub>”), water vapor and other gases. The Project will clean and combust a fraction of the biogas in four reciprocating engine generators to produce renewable electricity to power the Project and for export to the electrical grid. The remaining gas will be upgraded to pipeline specifications and injected into the natural gas pipeline as RNG. After digestion, some of the suspended solids will be removed from the digestate. Based on the market conditions, these solids may either be combined with the biosolids and dried in the belt dryer that will use heat from the engine jacket and exhaust or may be hauled away as a cake fertilizer for agricultural applications. These dried solids can be sold as-is or further processed in a pyrolysis system that produces biochar and pyro-gas that can be used to supplement the exhaust gas in the solids dryer. The biochar can be marketed as a soil amendment. The pyrolysis system also produces a bio-oil that when fed to the anaerobic digesters increases biogas production. A pyrolysis system is not part of the Project and not review herein;

it may be added in the future. The financial projections and proforma do not include any revenues, expenses, or capital costs associated with Pyrolysis.

### PROJECT PARTICIPANTS

#### QUALIFICATIONS OF THE PROJECT TEAM AND COUNTERPARTIES

The Project Team and counterparties are made up of Anaergia; W. M. Lyles Company; GHD, Inc.; Waste Management, Inc.; Republic Services, Inc.; Denali Water Solutions; City of Rialto; City of Anaheim; Southwest Gas; Southern California Edison, California Energy Commission, U.S. Department of Energy, and Calrecycle. RBF is responsible for overall project management of the Project throughout construction, commissioning, and start-up. W. M. Lyles Company and GHD, Inc. are responsible for the engineering, procurement, and construction of the Project. RBF is responsible for the engineering, procurement, and commissioning of some of the process-related equipment. W. M. Lyles Company is responsible for the procurement of the non-process (or balance of plant, “BOP”) equipment. California Energy Commission, U.S. Department of Energy, and Calrecycle provide grants to the Project totaling \$14M. RBF will be responsible for the Project’s operations and maintenance (“O&M”), utilizing services of third-party vendors, including Anaergia.

The following is an overview of the qualifications and roles of the major project participants:

#### **Anaergia**

RBF is a wholly-owned subsidiary of parent company Anaergia Services (“Anaergia” or the “Parent Company”). Anaergia is a subsidiary of ultimate parent Anaergia, Inc. Anaergia formed Rialto Bioenergy Facility, LLC after purchasing the assets of Enertech Environmental Inc, a large-scale biosolids processing facility located in Bloomington, CA, which had ceased operations. Parent Company to RBF, Anaergia was created in 2010 as a holding company, by Andrew Benedek, founder of global wastewater membrane technology leader Zenon (purchased by GE). Today Anaergia, Inc. develops and deploys innovative technologies that manage waste, while creating renewable energy and other usable co-products. Anaergia, Inc. maintains global and U.S. expertise in the municipal wastewater and municipal solid waste management industries, and currently is a leader in the global waste recovery industry with facilities on four continents. The company focuses on sustainable solutions for the generation of renewable energy from wastes, using a suite of proprietary anaerobic digestion enhancement, organic waste separation, and thermal processing technologies. Globally, Anaergia, Inc. team members have deployed more than 1,600 projects, including 380 MW of power production capacity and 12 major facilities during 20 years of experience. In California, Anaergia has deployed several projects for renewable energy production and diversion of organic waste. Anaergia anticipates implementing multiple additional projects by 2020 in the solid waste, wastewater, and industrial agriculture sectors in California. Anaergia focuses on waste resource recovery solutions that are economically sustainable yet cost-competitive by comparison with conventional and unsustainable waste management practices like landfilling or incineration.

California projects that Anaergia was engaged with include:

- ❑ Victor Valley Wastewater Reclamation Authority Biogas Energy System in Victorville, CA;
- ❑ Omnivore digester retrofit in Victorville, CA;
- ❑ Pyrolysis demonstration in Carlsbad, CA;
- ❑ Biogas Energy Production at Escondido Waste Water Treatment Facility;
- ❑ Digestion of industrial organic waste at The Wonderful Company in Fresno, CA;
- ❑ Omnivore installation at South San Francisco WWTP;
- ❑ OREX installation at Recology Facility to divert organics to EBMUD WWTP in San Francisco, CA;
- ❑ OREX installation at Waste Management Facility in Sun Valley, CA; and
- ❑ OREX installation at Mt. Diablo Resource Recovery Park to divert organics to Delta Diablo WWTP in Antioch, CA

Andrew Dale, P.E., Project Manager: Mr. Dale serves as the overall Project Manager during the implementation of the Project. He oversees and coordinates both the project financial and management team, and the project execution team. Mr. Dale specializes in the development and execution of organics extraction, wastewater treatment, and organics waste management projects, having executed multiple projects that incorporate several of the technologies included in the Project. These projects include the Victor Valley Wastewater Reclamation Authority Biogas Energy System in Victorville, CA; Omnivore demonstration in Victorville, CA; pyrolysis demonstration in Carlsbad, CA; and various others. Mr. Dale has a Bachelor's Degree in Environmental Engineering from Pennsylvania State University and has been published in several national engineering journals.

Dr. Yaniv Scherson, Ph.D., P.E., Lead Technical and Engineering Advisor: Dr. Scherson serves as the Project's lead technical and engineering advisor, supporting both the financial and project management team and the execution team. He has executed similar projects that incorporate the technologies used in the Project, including for the Victor Valley Wastewater Reclamation Authority, the City of San Francisco, and East Bay Municipal Utilities District, among others. His work has been featured in Forbes, U.S. DOE Clean Energy Business Plan Competition, OZY, The Guardian, Bloomberg, Imagine H2O, American Society of Civil Engineers, Water World Magazine, and Energy & Environmental Science, in addition to leading peer-reviewed journals, patents, and book chapters. Dr. Scherson earned his M.S. and Ph.D. in Mechanical Engineering from Stanford University, along with a B.S. in Mechanical Engineering and Materials Science.

Robert Murray, Senior Project Advisor: Mr. Murray provides executive oversight to the Project execution process. Mr. Murray has executed dozens of relevant projects, including projects that support the conversion of wastewater or organic waste to bioenergy using advanced processes and technologies. Prior to his work with Anaergia, Mr. Murray managed regional and global project portfolios for General Electric, Zenon Environmental, and Andritz Hydro Canada.

Juan Josse, Chief Engineer: Mr. Josse serves as the lead engineer for the project execution team, providing senior direction and QA/QC to the engineering and execution team. Mr. Josse possesses 20 years of engineering experience in municipal and industrial wastewater treatment processes, anaerobic digestion, advanced organics processing, and the conversion of biogas into energy and biofuel. Mr. Josse holds U.S. patents for various wastewater treatment processes and has published in numerous wastewater engineering journals. He also received the 2010 Grand Conceptor Award from the American Council of Engineering Companies for the Gills Onions Waste to Energy Project.

Arun Sharma, Financing Manager: Mr. Sharma serves as the Project's executive financing manager and will maintain ultimate financial oversight over all aspects of the project. Mr. Sharma has 15 years of experience in project development, with extensive experience in project financing, financial management, tax equity partnerships, monetization of environmental credits, grant administration, and deal structuring. Mr. Sharma has led development and power purchase agreements for large biogas-to-energy projects, including those presently underway with the City of San Jose and the Inland Empire Utility Agency. He has supported development and provided financial oversight for over \$100 million in biogas projects. Mr. Sharma routinely leads contract negotiations on active projects, as well as deal structuring, project financing, tax equity partnerships, and environmental credits monetization activities.

### **W. M. Lyles Company**

W. M. Lyles Co. ("WML") will act as the design-build contractor, using GHD, Inc. for engineering and design services.

WML, a subsidiary of Lyles Construction Group of Fresno, CA, is a heavy civil and utility contractor with hundreds of projects in the wastewater, sewer, and clean water delivery sectors throughout California and northern Nevada.

WML's work ranges from the infrastructure for five state/county prison sites, the first producing ethanol facility west of Colorado, large water banking systems, pump stations, gas distribution, underground utilities, structures, and renewable energy projects. WML generally self-performs the majority of its work.

### **GHD, Inc.**

GHD, Inc. ("GHD") provided the technical supporting documents associated with the Project's Conditional Development Permits ("CDP"), including hydrology and water quality management plans, as well as 30% detailed design services covering all engineering disciplines. In addition, through a Technical Consulting Services Agreement with WML, GHD will perform the detailed engineering and design for the Project.

GHD is one of the world's largest professional services companies operating in the global markets of water, energy and resources, environment, property and buildings, and transportation. It provides engineering, architectural, environmental, and construction services to private and public-sector clients.

Established in 1928 and employee owned, GHD operates across 5 continents and employs more than 9,000 people in 200+ offices.

### **Waste Management, Inc.**

Waste Management, Inc. (“WM”) will supply approximately 50% of the WF to the Project. Formed in 1971 and headquartered in Houston, TX, Waste Management is the largest environmental solutions provider in North America, serving more than 21 million municipal, commercial and industrial customers in the U.S. and Canada. RBF has a long-term contract with Waste Management.

### **Republic Services, Inc.**

Republic Services, Inc. (“RS”) will supply up to another 50% WF to the Project. After WM, RS is the second largest provider of services in the domestic non-hazardous solid waste industry, as measured by revenue. The current contract with Republic Services is for approximately 100 tpd of WF and the parties are actively looking to increase the size of contract to include additional franchised zones.

### **Denali Water Solutions**

Denali Water Solutions (“Denali”) will provide sales and marketing services for the fertilizer produced at RBF. Denali sells its converted products (e.g. compost, mulch) under the brand name WeCare Organics and various WeCare Compost® trademark names. The current contract with Denali is for hauling up to 300 tons per day of biosolids to RBF Site from the 3 largest WWTP operators in Southern California: City of Los Angeles, Los Angeles County Sanitation District, and Orange County Sanitation District.

### **City of Rialto**

The City of Rialto owns not only the land on which the Project sits, but also the adjacent wastewater treatment facility. RBF has an executed site lease agreement and a facility operating agreement with the City. The City will contribute dewatered municipal biosolids to RBF.

### **City of Anaheim**

The City of Anaheim, CA owns and operates electric and water utilities for Anaheim. RBF has contracted with Anaheim Public Utilities for sale of RNG. Currently, the gas purchase agreement is a 20-year, fixed price contract.

### **Southwest Gas**

Southwest Gas is an investor-owned regulated public utility and provides natural gas service to Arizona, Nevada, and portions of California. It has over 2 million customers. RBF is in the final stages of contracting RNG with Southwest Gas. The current gas purchase agreement is a 10-year, fixed price contract.



### **Southern California Edison**

RBF will execute a 20-year Power Purchase Agreement (“PPA”) with Southern California Edison for up to 3MW of renewable electricity. The PPA to be executed is mandated by SB 1122 (The Bioenergy Feed-in Tariff Program), and its terms and pricing structure are consistent throughout the State of California.

### **OBSERVATIONS AND CONCLUSIONS**

Harris Group Inc. (“HGI”) utilized its knowledge and experience in biofuel production and refining industries, as well as proprietary and public information, to develop this report. HGI is well qualified to perform these services, as it is a nationally recognized independent engineering firm that has been providing technical due diligence and independent engineering review services of projects on behalf of lenders, investors, and owners since 1989. HGI is experienced with current ethanol and biorefinery technologies and has provided independent engineering reviews of biorefinery projects on behalf of numerous financial clients. Some of those engagements have been in support of U.S. government loan and grant programs.

Set forth below are the principal observations and opinions we have reached during our review of the Project. For a complete understanding of the estimates, assumptions and analyses upon which these opinions are based, this report should be read in its entirety.

### **SECTION 2 – PROJECT DESCRIPTION**

- ❑ HGI has reviewed process flow diagram, mass balance, P&IDs, yield calculations, and specifications of major equipment that RBF proposes to utilize in the Project. It is our opinion that the Project design does not represent an emerging technology. Rather, it represents the use of proven equipment and unit operations that have been employed successfully by Anaergia and others in other projects.
- ❑ HGI reviewed the site location and the available utilities available to the site. It is our opinion that the site location makes it convenient to transportation routes for construction traffic as well as for delivery and shipping of feedstocks and products, respectively. It is also our opinion that the existing utilities will not require significant upgrades to serve the Project.
- ❑ HGI reviewed the geotechnical evaluation report prepared by Sladden Engineering. The geotechnical findings and recommendations did not reveal major issues or design requirements that are outside what is considered normal for a project such as this. It is our opinion that if RBF observes Sladden’s recommendations, there are no technical obstacles to constructing and operating the Project on the Project site.
- ❑ HGI visited the Project site and visually inspected the existing equipment that RBF will re-use in the Project. It is our opinion that the equipment RBF will re-use is appropriate for the use RBF intends and is in good enough condition that it will not require significant

expenditure to restore it to operating condition. The cost to restore it has already been included in the Project's capital cost.

- ❑ Based on our review of the Project documents and our interactions with RBF and Anaergia representatives, it is HGI's opinion that RBF has the knowledge, resources, and experience to design and implement the Project to anaerobically digest WF and dry biosolids to produce salable electricity, RNG, and soil amendments.
- ❑ Based on our review of the Project documents, it is our opinion that there is sufficient redundancy of key equipment that the Project, when properly managed and operated, is capable of meeting anticipated annual throughputs. Further, it is our opinion that the Project includes very few single points of failure and, where they do exist, they can be bypassed easily and without significant disruption to continuous operations.
- ❑ At steady-state, RBF anticipates the Project will import 6,000 standard cubic feet ("scf") of Rialto biogas per hour and convert approximately 550 tons of WF and 190 tons of biosolids per day into approximately 3.8 tons of dried soil amendment an hour and 88,944 scf of biogas per day. A portion of the biogas will be combusted in reciprocating engine generators to produce approximately 5.0 MW of electricity and a portion will be cleaned and compressed to produce 57.8 MMBtu per hour of RNG. Based upon the anticipated feedstock supply and conversion yields Anaergia has experienced in its other plants, it is HGI's opinion that the Project can produce these proposed rates of solids, electricity, and RNG.
- ❑ HGI reviewed the feedstock study that Anaergia performed. We compared the data in the study to data available from state and local agencies that compile waste statistics. It is our opinion that Anaergia's feedstock study accurately reflects available data and, therefore, there is enough feedstock in the local area to support more than 12 projects of the same size as the RBF Project.
- ❑ It is HGI's opinion that, if properly operated and maintained, the Project should achieve a useful life extending beyond the 20-year term of the Series 2018 Bonds.

### SECTION 3 – PROJECT EXECUTION AND SCHEDULE

- ❑ HGI reviewed the Project execution structure. It is our opinion that a design-build model that incorporates Anaergia's process design is appropriate for the Project in that Anaergia has the process expertise and experience with specific equipment.
- ❑ HGI reviewed the scopes of work of the companies affiliated with the Project. It is our opinion that WML and GHD have the appropriate experience to deliver a Project that meets the specifications described in the Project documents.
- ❑ HGI reviewed the Project schedule and the Construction schedule. It is our opinion that the order and duration of activities of both schedules are consistent with those for other projects of similar scope with which we are familiar. Further, the milestone dates are consistent with the schedule that is in the Financial Model.

### SECTION 4 – CAPITAL COSTS

- ❑ HGI reviewed the Capital Cost estimate and the development methodology to arrive at the estimate.
- ❑ At \$62.4M, Contractor Cost is the largest contributor to the Project Capital Cost. WML arrived at its cost estimate by utilizing the results of the preliminary design, internal estimating practices, data from RBF, and bids from equipment and service vendors. It is our opinion that WML has the experience and resources to provide an accurate Capital Cost estimate for the Project.
- ❑ HGI reviewed the engineering documents (BOD, P&IDs, etc.) that WML used to develop its GMP. It is our opinion that these documents were developed in a professional manner and provide sufficient information for WML to make an accurate cost estimate that conforms to industry standards.
- ❑ The total estimated construction costs are comparable to the costs of projects of similar size and technology development status with which we are familiar.
- ❑ The \$5.0M in contingency is equal to approximately 14.5% of the non-fixed, non-guaranteed costs for the Project. It is our opinion that this level of contingency is consistent with other projects of similar size and scope with which we are familiar.
- ❑ Construction interest has been capitalized to cover 24 months of interest. This represents three months of capitalized interest that is in excess of the expected construction timeline. It is our opinion that the amount of capitalized interest is appropriate to account for potential delays in construction.
- ❑ The capital cost includes \$5.67M for a debt service reserve fund. This represents six months of debt service. It is our opinion that this is an appropriate amount for the Project.
- ❑ The capital cost includes \$1.14M in startup costs and an initial funding of \$272K in a major maintenance reserve account that accumulates at a rate of \$380K per year from operating revenue. In addition, the O&M budget includes a wear parts cost of approximately \$1M per year that is funded through operating revenue. It is our opinion that these values are appropriate for the Project.

### SECTION 5 – OPERATIONS AND MAINTENANCE

- ❑ HGI review the O&M costs estimates for the Project. It is our opinion that the Company has developed a sound model for estimating the expenses of operating and maintaining the Project, and such estimates are generally reasonable and achievable to support the projected performance of the Project.
- ❑ HGI reviewed the flow estimates for certain O&M items and compared them to the values that are in the engineering documents. These items include transportation and disposable flows as well as natural gas, biogas, potable water and wastewater. It is our opinion that

the values RBF used to estimate O&M costs are reasonably consistent with those on the engineering documents.

- ❑ It is our opinion that the non-feedstock O&M costs is within the range of other projects of similar size and scope with which we are familiar.
- ❑ HGI reviewed the CHP O&M costs. It is our opinion that the rates (on \$/kWh basis) is consistent with CHP O&M packages for other projects with which we have experience.
- ❑ RBF will perform O&M services for the Project and will subcontract certain services to Anaergia and other third-party vendors. HGI has reviewed Anaergia's experience and capabilities on operating similar facilities. Based on Anaergia's experience operating numerous facilities in the U.S. and in Europe, it is HGI's opinion that they are qualified to perform the O&M services for the Project and will be able to either hire on-site staff with knowledge and experience in digester plant operations or train new staff to do so.
- ❑ The OPEX contingency is equivalent to 5.00% of the total OPEX costs. It is our opinion that this amount is consistent with that of other projects of similar size and scope with which we are familiar.

### SECTION 6 – ENGINEERING, PROCUREMENT, AND CONSTRUCTION AGREEMENT

- ❑ HGI reviewed the Design-Build Contract between WML and RBF. It is our opinion that the contract addresses the important commercial terms required of such contracts and exhibits the standard of care we would expect for similar agreements with a similar scope of work.
- ❑ HGI reviewed the process by which WML and RBF developed the Budget for the Cost of Work. It is our opinion that they developed the Budget in a professional manner with properly sourced documents, and the mutually agreed upon Budget is appropriate for a Project of this size and scope.

Harris Group reviewed the “early stage Design Documents” that WML (with input from RBF) used to develop the Budget. It is our opinion that these documents were developed in a professional manner and contain sufficient detail to develop a Contract Price with reasonable accuracy.

It is our opinion that the strategy of developing the Risk Register is an appropriate way to estimate an adequate Contingency.

It is our opinion that the strategy the RBF employed to limit the GMP will result in a conversion to Lump Sum that should not exceed \$98,276,849.

- ❑ The Agreement defines a mutually agreed upon milestone schedule for Project completion and the liquidated damages that are to be paid by WML if that schedule is not met. It is HGI's opinion that the mutually agreed upon schedule is appropriate for a Project of this scope and that the schedule liquidated damages provide an adequate incentive for WML to complete the construction in a timely manner.

- ❑ HGI reviewed the Commissioning Criteria and Procedures and the performance and acceptance Testing to be conducted following Substantial Completion included in Exhibit J and Exhibit K, respectively. It is our opinion that the procedures, responsibilities, and acceptance parameters contain enough detail for a test to adequately demonstrate that the RBF facility meets the performance required to ensure the Project can obtain its technical and financial requirements.
- ❑ It is HGI's opinion that WML has the resources and experience necessary to ensure that its scope of work will be performed in a manner that assures the Project will be completed on schedule and budget.

### SECTION 7 – THIRD PARTY AGREEMENTS AND INTERFACES

- ❑ HGI reviewed the executed feedstock agreement between RBF and WM and between RBF and RS. It is our opinion that the formats of the agreements – and the commercial terms contained therein – are adequate to address the requirements for the supply of feedstock to the Project.

Under the executed WF feedstock agreements that dedicate certain franchise zones to the Project, the maximum amount that WM and RS are presently scheduled to supply is 400 tpd. In addition, HGI reviewed a memorandum from RS which expresses RS's intent to supply additional WF from LA franchise zones. Based on Cal Recycles studies, there is adequate WF between these two haulers in the region to supply 700 tpd, the capacity for the Project.

- ❑ The RNG gas purchase agreements include clauses that require RBF to deliver minimum amounts and minimum qualities of RNG. If RBF is unable to meet those requirements, it will have to compensate the offtakers for the deficit(s). The minimum amount of RNG the Project must deliver per the two agreements is 210,000 MMBtu/yr. This is less than half the 500,000 MMBtu/yr RBF projects the Project will produce. It is HGI's opinion that there is little risk that the Project would produce less than the minimum amount of RNG required by the gas purchase agreements.
- ❑ HGI reviewed the ground sublease agreement between RBF and Rialto Utility Authority. The ground sublease agreement outlines the conditions for RBF to develop and operate an organic waste recycling facility on land owned by the City of Rialto. It is our opinion that the formats of the agreements – and the provisions contained therein – are adequate to provide the Project with complete access and control of the Project site to allow for construction and operation for the life of the Facility.

### SECTION 8 – ENVIRONMENTAL REQUIREMENTS AND SITE CONDITIONS

- ❑ HGI reviewed the list of permits required for construction and operation of the Project. It is our opinion that there are no known site-specific circumstances or technical obstacles

that would preclude RBF from obtaining the remaining permits and agreements that it will require to construct and operate the Project.

- ❑ HGI reviewed the Final EIR that TCI developed for the Project. Based on our experience with TCI in previous projects, it is our opinion that TCI is well qualified to perform this work and did so in a professional manner. It is our opinion that the mitigation measures that become conditions for approval are reasonably attainable and will not limit the Project's ability to operate as designed.
- ❑ HGI reviewed the Air Permit applications that TCI developed. It is our opinion that TCI's application affords the Project sufficient flexibility (e.g. in operating hours) and will not be constrained by conditions set forth in the Permit to Operate.
- ❑ HGI reviewed the Phase I ESA prepared by LOR. It is HGI's opinion that LOR is well qualified to perform this task and did so in a professional manner. LOR found no evidence that would indicate the presence of RECs or implicate current or past presence of hazardous materials, material releases or regulated substance, or existing environmental liability at the site.

### SECTION 9 – FINANCIAL MODEL

- ❑ HGI reviewed the Financial Model. It is our opinion that the model was developed in a professional manner and that the parameters in the model are consistent with those of financial models for other projects of similar size and scope with which we are familiar.
- ❑ It is our opinion that the model's input values (e.g. WF amounts, offtake prices, etc.) are generally consistent with Project documents such as the Mass Balance, offtake agreements, etc.
- ❑ HGI reviewed the feedstock volumes and tipping fees used in the Financial Model. Based on our review of the regulations that drive that amount of available WF and the data on volumes of potential WF that is available in the franchise zones represented by the agreements with WM and RS, it is our opinion that there is feedstock available that is well in excess of that required by the Financial Model. Similarly, it is our opinion that there is sufficient volume of biosolids within a reasonable distance to meet the requirements in the Financial Model.

It is our opinion that the WF tipping fees in the model are consistent with the fees that are in the WF supply agreements. The values in the Financial Model are on the conservative (i.e. low) end of the ranges that are in the agreements. It is our opinion that the tipping fees for the biosolids that are associated with the Rialto WWTP are consistent with the values in the supply agreement.

- ❑ The capital cost includes an initial funding of \$272K in a major maintenance reserve account that accumulates at an average rate of \$380K per year from operating revenue. It is our opinion that these values are appropriate for the Project.



- ❑ HGI reviewed Anaergia's process model and the inputs to the Financial Model that were derived from the process model. It is our opinion that Anaergia is well qualified to develop such a process model and did so in a professional and accurate manner.

For the process model, among the important characteristics of the feedstock are the volatile solids fraction and biomethane potential. Anaergia's process model assumes the WF averages 30% total solids, 85% of which are volatile solids. HGI reviewed laboratory analyses of several samples of WF from which Anaergia derived these values. It is our opinion that the model values are within the ranges summarized in the lab results.

The process model also assumes that the feedstock has a biomethane potential of 450 m<sup>3</sup> of CH<sub>4</sub> per MT of volatile solids. This is based on Anaergia's experience with its other digesters that utilize similar feedstocks and the specific makeup of fats, proteins, and carbohydrates listed in the model. HGI calculated the biomethane potential based on that same makeup. It is our opinion that the biomethane potential value in the process model is consistent with our calculation.

HGI reviewed other parameters in the process model. Among the most important are the hydraulic retention time ("HRT") and the volatile solids loading rate. The HRT is the average length of time (in days) that the feedstock is inside the digester; the longer the HRT, the more time the feedstocks are broken down and produce biogas. The volatile solids loading rate is the daily rate at which volatile solids are pumped into a certain volume (1 m<sup>3</sup>) of digester. Based on our experience with designing and operating digesters, it is our opinion that the values for HRT (27 days) and volatile solids loading rate (4.95 kg VS/m<sup>3</sup>-day) are consistent with projects of similar size and scope and provide the proper (and flexible) operating parameters to digest the feedstocks.

As stated above, it is our opinion that the process model predicts the volume and quality of biomethane that can be produced from a specific volume and makeup of WF feedstock. However, if the actual makeup of the WF varies from that depicted in the process model, the Project may produce a different volume of biomethane than what the Financial Model predicts. For example, if the actual WF includes more inert material or has a greater fraction of fibrous carbohydrates than originally anticipated, the volume of biomethane will be less than the original prediction. HGI used the Financial Model to simulate such situations. It is our opinion that, because of the diversity of revenue sources (tipping fees make up 60% of the gross revenue), reductions in WF quality have a relatively minor effect on the financial performance of the Project. For example, a 10% reduction in the biomethane potential results in a debt service coverage ratio change from 1.50x to 1.42x. Further RBF would be able to mitigate this effect in several ways. One way would be to replace sources of low biomethane potential WF with sources that have greater potential. Another way would be to increase the volume of WF it receives to offset offtake shortfalls with increased tipping revenue. It should be noted that there are process limits to this.

- ❑ The Financial Model assumes a capacity factor of approximately 93% for annual electricity production and 85% for RNG production (based on the assumed feedstock mix and annual operating days). The balance of the year reflects the RBF's estimate for downtime for

planned and unplanned maintenance, weather, reduced feedstock availability, etc. It is HGI's opinion that the Model's capacity factor for electricity production is on the high end of the range for expected capacity factors for the first year of operation for similar facilities. However, if maintained properly and staffed by knowledgeable and trained personnel, the Project can achieve the Company's forecasted production rate over the life of the Project.

- HGI reviewed how the model handles the offtake amounts and prices. It is our opinion that the Financial Model accurately reflects the amounts and prices reflected in the offtake agreements and term sheet. The majority of the offtake revenues are fixed or have floor rates. It is our opinion that this mitigates some of the risk of rates that are market-based and may drop in the future.

It is also our opinion that the Financial Model incorporates some conservatism with respect to potential biomethane revenue. For example, the model currently assumes that the Project will sell 210,000 MMBtu/yr to both City of Anaheim and SW Gas, while selling 80,000 MMBtu/yr into the spot market. The modeled amount is well above the amount RBF is contractually obligated to sell to Anaheim and SW Gas. When the spot market prices are greater than the Anaheim and SW Gas contract prices, RBF would benefit by selling the minimum amount they are obligated to Anaheim and SW Gas and maximize the amount it sells into the spot market.



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## **SECTION 2 - PROJECT DESCRIPTION**

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## SECTION 2 PROJECT DESCRIPTION

The Company is developing a bioenergy facility that will convert Class B biosolids and Wet Fraction diverted from the MSW stream into renewable electricity, renewable natural gas, and marketable soil amendment/fertilizer. The Project will be located at a shuttered biosolids processing facility in Bloomington, CA that will be retrofitted to accommodate the Project. The Project operations are allocated into the following main areas: feedstock separation and preprocessing, anaerobic digestion, biogas upgrading to RNG, renewable bioenergy generation from biogas, biosolids drying and pellet production, low-temperature pyrolysis. This report does not consider any revenues, expenses, or capital costs associated with pyrolysis as this system may be added a future date with other sources of funding.

The Company anticipates that the Project can be replicated in several California locations to provide alternative means of organic waste disposal to enable communities to adhere to the increasing organics disposal restraints created by California laws.

The Project's construction period is expected to be approximately 18 months beginning in January 2019 and ending in July 2020.

### PROJECT ORGANIZATION

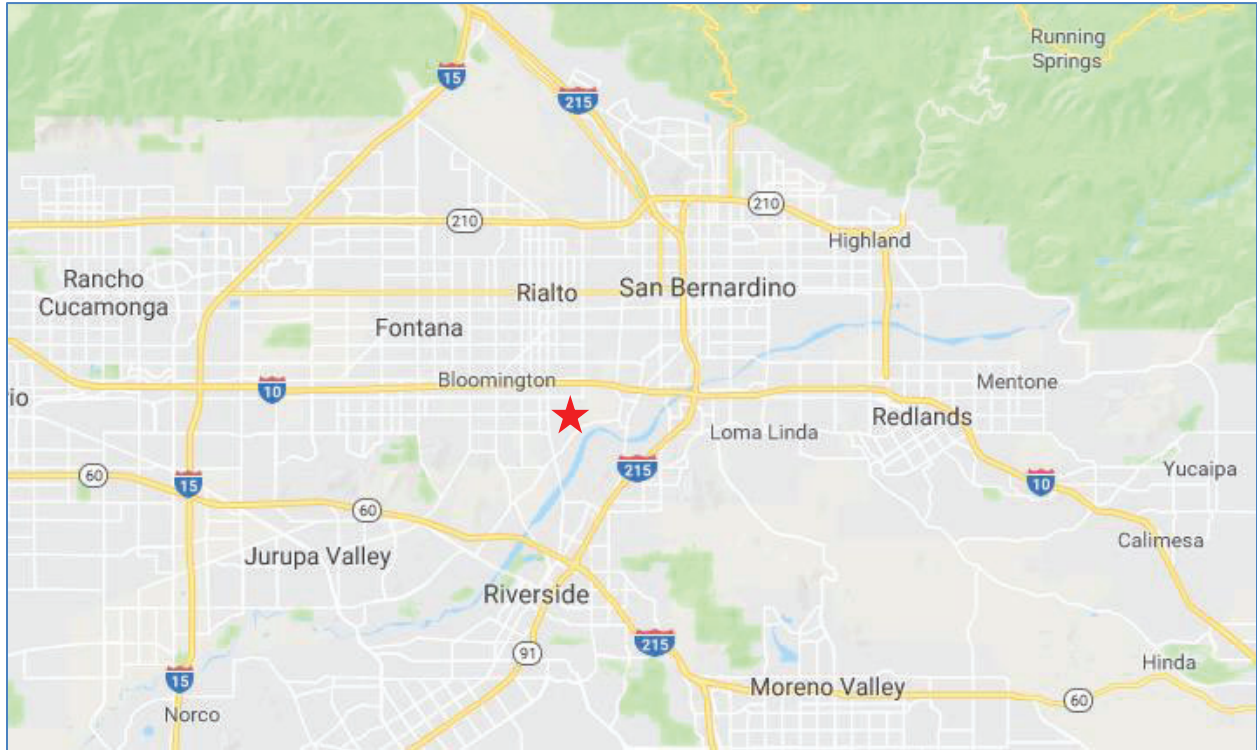
Anaergia formed RBF when it purchased the existing Rialto Bioenergy Facility, a large-scale biosolids processing facility in Bloomington, CA. Created in 2008, Anaergia develops and deploys technologies that manage waste, while creating renewable energy and other usable co-products.

Two internal teams will co-manage and develop the Project: the Financial and Project Management Team and the Execution Team. Both teams will operate under the direction and oversight of the RBF's Project Manager, with support from key team members. Andrew Dale, PE, will serve as the overall Project Manager. He will be supported by Dr. Yaniv Scherson, PE, as the Project's lead technical and engineering advisor. Mr. Dale and Dr. Scherson have previously worked together to deploy several U.S.-based organic waste management and conversion systems, including three in California. Other key team members include Senior Project Advisor Robert Murray, Chief Engineer and project technical expert Juan Josse, Financing Manager Arun Sharma, and a staff of engineers and engineering managers.

### PROJECT SITE

#### LOCATION

The Project will be located on 503 East Santa Ana Avenue, Bloomington, CA (see Figure 2-1 RBF Facility Location in Rialto, CA Figure 2-1). The approximately 5.7-acre site is occupied by an existing, non-operational biosolids plant. Water treatment/storage tanks, electrical equipment, and various other on-site treatment components are still installed at the site. The site is located adjacent to the Rialto WWTP within an area of industrial and commercial use (see Figure 2-2).



**Figure 2-1 RBF Facility Location in Rialto, CA**



**Figure 2-2 Aerial View of RBF Facility Location**

### **SITE ACCESS**

The Project site is accessed from East Santa Ana Avenue on the north side. Interstate 10 is roughly 1.5 miles driving distance to the north with a Union Pacific Railway station adjacent to the south.

### **ACCESS TO UTILITIES**

There is an existing natural gas connection to the Facility supplied by Southern California Gas Company. Electricity is supplied to the Facility by Southern California Edison via an existing connection and meter. Both the natural gas line and electricity connection will provide sufficient supply for the Project's needs.

The Project's potable water will be supplied by the City of Rialto via an existing water line. Wastewater generated on-site will be discharged to the municipal sewer system through an existing connection. Non-potable water will be supplied to the Project by the Rialto Wastewater Treatment Plant ("WWTP"). A pipeline will be installed to transfer water from the Rialto WWTP to the Facility.

### **NATURAL GAS REQUIREMENTS**

Anaergia estimates that the Project's natural gas use will total 12 MMBtu/hr to support the biosolids dryer operations. The natural gas supply will only be required during start-up. During normal operation, the dryers will use waste heat and combustible pyrolysis gases from the pyrolysis process as their heat sources.

### **ELECTRICITY REQUIREMENTS**

The Project will generate 5 MW of power production during normal operations to support all on-site power demand. Up to 3 MW of grid electricity will be used during start-up activities, and up to 500 kW of grid electricity will be used during normal operations to accommodate large peak loads.

### **WATER SUPPLY REQUIREMENTS**

Anaergia estimates that the Project will require roughly 32,600 gallons of potable water per day. Non-potable water is estimated to be delivered to the Facility at roughly 153,700 gallons per day.

### **WASTEWATER TREATMENT AND DISCHARGE**

The combined process and cooling system wastewater generated by the Project is estimated to be approximately 246,600 gallons per day. The wastewater will be discharged into the municipal sewer system for treatment.



## GEOTECHNICAL CONDITIONS

Anaergia contracted with Sladden Engineering (“Sladden”) to complete the preliminary subsurface exploration and geotechnical engineering evaluation of the proposed structures at the RBF facility. Sladden is a firm based in Beaumont, CA that, among other services, performs geotechnical studies for construction projects throughout Southern California. The purpose of their geotechnical study was to explore the subsurface conditions at the site in order to provide recommendations for foundation design and site preparation. The report was dated and signed by Sladden’s Principal Engineer and Principal Geologist on March 1, 2018.

## EXPLORATION PROGRAM

Sladden conducted a subsurface exploration at the site on January 3, 2018. Sladden’s scope of work included drilling 8 exploratory boreholes at depths ranging from approximately 5 to 55 feet below the existing ground surface. The results from laboratory tests performed on selected borehole samples, information from previous geotechnical reports of the site, and additional engineering analyses were used to develop recommendations for foundation design and site preparation.

The following summarizes Sladden’s geologic overview: “The project site is located in the Peninsular Ranges Physiographic Province of California. The province is characterized by elongated, northwest-southeast trending mountain ranges and valleys and is truncated at its northern margin by the east-west grain of the Transverse Ranges. Mountainous areas of the Peninsular Ranges Physiographic Province generally consist of Igneous, metasedimentary and metavolcanics rocks. However, plutonic rocks of the Southern California Batholith are the dominant basement rock exposed.”

Sladden drilled the exploratory boreholes using a truck-mounted Mobile B-61 drill rig equipped with 8-inch outside diameter hollow stem augers. Soil samples were taken at roughly 5-foot intervals by driving a thin-walled steel penetration sampler or a Standard Penetration Test sampler with a 140-pound automatic-trip hammer. The boring logs show actual sample intervals and corresponding depths. A representative of Sladden was present during drilling to log the materials encountered and retrieve samples for laboratory testing and engineering analysis.

The subsurface conditions consist of silty sand and gravelly sand with minor portions of clayey silt. Fill material was encountered to depths of approximately 51 feet. Underlying the fill soil and extending to the maximum depth explored, native alluvium was encountered. Based on the site observations and previous geotechnical reports prepared, it is Sladden’s opinion that the fill does not appear to be susceptible to significant additional compression or settlement.

Groundwater was not encountered during the site investigation. Groundwater levels in the site vicinity have been recorded at approximately 100 feet below surface level and should not be a factor during construction of the proposed project.

## **GEOTECHNICAL HAZARDS**

Sladden considers the most significant geologic hazard to the Project to be the potential for moderate to severe seismic shaking that may occur during the design life of the Project due to its tectonically active location. Sladden identified the closest known potentially active faults and determined that the site is not currently located within any State of California designated fault zones. Minimal concern was raised in relation to the geotechnical hazards as risks associated with surface rupture, settlement, slope instability, and flooding are considered “low” or “negligible”.

## **GEOTECHNICAL CONCLUSIONS AND RECOMMENDATIONS**

Sladden had few concerns from a geotechnical standpoint and made preliminary recommendations to address each of those concerns. Those recommendations that have the greatest impact on design and construction cost are summarized below:

- ❑ **Earthwork and Grading:** Sladden recommends the foundation bearing soil be removed and recompacted. For at-grade structures, over-excavation should extend a minimum depth of 2 feet below existing grade or 2 feet below the bottom of the footings and 5 feet laterally beyond footing limits. For below grade structures, over-excavation should extend a minimum depth of 1 foot below the bottom of the footings or mat slabs and 3 feet laterally beyond footing limits.
- ❑ **Slabs and Footings:** Sladden recommends the use of structural mat slabs for majority of the tanks and below grade structures. An allowable soil bearing pressure of 6,000 psf may be utilized for the design of the mat slabs at least 10 feet in minimum dimension and a maximum allowable 3,000 psf passive pressure. Sladden expects conventional shallow spread footings will provide adequate support for the various at grade or near grade structures with a minimum embedment depth of 12 inches from the lowest adjacent finished grade.

## **FLOOD PLAIN REVIEW**

The Federal Emergency Management Agency (“FEMA”) publishes Flood Insurance Rate Maps (“FIRMs”), which are official maps of communities on which FEMA has delineated the special flood hazard areas (i.e. the floodplain areas where flood insurance is required for loans and where communities will administer floodplain regulations). The RBF facility area is located entirely within Zone X per FEMA’s FIRM Map Panel 06071C8686C, effective August 28, 2008. No portion of the proposed Project site falls within a Special Flood Hazard Area. Zone X is considered a low risk area because it is outside the limits of the 500-year (0.2%) floods.

## SITE VISIT

Harris Group visited the Project site on July 9, 2018, accompanied by representatives from RBF. RBF intends to re-use some of the equipment and will remove the remainder. Some of the equipment that it will be re-used include two Live-Bottom Bins (see Figure 2-3), two Storage Silos (see Figure 2-4), miscellaneous Transfer Conveyors (see Figure 2-5), a Cake Blending Bin (see Figure 2-5), two Hydraulic Feed Pumps (see Figure 2-6), and two Centrifuges (see Figure 2-7). Demolition has commenced at the site.



**Figure 2-3 Existing Live-Bottom Receiving Bins**





**Figure 2-4 One of Two Existing Storage Silos with Supply Piping**





**Figure 2-5 Existing Transfer Screw Conveyors and Cake Blending Bin**





Figure 2-6 Existing High-Pressure Feed Pump



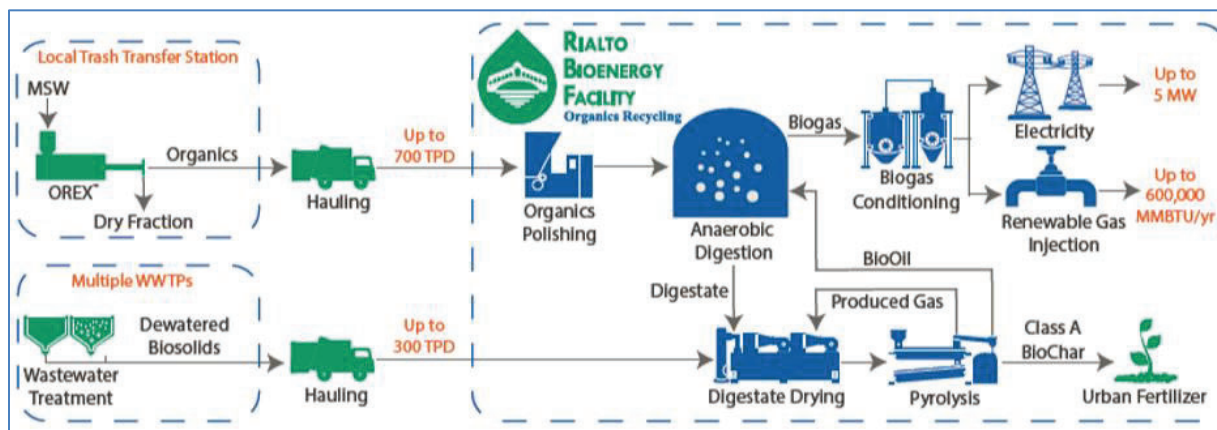
Figure 2-7 One of Two Existing Centrifuges

## PROJECT PROCESS DESCRIPTION

The RBF process uses a combined drying and pyrolysis system and an anaerobic digestion-based process for conversion of Class B biosolids and organic/food wastes into useable products (see Figure 2-8). See Attachment 2-1 for a detailed block flow diagram of the Project.

The Project can be summarized in 8 process groups including:

- ❑ Feedstock and Handling – Includes equipment for the receiving and transfer of organic/food wastes and wastewater biosolids.
- ❑ Beneficiation – Impurities such as plastic, plastic films, grits, glass, and other non-digestible materials are removed from the organic/food wastes.
- ❑ Anaerobic Digestion – Converts organic/food waste and pyrolysis oil into biogas using anaerobic digesters.
- ❑ Solids Drying – The Class B biosolids and residual digester solids are dried via two dryer systems.
- ❑ Biogas Conditioning and System Cooling – Includes equipment for the biogas conditioning, power generation, and conditioned gas upgrading to RNG operations.
- ❑ System Cooling – Provides cooling to produced char and waste heat at the Facility.
- ❑ Wastewater Treatment – Multiple wastewater sources are cleaned and collected for disposal to the municipal wastewater collection system.
- ❑ Pyrolysis – Heat is applied to the incoming feedstock in the absence of oxygen to thermally degrade feedstock compounds into smaller molecules through complex thermal-chemical reactions.



**Figure 2-8 General Flow Diagram of the RBF Process**

As part of its due diligence of the Project, RBF performed a technoeconomic analysis of the Project for the U.S. DOE. HGI referenced this report to develop the following process descriptions.



*Feedstock and Handling:* The Project is designed to receive 700 tons per day (“tpd”) at 30% total solids (“TS”) WF and 190 tpd at 24% TS Class B biosolids. Both waste streams will be delivered via truck. The WF will be separated from MSW using Anaergia’s organics extrusion (“OREX”) press technology prior to being trucked to the Facility (see Figure 2-9). The OREX system operates by conveying MSW along a conveyor and through a course screen which separates large non-organic material and concentrated organics into two fractions. The organic fraction is conveyed into a hopper and screw-conveyed into the in-feed chamber of the OREX, where a hydraulic ram applies 4,000 psi pressure to the waste to extrude organics through a perforated plate. Readily digestible and putrescible organics (i.e. food waste) are forced through the holes, while residual materials such as plastics, paper, bone, and glass are retained. The organics are then extruded as a stackable cake with approximately 30% solids content. Anaergia’s OREX technology will be located off-site and considered separate from the RBF Project.



**Figure 2-9 Anaergia’s OREX 1000**

There will be three 65 cubic yard auger type live-bottom bins to receive the delivered feedstocks. One will be dedicated to WF and one will be dedicated to biosolids, while the third will be used for either, depending on need. The WF will be transferred to an existing 1,200-ton storage silo. Then two 72 ton per hour pump systems will transfer the WF to the feedstock beneficiation system at a rate of 550 tpd.

Screw-type augers will convey the biosolids from the bottom of the receiving tank to an existing 1,000-ton storage silo. The silo is capable of storing the incoming biosolids until downstream equipment is available for processing. Then two 60- to 80-gallon per minute (“gpm”) biosolids feed pumps will pump the biosolids to the driers.

In addition to the live-bottom bins, the Project site will have a receiving facility for liquid food wastes to be used as needed. A piped connection from the point of receipt to a 28,286-gallon liquid waste storage tank will transfer the waste. The liquid waste will then be pumped and ported directly into the digester.

*Beneficiation:* Residual amounts of plastic, plastic films, grit, glass, and other non-digestible materials will be removed from the incoming WF through the beneficiation process. Buildup and equipment fouling in the digester equipment and the release of non-digestible materials from the digester as residual solids is prevented by removing the impurities earlier in the process.

Anaergia has a two-stage Organics Polishing System (“OPS”) that will be used by the Project to remove contaminants that may cause damage to equipment and ensure a clean and suitable digester product for land application. First, 550 tpd of 30% TS WF is routed to through a dynamic cyclone that will use roughly 4,500 gallons per day (“gpd”) of fresh water to separate floatable rejects from the feedstock (see Figure 2-10). Approximately 825 pounds per day of floatable rejects will be separated and landfilled. Then, the diluted cyclone stream will be further diluted with on-site recycle streams to total roughly 1,830 tpd at 12% TS.

The diluted stream will be injected into a hydrocyclone to remove settleable materials to prevent wear on downstream equipment (see Figure 2-11). It is estimated that approximately 11,800 pounds per day of washed grit at 60% TS will be removed by the hydrocyclone and landfilled. Following the hydrocyclones, cleaned feedstock is pumped into a proposed digester.

Anaergia’s OPS system has been used at a full commercial scale and is considered to be commercially available. Anaergia’s dynamic cyclone has been successfully deployed at two installations in Europe and the hydrocyclone has over 100 installations across the world.



**Figure 2-10 Anaergia’s Dynamic Cyclone for Organics Polishing**





**Figure 2-11 Anaergia’s Hydrocyclone for Organics Polishing**

*Anaerobic Digestion:* Approximately 1,857 tpd of cleaned WF exits the hydrocyclone and is split and delivered to two 3.5-million-gallon anaerobic digesters. Each digester will be comprised of a tank outfitted with Anaergia’s high solids digestion system, including four PSM 1500 high viscosity electric mixers. The mixers allow for higher digester throughput. The digesters will operate at thermophilic temperatures (125°F to 140°F) with a 30-day solids retention time. Two heat exchangers and two hot water supply pumps will provide 1.5 MMBtu/hr of heat to the digesters. The heat will be supplied by the combined heat and power (“CHP”) units.

The two digesters will generate a total of approximately 2,900 standard cubic feet per minute (“scfm”) biogas. The biogas will be routed through the RBF gas conditioning equipment for process use or upgrade to biomethane for sale. Roughly 850 tpd of liquid digestate will be transferred to two existing centrifuges to dewater the digestate. The water removed by the centrifuge will be piped to the wastewater treatment at a total of roughly 209,000 gpd. The solids, at approximately 100 tpd, will be combined with the incoming Class B biosolids for drying.

*Solids Drying:* The drying system will be used to dry the incoming Class B biosolids and the residual digester solids. Approximately 200 tpd Class B biosolids will be combined with the approximate 100 tpd digester solids to be split amongst two dryer systems. The dryers will operate as low-temperature belt-type dryers using waste heat and combustible pyrolysis gases as their heat source. A total of 82 tpd at 92% TS dry biomass pellets will be produced. The pellets will be transferred from the driers along screw conveyors to a pneumatic transporter package, which will transfer the pellets to a pellet storage and loadout silo at a rate of 13,500 pounds per hour. Pellets will be transferred to the pyrolysis unit from the storage silo.

Approximately 30,000 scfm of air passed through the dryer will flow through a condenser to remove water from the air stream. The condenser water will be transferred to the wastewater treatment area on-site. The remaining air from the condenser will pass through an air treatment system where it will be dosed with sulfuric acid and sodium hydroxide prior to being discharged to the atmosphere.

*Biogas Conditioning:* Biogas generated from the anaerobic digesters will be combined with biogas piped to the Facility from the Rialto WWTP. This will totally approximately 3,000 scfm of biogas. Biogas will pass through a conditioning unit (see Figure 2-12) consisting of two parallel treatment systems, each with a capacity of 1,900 scfm. The conditioning units will require about 2,000 gpd of water to operate and will generate about 2,300 gpd of blowdown to remove hydrogen sulfide from the gas stream. Release of hydrogen sulfide will be regulated to the atmosphere, and the blowdown will be transported to the Facility's wastewater treatment.

The conditioned biogas will be used for renewable power generation or RNG generation based on power demand, RNG spot prices, and other relative parameters. Under normal operations, around 1,130 scfm of biogas will be transferred to four CHP engines, including two 800-kW engines, one 1.5-MW engine, and one 2-MW engine. The CHP engines provide a total of 5.1 MW in power production capacity. Electricity generated by the engines will be routed back to the Facility to support all on-site power demand, while excess power will be exported to the grid via a grid tie-in with Southern California Edison's electricity grid system.

In addition to electricity generation, under normal operations, around 1,900 scfm of biogas will be routed for RNG production. The biogas upgrading system will use a membrane-based system to remove carbon dioxide and other impurities from the biogas stream. The resulting RNG product will be compressed and delivered at a standard rate of 1,108 scfm to the Southern California Gas natural gas pipeline via a proposed 1-mile pipeline.

During start-up operations or under emergency conditions, produced biogas and/or RNG may be routed to an on-site flare for combustion. The flaring system will include three flares, each capable of handling 40 MMBtu/hr of biogas or RNG.



**Figure 2-12 Biogas Upgrading System**

*Cooling System:* A cooling tower will be used to manage the unusable waste heat produced by the Facility. An estimated 124,000 gpd of water will be used by the cooling tower. Around 60% of that amount will be evaporated to dissipate waste heat, and the remaining blowdown water will be transferred to the wastewater treatment on-site.

*Wastewater Treatment:* The Project's wastewater treatment system collects water from the dryer air condenser and centrate from the digester centrifugation process in a buffer tank. The wastewater will be transferred from the buffer tank to a dissolved air flotation ("DAF") system to remove particles from the stream. It will then be passed through a 1.2-million-gallon aeration basin supplied by approximately 3,670 scfm air. Following the aeration basin, the waste stream will be transferred to a secondary DAF system. Particles removed by the DAF systems will be transferred to an SSD. The water separated from the secondary DAF system and the water separated by the SSD will be discharged to the municipal wastewater collection system.

In addition to the wastewater from the DAF and SSD, biochar cooling water, cooling tower blowdown, and air treatment system blowdown are transferred to the municipal wastewater collection system. Streams routed to the Rialto WWTP include water for sanitary use, biogas condensate, and facility wash-down.

*Pyrolysis:* The pyrolysis process is designed to be self-sustaining and only require the input of dried biosolids. No additional natural gas or other heat input will be required. Dry biosolids from the dryer systems will be fed at a rate of 82 tpd to the pyrolysis system. Heat will be applied to the incoming dried feedstock in the absence of oxygen during the pyrolysis process. Through complex thermal-chemical reactions, compounds contained in the incoming feedstock, including crude protein, humic substances, carbohydrates, and lipids, will be degraded into smaller molecules. A low-temperature pyrolysis reaction will be used to generate solid biochar, bio-oil, and non-condensable gas. The biochar will be rich in organic carbon as well as macronutrients and micronutrients. Therefore, it can be used as a soil amendment and/or bio-fertilizer. A total of 29 tpd of biochar will be produced by the pyrolysis process. The biochar will be transferred via pneumatic transport to a 100-cubic yard loadout silo and will be sold and exported from the Facility by truck.

The low-temperature pyrolyzer will generate 19.1 MMBtu/hr of non-condensable gas. The pyrolyzer will require 3.9 MMBtu/hr of that amount to sustain operation to maintain the target pyrolysis temperature through combustion in a burner. The remaining gas will be transferred to the dryer burner for combustion to provide a portion of the total heat needed for the Class B biosolids drying process.

Approximately 7,600 gpd of bio-oil will be produced by the pyrolysis system. This will be routed through a 1,500-gallon HDPE storage tank prior to being pumped back into the digesters for anaerobic digestion.





**Figure 2-13 Proposed RBF Site at Full Build Out**

#### AMOUNT AND MAKE-UP OF FEEDSTOCKS

The largest volume of feedstock will be the WF derived from the off-site processing of MSW and SSO from several large, contracted waste haulers. WF will be separated from MSW and SSO at the waste haulers' transfer stations prior to being trucked to the Project site. The WF is a stackable cake with a TS content of approximately 30%. In addition, the Project will receive up to 300 tpd of biosolids from different WWTPs and converted into fertilizer through drying that uses waste heat from the Project's on-site CHP system.

Additional feedstocks are biogas from the Rialto WWTP and fats, oils, and greases collected by Liquid Environmental Systems ("LES") in Southern California. The annual feedstock supply requirements for the Project are summarized in Table 2-1 for the years beginning in 2021, the first year of full annual production.

Anaergia performed a feedstock study to determine the availability of locally-sourced WF appropriate for the Project (see Attachment 1 to this report). Among other findings, the study concluded that, to meet its legislatively mandated organics diversion goals (20 million tons per year), the state would require over 200 facilities the size of RBF to be constructed by 2025. Specifically, the study estimates that, within the Los Angeles Franchise Zone and neighboring cities, the amount of available organics total over 7,000 tpd (equivalent to 2,500,000 tons per year). This is more than 12 times the amount required by the Project. In addition, most of this waste is controlled by WM and RS.

<b>Table 2-1 Estimated Annual Feedstock Requirement</b>	
<b><u>Feedstock</u></b>	<b><u>Amount</u></b>
Class B Biosolids (tons/yr)	109,500
Organic/Food Waste (tons/yr)	200,200
Biogas (MMBtu/yr)	58,657
Fats, Oils, and Greases (MMGPY)	5.0

Tables 2-2 and 2-3 summarize the expected physical characteristics of the WF and the biosolids, respectively.

<b>Table 2-2 Expected Characteristics of the Wet Fraction</b>		
<b><u>Parameter</u></b>	<b><u>Value</u></b>	<b><u>Units</u></b>
Total Solids (TS)	30	%
Total Suspended Solids/Total Solids (TSS/TS)	83	%
Volatile Solids (VS)	85	% TS
Chemical Oxygen Demand (COD)	295,440	mg/L
Total Potassium (TK) as (K <sub>2</sub> O)	1.3	% TS
Total Phosphorous (P) as (P <sub>2</sub> O <sub>5</sub> )	1.2	% TS
Total Nitrogen (TN)	2.6	% TS
Ammonia	0.13	% TS
pH	4.8	
Grease and Fats	4.3	% WF

<b>Table 2-3 Expected Characteristics of Biosolids</b>		
<b><u>Parameter</u></b>	<b><u>Value</u></b>	<b><u>Units</u></b>
Total Solids (TS)	25	%
Volatile Solids (VS)	40	%TS
Grease and Fats	18	% TS
Total Nitrogen (TN)	3	% TS
Total Potassium (TK) as (K <sub>2</sub> O)	2.5	% TS
Total Phosphorous (P) (P <sub>2</sub> O <sub>5</sub> )	1	% TS
Cellulose	10	% DS
Iron	4	% TS
Silica (SiO <sub>2</sub> )	15	% TS
pH	7	
Alkalinity (CaCO <sub>3</sub> )	3000	mg/L

#### **KIND, AMOUNT, AND QUALITY OF OUTPUT**

The Project is a bioenergy facility that will produce renewable electricity, RNG, and co-products for soil amendment. These products and co-products account for approximately 40% of the Project's revenue, while the remaining 60% is from feedstock tipping fees to be charged by the Project for the WF extruded from MSW and biosolids cake. A tipping fee is the charge levied upon a given quantity of waste received at a waste processing facility.

A summary of the Projects expected outputs is summarized in Table 2-2 for the years beginning in 2021.

<b>Table 2-2 Estimated Annual Project Outputs</b>	
<b><u>Product</u></b>	<b><u>Amount</u></b>
RNG – Sold under GPA (MMBtu/yr)	430,000
RNG – Sold to Spot Market (MMBtu/yr)	200,000
Electrical Energy (MWh/yr)	4.28
Biochar (tons/yr)	9,855
Biosolids Pellets (tons/yr)	27,740

## REGULATORY DRIVERS AND SUPPORT

Multiple federal regulations have been implemented to target renewable fuels and greenhouse gas (“GHG”) emissions reductions. The most widely implemented of these is the Renewable Fuels Standard (“RFS”) authorized by the US Environmental Protection Agency under the Energy Policy Act of 2005 (known as “RFS1”) and expanded under the Energy Independence and Security Act of 2007 (known as “RFS2”). The general objectives of the RFS are to (i) reduce the U.S. dependence on foreign oil, (ii) reduce GHG emissions, and (iii) promote job growth in the U.S. “green” sector. The RFS program provides incentive for the production of alternative fuels, including RNG.

In addition to the federally mandated RFS, multiple regulations and standards have been implemented on a state-level to further target climate change and renewable energy initiatives. California has recently begun phasing in regulations to regulate the organic waste management practices, while also supporting development of alternative organic waste management practices. These regulations include Assembly Bill 1826, Senate Bill 1383, and Assembly Bill 1594. Anaergia believes these regulations will act as the main drivers to the Project.

### AB 1826 – Mandatory Commercial Organics Recycling

In October 2014, California’s Governor Brown signed AB 1826 Chesbro (Chapter 727, Statutes of 2014) to more effectively manage organic waste. AB 1826 will require recycling of commercial organics over time, while also offering an exemption process for rural counties. Organics refer to food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste. The law requires the following:

- ❑ California businesses must recycle their organic waste on or after April 1, 2016, depending on the amount of waste generated each week.
- ❑ Local jurisdictions across the state must implement an organic waste recycling program to divert organic waste generated by businesses and multifamily residences by January 1, 2016.
- ❑ The minimum threshold of organic waste generation by businesses decreases over time, which in turn will require an increasingly greater portion of the commercial sector to comply.

AB 1826 will reduce the volume of organic waste that is currently landfilled. The organic waste that will be diverted from the landfill will need to be properly managed, thus supporting market growth for the Project’s organic waste management technologies.

### SB 1383 – Short-Lived Climate Pollutants

In September 2016, Governor Brown signed SB 1383 (Lara, Chapter 395, Statutes of 2016) to reduce methane emissions from the decomposition of food waste in California’s landfills. The law establishes methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants in various sectors of California’s economy. The law establishes the following:

- ❑ Targets to achieve a 50 percent reduction in the level of statewide disposal of organic waste (2014 baseline) by 2020.

- ❑ Targets to achieve a 75 percent reduction in the level of statewide disposal of organic waste (2014 baseline) by 2025.
- ❑ At least 20 percent of currently disposed edible food is to be recovered for human consumption by 2025.

Similar to AB 1826, SB 1383 will result in greater diversion of organic waste from landfills requiring a new way to manage the waste. The Project is capable of managing diverted wastes through beneficial uses.

#### **AB 1594 – Green Material Used as Alternative Daily Cover**

In September 2014, Governor Brown signed AB 1594 (Williams, Chapter 719, Statutes of 2014) which eliminates potential to generate landfill diversion credits for green waste when used as alternative daily cover at landfills. The restriction will take place as of January 1, 2020 and encourages the recycling of green waste for other uses. The Project does not rely heavily on green waste as a feedstock, but an increase in green waste to compost facilities will increase the need for anaerobic digestion solutions and make the cost of anaerobic digestion outlets more attractive in comparison to volatile compost prices.

#### **USEFUL LIFE**

The Project is designed to operate at full load 8,147 hours per year, which is equivalent to 340 days of operation 24 hours a day, 7 days a week. With proper preventative maintenance and periodic minor replacements, the major pieces of equipment in the Project can be expected to remain in operation for 20 years or more.

#### **CONCLUSIONS**

- ❑ HGI has reviewed process flow diagram, mass balance, P&IDs, yield calculations, and specifications of major equipment that RBF proposes to utilize in the Project. It is our opinion that the Project design does not represent an emergent technology. Rather, it represents the use of proven equipment and unit operations that have been employed successfully by Anaergia and others in other projects.
- ❑ HGI reviewed the site location and the available utilities available to the site. It is our opinion that the site location makes it convenient to transportation routes for construction traffic as well as for delivery and shipping of feedstocks and products, respectively. It is also our opinion that the existing utilities will not require significant upgrades to serve the Project.
- ❑ HGI reviewed the geotechnical evaluation report prepared by Sladden. The geotechnical findings and recommendations did not reveal major issues or design requirements that are outside what is considered normal for a project such as this. It is our opinion that if RBF observes Sladden's recommendations, there are no technical obstacles to constructing and operating the Project on the Project site.
- ❑ HGI visited the Project site and visually inspected the existing equipment that RBF will re-use in the Project. It is our opinion that the equipment RBF will re-use is appropriate for the use RBF intends and is in good enough condition that it will not require significant



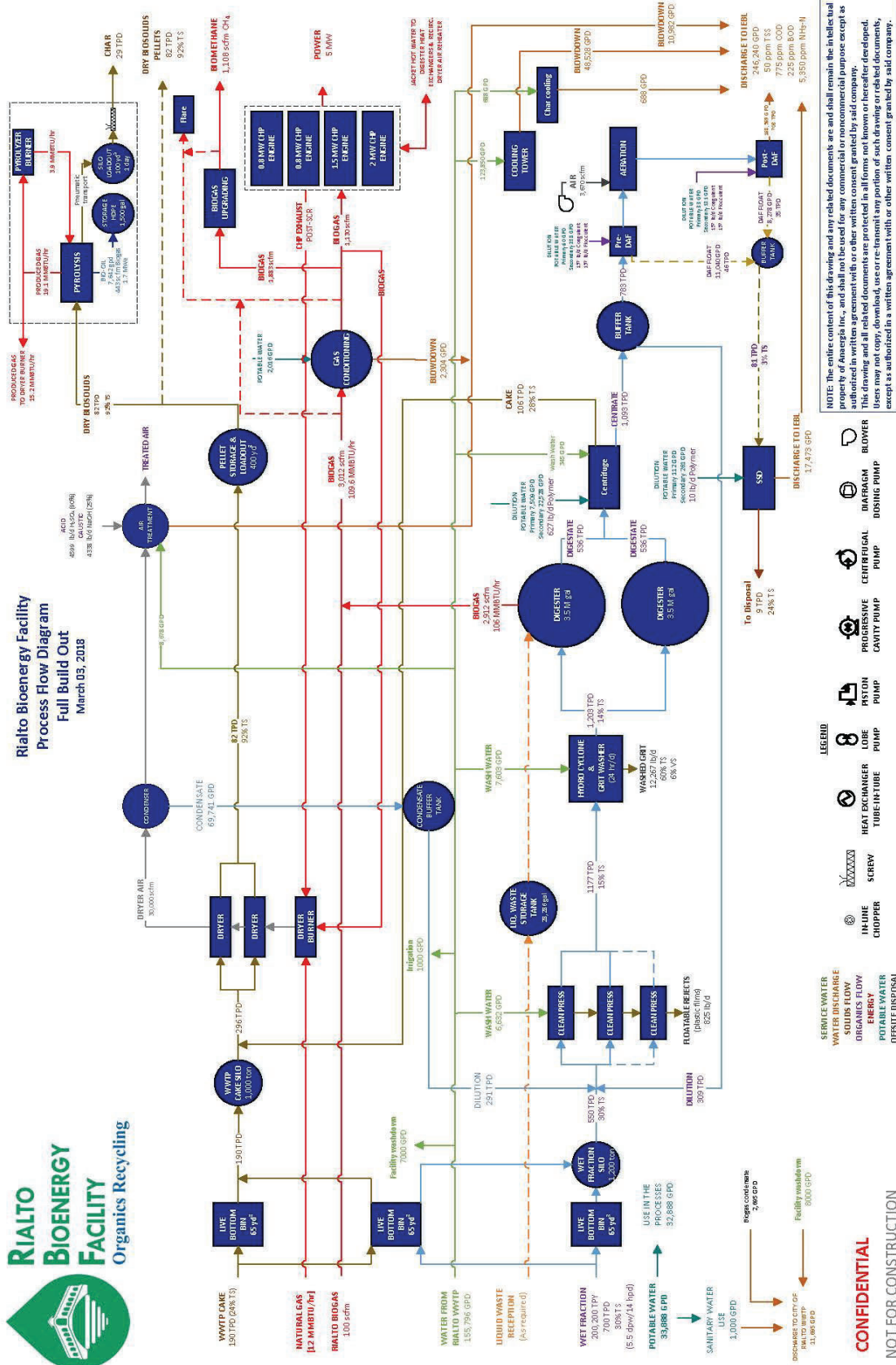
expenditure to restore it to operating condition. The cost to restore it has already been included in the Project's capital cost.

- ❑ Based on our review of the Project documents and our interactions with RBF and Anaergia representatives, it is HGI's opinion that RBF has the knowledge, resources, and experience to design and implement the Project to anaerobically digest WF and dry biosolids to produce salable electricity, RNG, and soil amendments.
- ❑ Based on our review of the Project documents, it is our opinion that there is sufficient redundancy of key equipment that the Project, when properly managed and operated, is capable of meeting anticipated annual throughputs. Further, it is our opinion that the Project includes very few single points of failure and, where they do exist, they can be bypassed easily and without significant disruption to continuous operations.
- ❑ At steady-state, RBF anticipates the Project will import 6,000 standard cubic feet ("scf") of Rialto biogas per hour and convert approximately 550 tons of WF and 190 tons of biosolids per day into approximately 3.8 tons of dried soil amendment an hour and 88,944 scf of biogas per day. A portion of the biogas will be combusted in reciprocating engine generators to produce approximately 5.0 MW of electricity and a portion will be cleaned and compressed to produce 57.8 MMBtu per hour of RNG. Based upon the anticipated feedstock supply and conversion yields Anaergia has experienced in its other plants, it is HGI's opinion that the Project can produce these proposed rates of solids, electricity, and RNG.
- ❑ HGI reviewed the feedstock study that Anaergia performed. We compared the data in the study to data available from state and local agencies that compile waste statistics. It is our opinion that Anaergia's feedstock study accurately reflects available data and, therefore, there is enough feedstock in the local area to support more than 12 projects of the same size as the RBF Project.
- ❑ It is HGI's opinion that, if properly operated and maintained, the Project should achieve a useful life extending beyond the 20-year term of the Series 2018 Bonds.

SECTION 2 PROJECT DESCRIPTION



Rialto Bioenergy Facility  
Process Flow Diagram  
Full Build Out  
March 03, 2018



**CONFIDENTIAL**  
NOT FOR CONSTRUCTION



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## **SECTION 3 - PROJECT EXECUTION AND SCHEDULE**



## SECTION 3 PROJECT EXECUTION AND SCHEDULE

### PROJECT MANAGEMENT

Anaergia Services is RBF's Parent Company. RBF is the Project Company responsible for developing and implementing the Project. Through an EPC structure, WML will be responsible for the engineering, procurement, and construction of the Project. RBF will contract with a third-party operations services company to assist in management, construction monitoring, engineering, commissioning and operations of the Project. RBF has contracted directly with several feedstock suppliers and offtakers of energy and products.

### CONTRACTING STRATEGY

As the Project Company, RBF is the entity with whom many Project participants contract (see Figure 3-1).

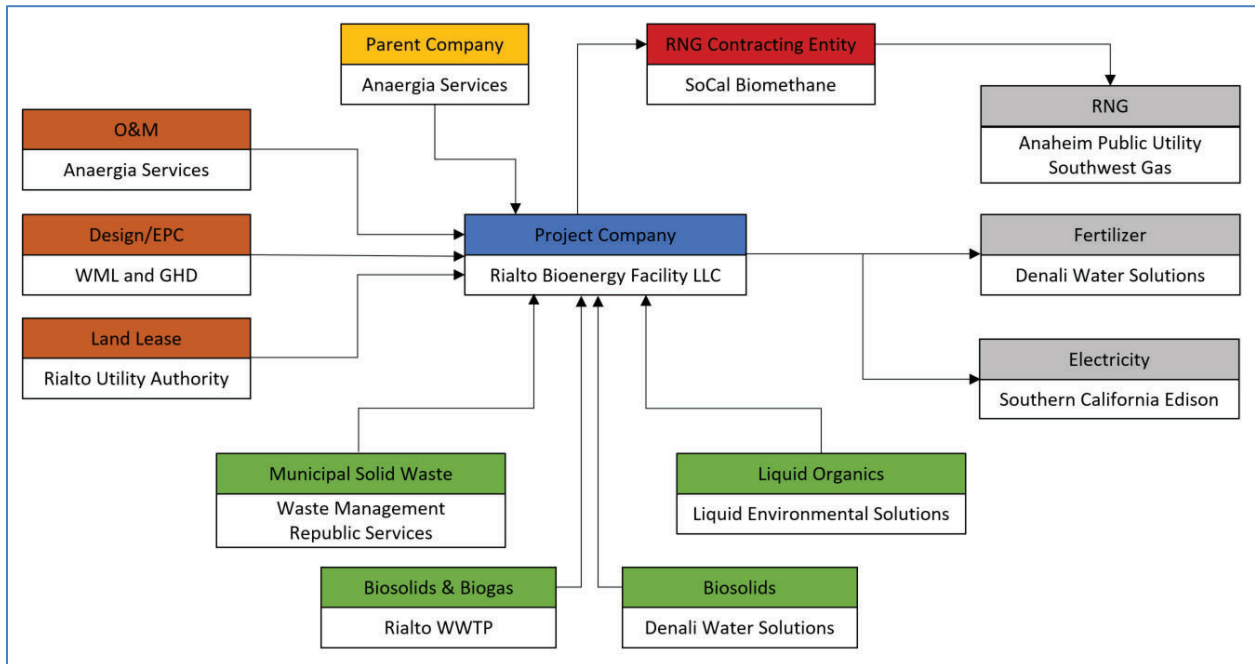


Figure 3-1 Project Execution Structure

### ENGINEERING, PROCUREMENT, AND CONSTRUCTION

Pursuant to the design-build contract between RBF and WML, WML is responsible for all aspects of the design, engineering, permitting, procurement, construction, installation and commissioning of the Project on a turnkey basis with liquidated damages for schedule delay. Through a subcontractor agreement, WML has contracted with Anaergia Technologies LLC ("AT"), whereby AT is responsible for certain process design, engineering, equipment supply, commissioning, and

training, among other activities. Through a technical consulting services agreement, WML has contracted with GHD, whereby GHD is responsible for detailed design and engineering, assisting in equipment procurement, and certain startup and commissioning activities, among other activities. See Section 6 of this report for more details on the engineering, procurement, and construction of the Project.

### **FEEDSTOCK SUPPLY**

RBF has long-term agreements with Waste Management and Republic Services to supply Wet Fraction for the Project. Some biogas and biosolids from existing digesters will be supplied to the Project by the Rialto WWTP through an existing contract. Additionally, Denali Water Solutions will supply biosolids to RBF through an underlying contract with City of Los Angeles, LA County Sanitation District and Orange County Sanitation District. RBF has a commitment letter from Liquid Environmental Solutions (“LES”) whereby LES commits to provide grease trap waste and food waste to the Project. See Section 7 of this report for more details on the feedstock agreements for the Project. Additionally, RBF has letter of intent from Republic Services to provide additional feedstock from its Los Angeles Franchise.

### **OFFTAKES**

Anaergia formed SoCal Biomethane, LLC (“SCB”) in August 2017 for the purpose of selling biomethane from the Project. SCB executed an agreement with the City of Anaheim whereby the city will purchase a portion of the Project’s biomethane. Additionally, SCB has an executed agreement with Southwest Gas Corporation to sell a portion of its biomethane. SBC intends to sell biomethane on the renewable natural gas spot market, if the market conditions are favorable. Existing contracts from Anaheim and Southwest Gas allow for the flexibility to sell 50% - 100% of the contracted gas quantity.

RBF will execute a power purchase agreement with Southern California Edison (“SCE”), whereby SCE will purchase up to 3MW of renewable electricity. There is an existing pathway through the Biomat program to readily execute an obligatory and boilerplate 20-year fixed price PPA with the utility. See Section 7 of this report for more details on the offtake agreements for the Project. RBF intends to sell dried solids as soil amendment.

### **HEALTH AND SAFETY**

Once mobilized to site, WML will have responsibility for all health and safety compliance and activities on site. WML is to establish systems and procedures that will ensure compliance with the Occupational Health and Safety Act as well as RBF’s safety requirements. WML is to ensure that all other contractors entering the site have an acceptable health, safety, and environmental protection program.

## PROJECT SCHEDULE

RBF developed a Project schedule that incorporates all phases of the Project from negotiating the site lease (commenced on January 1, 2016) through commercial operation (projected for July 15, 2020) (see Table 3-1). This Project schedule was issued on February 12, 2018. It is expected that the digester seeding will take place in February 2020 and operations will start in May 2020. This represents a 4-month ramp up phase during which the Project will be generating revenues, ramping up to full production by September 2020. Final Completion represents the date the Punch List items will be complete.

<b>Table 3-1 Project Schedule</b>	
<b><u>Milestone</u></b>	<b><u>Milestone Completion Date</u></b>
Lease Agreement	July 8, 2016
Process Engineering (Permit Package)	July 21, 2017
30% Design Package	May 11, 2018
Feedstock Agreements	May 15, 2018
Execute EPC Agreement	July 23, 2018
Offtake Agreements	September 18, 2018
Receive Air Permit	October 12, 2018
Complete Site Preparation and Demolition	November 5, 2018
Issue Purchase Orders	December 28, 2018
Commence Construction (NTP)	June 26, 2018
Substantial Completion	August 15, 2020
Final Completion	December 20, 2020

## CONSTRUCTION SCHEDULE

Incorporated (as Exhibit E) into the Design-Build Contract is the construction schedule (see Table 3-2) that was developed by WML (in conjunction with RBF) that commences with the Notice to Proceed (“NTP”) and finishes with the Guaranteed Final Completion Date. From NTP to Final Completion, the construction schedule spans approximately 24 months.

**Table 3-2 Construction Schedule**

<b><u>Milestone</u></b>	<b><u>Milestone Completion Date</u></b>
Notice to Proceed	June 26, 2018
Site Mobilization	July 3, 2018
Major Equipment Order	August 17, 2018
Demolition	October 20, 2018
Grading and Excavations	November 2, 2018
Stormwater Detention Basin	November 30, 2018
Balance of Plant Engineering	August 1, 2018
Concrete Foundations	December 24, 2018
Digester Construction	December 2, 2019
Mechanical and Electrical Utilities	April 5, 2019
Pre-commissioning Installation	January 3, 2020
Pre-Commissioning Hydraulic Testing	February 14, 2020
Pre-Commissioning Dry Testing	March 13, 2020
Clean Water (Air) Test and Digester Seeded	April 24, 2020
Feedstock Reception	May 15, 2020
Substantial Completion	August 15, 2020
Final Completion	December 30, 2020

## CONCLUSIONS

- ❑ HGI reviewed the Project execution structure. It is our opinion that a design-build model that incorporates AT's process design is appropriate for the Project in that AT has the process expertise and experience with specific equipment.
- ❑ HGI reviewed the scopes of work of the companies affiliated with the Project. It is our opinion that WML and GHD have the appropriate experience to deliver a Project that meets the specifications described in the Project documents.
- ❑ HGI reviewed the Project schedule and the Construction schedule. It is our opinion that the order and duration of activities of both schedules are consistent with those for other projects of similar scope with which we are familiar. Further, the milestone dates are consistent with the schedule that is in the Financial Model.

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# SECTION 4 - CAPITAL COST

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## SECTION 4 CAPITAL COST

The Company's financing plan includes a mix of approximately equity (approx. 20%) and debt (approx. 80%). It estimates that the total construction, project support, contingencies, bond reserves and interest costs ("Total Project Cost") are approximately \$146.8M (see Table 4-1). This includes the approximately \$13.6M spent by the Company to date on site acquisition, development activities, engineering, and equipment purchases.

**Table 4-1 Project Uses of Capital**

<u>Cost Category</u>	<u>Cost</u>
EPC Costs and Spend to Date	\$ 113,870,000
Development Fee	\$ 5,940,000
Major Maintenance Reserve and Startup Costs	\$ 1,410,000
Debt Service Reserve Fund	\$ 5,940,000
Financing Fees	\$ 2,340,000
Interest During Construction	\$ 12,290,000
Project Contingency	\$ 5,000,000
<b><i>Total Project Capital:</i></b>	<b><i>\$ 146,800,000</i></b>

### EPC COST

At roughly \$113.9M, EPC costs are the largest contributor to the Total Project Cost. The EPC cost estimate is broken down in Table 4-2. The guaranteed maximum price ("GMP") design-build contract with Lyles accounts for approximately 86% of the total EPC cost.

**Table 4-2 Estimated EPC Cost Breakdown**

<u>Cost Category</u>	<u>Cost</u>
Asset Purchase	\$ 2,463,000
Labor Spent to Date	\$ 3,019,000
Equipment (Procured to Date)	\$ 5,205,000
Contractor (WML) Costs	\$ 62,364,000
RBF-Supplied Equipment	\$ 8,888,000
Interconnections	\$ 2,450,000
Permits	\$ 500,000
Anaergia Technologies	\$ 21,877,000
Additional Labor, Travel, Living	\$ 4,000,000
Lease Payments	\$ 250,000
Other	\$ 2,859,000
<b>Total Project Capital:</b>	<b>\$ 113,875,000</b>

Equipment (Procured to Date): This includes equipment that was purchased prior to Dec 31, 2016, which allowed the Project to be eligible for the Investment Tax Credit (“ITC”). This money has already been spent.

EPC Cost: This includes WML’s costs associated with engineering/design (by GHD); site work; foundations; procurement and installation of equipment, piping, mechanical, electrical, and instrumentation systems; refurbishing existing equipment; and installation of an offsite gas line. WML’s contract cost includes allowances for the RBF- and Anaergia Technologies-supplied equipment, utility interconnections, and commissioning among other costs that total the agreed upon maximum contract price of \$98,276,849.

RBF-Supplied Equipment: RBF-supplied equipment (one CHP unit, a battery array, a biogas upgrading system) is equipment that will be partially paid for by grants and needs to be directly purchased by the Project for grant reimbursement. This equipment is labeled as “RBF-Supplied Equipment” for grant administrative purposes only. WML will issue purchase orders on behalf of RBF and provide full turnkey service for this equipment.

Interconnections: Costs for the connections to Southern California Gas and Southern California Edison (electric utility) are included in Interconnections.

Anaergia- Technologies: This includes the equipment supplied by Anaergia Technologies, including the Wet Fraction Polishing, Digester mixers and biological in-tank desulfurization, Biogas Conditioning, Biosolids Drying, and Wastewater Treatment equipment.

Other: Includes miscellaneous costs associated with fees, insurance, lease, utility, legal, permits, travel, and tax.

## LABOR SPENT TO DATE

This includes the cost of the labor that Anaergia has expended to date to develop the Project and includes engineering, contract negotiations, public relations, funding, etc.

## CONTINGENCY

The Project contingency of \$5.0M is equal to approximately 3.4% of the Total Project Cost. A large portion of the items that make up the Total Project Cost are fixed with a guaranteed price (e.g. EPC cost) or have already been spent and are not subject to change (e.g. asset purchase, labor spent to date). Therefore, the \$5.0M in contingency is approximately 14.5% of the non-fixed, non-guaranteed costs for the Project.

In addition to the Project contingency, WML includes \$5.0M of contingency in its GMP. This represents approximately 5.4% of WML's GMP. Some of the costs that make up the GMP are fixed or guaranteed (e.g. RBF-Equipment, Anaergia Technologies scope). Once these costs are removed from the GMP, the \$5.0M contingency makes up approximately 8.0% of the non-fixed, non-guaranteed costs of the GMP.

## CONCLUSIONS

- ❑ HGI reviewed the Capital Cost estimate and the development methodology to arrive at the estimate.
- ❑ At \$62.4M, Contractor Cost is the largest contributor to the Project Capital Cost. WML arrived at its cost estimate by utilizing the results of the preliminary design, internal estimating practices, data from RBF, and bids from equipment and service vendors. It is our opinion that WML has the experience and resources to provide an accurate Capital Cost estimate for the Project.
- ❑ HGI reviewed the engineering documents (BOD, P&IDs, etc.) that WML used to develop its GMP. It is our opinion that these documents were developed in a professional manner and provide sufficient information for WML to make an accurate cost estimate that conforms to industry standards.
- ❑ The total estimated construction costs are comparable to the costs of projects of similar size and technology development status with which we are familiar.



- ❑ The \$5.0M in contingency is equal to approximately 14.5% of the non-fixed, non-guaranteed costs for the Project. It is our opinion that this level of contingency is consistent with other projects of similar size and scope with which we are familiar.
- ❑ Construction interest has been capitalized to cover 24 months of interest. This represents three months of capitalized interest that is in excess of the expected construction timeline. It is our opinion that the amount of capitalized interest is appropriate to account for potential delays in construction.
- ❑ The capital cost includes \$5.67M for a debt service reserve fund. This represents six months of debt service. It is our opinion that this is an appropriate amount for the Project.
- ❑ The capital cost includes \$1.14M in startup costs and an initial funding of \$272K in a major maintenance reserve account that accumulates at a rate of \$380K per year from operating revenue. In addition, the O&M budget includes a wear parts cost of approximately \$1M per year that is funded through operating revenue. It is our opinion that these values are appropriate for the Project.

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**SECTION 5 - OPERATIONS AND MAINTENANCE**

## SECTION 5 OPERATIONS AND MAINTENANCE

### OPERATING PLAN AND COSTS

HGI reviewed the budgeted operation and maintenance expenses summarized in the financial model (“F - Rialto Financial Model - Yaniv Scherson - MAIN - external bonds, 6 mo DSRA - 5.21.18.xlsm”). The operational and maintenance costs anticipated for the first full year following commencement of operations (October 2020 – October 2021) are summarized in Table 5-1. Annual escalation rates are assumed at 2.0% per year for each cost category. It should be noted that that, while the full production and operations take place at the end of Q3 2020, there are an additional three months allocated to completing the final punch list items.

<b>Table 5-1 Project Operating and Maintenance Costs</b>		
<b><u>Cost Category</u></b>	<b><u>Annual Cost</u></b>	<b><u>Fraction of Total</u></b>
Transport and Disposal	\$1,069,682	11.0%
Host Fee	\$637,802	6.5%
Water/Wastewater	\$277,692	2.8%
Consumables	\$1,831,273	18.8%
CHP Maintenance	\$1,087,190	11.1%
Fixed Cost Excluding Insurance	\$1,524,736	15.6%
Wear Parts	\$1,110,014	11.4%
Labor	\$1,291,298	13.2%
Insurance	\$493,935	5.1%
OPEX Contingency	<u>\$434,291</u>	<u>4.5%</u>
<b>Total:</b>	<b>\$9,757,912</b>	<b>100.0%</b>
<sup>1</sup> Totals may not add due to rounding.		

In order, the three largest O&M costs are consumables, fixed costs excluding insurance, and labor. In total, these make up over 37% of the annual O&M costs.

Each of the summary cost categories is made up of specific cost categories as follows:

- Transport and Disposal accounts for approximately 11% of the total estimated annual O&M costs and includes the costs for trucking and fees to dispose of cake/granule/biochar and rejects. Disposal costs for cake/granule/biochar and rejects are \$35.00/ton and \$30.00/ton, respectively, per existing contracts.

- ❑ Host Fee accounts for approximately 6.5% of the total estimated annual O&M costs and is included in the tipping fees due to Waste Management, Republic Services, and Rialto WWTP for the WF and WWTP biosolids supply.
- ❑ Water accounts for approximately 3% of the total estimated annual O&M costs. This includes the Projects potable water use and wastewater disposal. Potable water use is roughly 8.7 MMgal/year at a cost of less than a penny per gallon. Effluent water costs are based on the concentrations of biochemical oxygen demand (“BOD”) and total suspended solids (“TSS”) in the effluent stream.
- ❑ Consumables account for approximately 20% of the total estimated annual O&M costs. Natural gas, biogas from Rialto, biogas treatment, micronutrients, and various polymers and chemicals are included in this cost category. Natural gas is calculated at a cost of \$5.00/MMBtu with a predicted Project use of 36,573 MMBtu/yr. Biogas from Rialto is purchased at a price of \$0.75/MMBtu with a predicted Project use of 58,657 MMBtu/yr. Biogas treatment consists of iron media and activated carbon at \$6.05/kg and \$4.00/kg respectively. Costs per pound for the various chemicals were obtained from Carus Corporation and Univar USA.
- ❑ CHP Maintenance includes costs for third-party CHP maintenance and emission controls. It accounts for approximately 11% of total estimated annual O&M costs.
- ❑ Fixed Costs Excluding Insurance include costs associated with facility maintenance; annual audits; training, compliance testing, and supplies and analytics; brine line lease payments for discharge; ongoing permit fees; Anaergia services management; property lease; communications and services; maintenance of performance bond; and property tax. Property tax cost dominates this category, making up approximately 48% of the cost category total.
- ❑ Wear Parts is the nominal cost for the parts expected to experience wear and tear and require repair or replacement. The Project has budgeted approximately \$1.2M per year for wear parts.
- ❑ Labor includes salaries and benefits for the following Project positions: (1) supervisor, (1) operations lead, (2) dryer operators, (1) security guard, (1) electrical technician, (2) maintenance technicians, (2) solids receptionists, (1) administration, and (2) site laborers. Staff numbers indicated in parenthesis are for Phase I of the Project. Staff numbers for operations leads and dryer operators will increase in Phase II.
- ❑ Insurance is calculated as 0.4% of the assessed Project cost of roughly \$117.5MM.
- ❑ OPEX Contingency is equal to 5% of the Project’s OPEX costs.

The capital cost includes an initial funding of \$250K in in a major maintenance reserve account that accumulates at a rate of \$380K per year from operating revenue.

## CONCLUSIONS

- ❑ HGI review the O&M costs estimates for the Project. It is our opinion that the Company has developed a sound model for estimating the expenses of operating and maintaining the Project, and such estimates are generally reasonable and achievable to support the projected performance of the Project.
- ❑ HGI reviewed the flow estimates for certain O&M items and compared them to the values that are in the engineering documents. These items include transportation and disposable flows as well as natural gas, biogas, potable water and wastewater. It is our opinion that the values RBF used to estimate O&M costs are reasonably consistent with those on the engineering documents.
- ❑ It is our opinion that the non-feedstock O&M costs is within the range of other projects of similar size and scope with which we are familiar.
- ❑ HGI reviewed the CHP O&M costs. It is our opinion that the rates (on \$/kWh basis) is consistent with CHP O&M packages for other projects with which we have experience.
- ❑ RBF may contract with a third-party vendor to provide the O&M services for the Project. Based on Anaergia's experience operating numerous facilities in the U.S. and in Europe, it is HGI's opinion that they are qualified to perform the O&M services for the Project and will be able to either hire on-site staff with knowledge and experience in digester plant operations or train new staff to do so.
- ❑ The OPEX contingency is equivalent to 5.00% of the total OPEX costs. It is our opinion that this amount is consistent with that of other projects of similar size and scope with which we are familiar with.

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**SECTION 6 - ENGINEERING, PROCUREMENT, AND  
CONSTRUCTION**

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## SECTION 6 ENGINEERING, PROCUREMENT, AND CONSTRUCTION AGREEMENT

The Project has a Design-Build Contract with a guaranteed maximum price (“GMP”) between RBF and WML. RBF has an option to convert the GMP contract into a Lump Sum contract when the design is complete. The contract includes a Subcontractor Agreement by and between WML and AT and a Technical Consulting Services Agreement for engineering design services by and between RBF, WML, and GHD.

### DESIGN-BUILD CONTRACT

RBF and WML executed a Design-Build Contract on June 26, 2018 for WML to perform all aspects of the design, engineering, permitting, procurement, construction, installation and commissioning of the Project on a turnkey basis. Incorporated into the contract are the Project Schedule, the Scope of Work, as well as numerous other exhibits. Among the more important sections in the Design-Build Contract are those that describe the Definitions; Scope of Work; Design Services; Construction Services; Contractor’s Compensation; Liquidated Damages; Change Orders; Parent Guarantee; Warranty; and Termination or Suspension of Work. The following is a summary of the important aspects described in the Agreement:

### DEFINITIONS

- ❑ “Commissioning” means the successful completion of tests and processes to establish that each item of equipment identified performs as specified and the Project successfully operates at the specified capacity during a five-day period.
- ❑ “Contract Documents” means the Design-Build Contract plus all WML deliverables required, the Final Construction Documents, and all drawings, specifications, manuals, and other documents provided by WML to Owner for the Performance of the Work.
- ❑ “Feedstock Reception” means that the Work performed has been properly completed including dry testing and wet testing in accordance with the Contract Documents, and the work has progressed to the extent necessary for (i) reception and processing of external feedstock to the Facility on a regular basis and (ii) commencement of commissioning.
- ❑ “Final Completion” means all Work is complete in accordance with the Contract Documents, including but not limited to, any items identified in the Punchlist, commissioning, testing, and submission of all documents.
- ❑ “Guaranteed Maximum Price” is the agreed not to exceed price of \$98,276,849.
- ❑ “Guaranteed Feedstock Reception Completion Date” means feedstock reception shall occur on or before May 15, 2020.
- ❑ “Guaranteed Final Completion Date” means final completion shall occur on or before December 30, 2020.
- ❑ “Guaranteed Substantial Completion Date” means substantial completion shall occur before August 15, 2020.



- ❑ “Requirements” means requirements set forth in applicable law, permits, the Company third party flow-down contractual requirements, WML third party contractual requirements and all requirements of the Agreement.
- ❑ “Substantial Completion” means that the Work has been completed in accordance with the Contract Documents, and completion of Commissioning, to the extent necessary for testing and operation of the Facility by RBF.
- ❑ “Testing” means the post Commissioning performance and process design capacities for successful completion of the tests and processes of the Project, including measuring of its capacity and reliability.
- ❑ “Work” as described in Exhibit C of the Agreement, includes responsibilities for demolition, permitting, design, procurement, salvage and refurbishment of existing equipment, and installation by WML.

### SCOPE OF WORK

#### WML’s Responsibilities

WML’s Scope of Work is attached as Exhibit C of the Design-Build Contract. Generally, WML is responsible for all aspects of the design, engineering, permitting, procurement, construction, installation and commissioning of the Project on a turnkey basis.

WML is to furnish all appropriate design, architectural and engineering services, efficient project administration, management, and materials to complete the Work in a good and workmanlike manner.

#### RBF’s Responsibilities

RBF is responsible for the procurement of certain equipment (see Exhibit D of the Design-Build Contract). RBF is to obtain certain permits and is to provide reasonable cooperation to WML to assist it in obtaining other permits. RBF is responsible for commissioning and testing certain equipment (see Exhibits J and K of the Design-Build Contract).

### DESIGN SERVICES

WML is to provide the following design services:

- ❑ Submit for RBF and governmental authority approval, architectural and engineering drawings and plans which must further define the Project including drawings and outline specifications fixing and describing the Project as to site utilization, and other appropriate elements incorporating the structural, architectural, mechanical and electrical systems.
- ❑ Submit construction documents for company approval at 90% completion and 100% completion which set forth the requirements for construction of the Work and shall consist of permissible drawings and specifications.
- ❑ Attend all meetings reasonably requested by RBF or with any government agencies and provide RBF with written reports on all meetings.
- ❑ Assist RBF in processing warranty claims, repairs, and corrections.

- ❑ Prepare all support documents, drawings, and specifications using computer aided design and drafting equipment, and provide RBF with electronic files during and on completion of the Project.

### CONSTRUCTION SERVICES

WML is to provide the following construction services:

- ❑ Provide and pay for all labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services necessary for the proper construction and completion of the Project.
- ❑ Update the schedule (included as Exhibit E of the Design-Build Contract), provided that the Project Milestones shall not be adjusted, unless a change order is signed by both parties.
- ❑ Create a remedial plan that will specify the corrective actions WML will take and include an analysis of the root cause of the relevant failure if failure to achieve completion of the Work associated with a Project Milestones occurs.

### WML'S COMPENSATION

Although it was both parties' intent for RBF to compensate WML on a fixed, lump sum basis, as of the execution date for the Design-Build Contract, RBF and WML agreed it was in the best interest of the Project to commence based on 30% design with a not to exceed GMP. As the design advances from 30% to 100%, RBF anticipates that cost savings will be realized, and the savings will be returned to the Project. Upon completion of final design and value engineering, the project cost will convert to a lump sum contract price which will be equal to GMP less cost savings resulting from value and detailed engineering as well as unused contingency available to the project.

Pursuant to the Design-Build Contract and based on "early stage Design Documents," the cost was set at \$93,276,849. With assistance from RBF, WML will continue to refine this value as the design progresses further. RBF and WML have agreed that the Contract Price shall not exceed the GMP of \$98,276,849.

The GMP includes a contingency which is available for WML's use for additional Costs of Work. The contingency shall equal the difference of the GMP less the cost, thus the contingency is initially set at \$5,000,000. Should WML not deplete its contingency over the course of the Project, RBF shall pay WML a Contingency Savings Bonus equal to 50% multiplied by the sum of (i) the amount of WML GMP/contingency reduction and (ii) the amount of Lump Sum Conversion Contingency Savings Amount; provided WML Contingency Savings Bonus shall not exceed \$1,000,000. Any cost savings below a Project cost of \$93,276,849 will be fully returned to RBF.

An application for payment shall be submitted by WML within five days after the end of each month within the term. RBF is to notify WML within five days of receipt of application as to whether the application for payment is accepted, accepted with modifications, or rejected. Undisputed applications for payment shall be paid by RBF within 45 days of receipt.

After receipt of a certificate of Final Completion from RBF, WML may submit its final application for payment requesting payment for all unpaid and outstanding amounts payable to WML for the

Work. RBF is to make final payment of the undisputed portion of the final application for payment within 45 days of receipt.

### **LIQUIDATED DAMAGES**

Delay Liquidated Damages include damages that arise as a result of failure to meet the Guaranteed Feedstock Reception Date, Guaranteed Substantial Completion Date, or Guaranteed Final Completion Date. WML is to pay RBF the following amounts as liquidated damages:

- ❑ Daily Liquidated Damages for each day of the first 30-day period in which Feedstock Reception extends beyond the Guaranteed Feedstock Reception Date: \$5,000.
- ❑ Daily Liquidated Damages for each day of the second 30-day period in which Feedstock Reception extends beyond the Guaranteed Feedstock Reception Date: \$6,000.
- ❑ Daily Liquidated Damages for each day of the after expiration of the second 30-day period in which Feedstock Reception extends beyond the Guaranteed Feedstock Reception Date: \$7,000.
- ❑ Daily Liquidated Damages for each day in which Substantial Completion extends beyond the Guaranteed Substantial Completion Date: \$5,000.
- ❑ Daily Liquidated Damages for each day in which Final Completion extends beyond the Guaranteed Final Completion Date: \$5,000.

### **CHANGE ORDERS**

Both RBF and WML agree that because only 30% design had been completed by the date the Design-Build Contract was executed, RBF or WML may request changes to the Scope of Work. They can be made only by mutually acceptable written Change Orders signed by both companies. Only if a Change Order results in a Material Change (cost of change exceeds \$5,000), will the corresponding Project schedule or cost be modified.

### **PARENT GUARANTEE; BONDS**

Pursuant to the Design-Build Contract, WML is to furnish a parent guaranty as security for its full and timely performance of all its obligations, to be maintained in full force and effect until the expiration of the warranty period. If required by RBF to obtain financing, WML is to furnish payment and performance bonds to the extent commercially available, in form and amount as RBF, the City of Rialto, or any Lender may reasonably require.

### **WARRANTY**

WML is to remedy any breach in warranties it discovers within 12 months after the Final Completion Date. WML makes the following warranties:

- ❑ All work will be performed in accordance with generally accepted professional standards of engineering in accordance with the Standard of Care and Construction Industry Practices and all requirements of the Agreement;
- ❑ All equipment will be installed in accordance with manufacturer's specifications or methods otherwise approved by the manufacturer;

- ❑ All equipment will have an associated guarantee of the unit process and performance issued by the manufacturer of such equipment;
- ❑ All equipment procured for the Project by the process subcontractor will have an associated process warranty in accordance with the minimum requirements of such warranty set forth in the Agreement; and
- ❑ All Work incorporated in the Project will be new, of recent manufacture, of good quality, free from faults and defects, including design defects and suitable for the purpose set forth in the Agreement.

### TERMINATION OR SUSPENSION OF WORK

RBF may terminate the Agreement by written notice to WML at any time. In this instance, RBF shall deliver a notice of default to WML, and if it can be remedied by WML, RBF shall provide WML the opportunity to do so within 20 days of receipt of notice. If WML is not able to remedy its default, RBF may (i) resort to the Parent Guaranty for the performance of any of the obligations under the Agreement, (ii) cure WML's default and deduct the costs thereof from amounts due to WML, and (iii) terminate the Agreement and take possession of the Site and all materials and equipment to finish the Work by whatever method RBF may deem expedient. If RBF terminates for reasons other than WML's default, RBF shall pay WML for the work performed up to the day of receipt of the termination notice and reimburse WML for all equipment and materials purchased by WML in accordance with the Agreement.

WML may terminate the Agreement if (i) WML suspends Work due to RBF failing to pay WML when payment is due and the payment in full has not been made within 30 calendar days of the start of the suspension, (ii) Work has been stopped for 60 consecutive days, or more than 90 days not due to the acts or omissions of WML during the duration of the Project, and (iii) Work has been stopped for 60 consecutive days, or more than 90 days during the project due to RBF failing to provide WML information or approvals.

### SUBCONTRACTOR AGREEMENT

AT and WML executed a Subcontractor Agreement on June 26, 2018 whereby AT is responsible for certain process design, engineering, equipment supply, commissioning, and training, among other activities. This Subcontractor Agreement is incorporated into the Design-Build Contract.

AT is responsible for providing procurement specifications, process data, submittal and drawing packages, training, and commissioning for AT-supplied equipment and RBF-specified equipment related to the following processes: (i) wet fraction polishing, (ii) digester equipment, (iii) biogas conditioning, (iv) dryer, and (v) wastewater treatment system. Block flow diagrams, process flow diagrams, and characteristics for all primary process fluids are also to be provided by AT.

AT is to furnish all appropriate design, architectural and engineering services, efficient project administration, management, and materials. AT is to coordinate and cooperate with WML to ensure there is no delay or interference with WML's scope of work.

WML is to pay AT \$21,657,143 for properly and timely performing all its obligations under the Subcontractor Agreement. The amount due to AT from WML is included as an allowance in the lump-sum amount of the Design-Build Contract.

### TECHNICAL CONSULTING SERVICES AGREEMENT

The Amended and Restated Technical Consulting Services Agreement and Assignment (the “TCSA”) was executed on June 26, 2018 by and between WML, RBF, and GHD. Per the TCSA, GHD is responsible for detailed design and engineering, assisting in equipment procurement, and certain startup and commissioning activities for the Project, among other activities. This TCSA is incorporated into the Design-Build Contract.

The initial TCSA was executed by RBF and GHD on December 12, 2017, and amended, effective as of April 10, 2018, pursuant to which GHD agreed to perform the 30% Design of the Project. WML engaged GHD to perform 100% of the design of the Project required under the work of the Agreement per the final TCSA, effective as of June 26, 2018.

GHD is responsible for providing all labor, services, supplies, materials, and supervision for the activities set forth in the Scope of Subcontracted Work included as Exhibit A to the TCSA. Such activities include, but are not limited to, (i) bringing engineering deliverables to 90% design and then 100% completion following review, (ii) developing, completing, and maintaining block flow diagrams, process flow diagrams, and piping and instrumentation diagrams, (iii) sizing digester tanks and developing tank arrangement drawings, (iv) specifying pumps, blowers, conveyors, and miscellaneous process equipment not included in the RBF-specified equipment, and (v) developing mechanical/piping plans for the Project.

WML is to pay GHD \$4,338,349 for properly and timely performing all its obligations under the TCSA. The amount due to GHD from WML is included as an allowance in the lump-sum amount of the Design-Build Contract.

### CONCLUSIONS

- ❑ HGI reviewed the Design-Build Contract between WML and RBF. It is our opinion that the contract addresses the important commercial terms required of such contracts and exhibits the standard of care we would expect for similar agreements with a similar scope of work.
- ❑ HGI reviewed the process by which WML and RBF developed the Budget for the Cost of Work. It is our opinion that they developed the Budget in a professional manner with properly sourced documents, and the mutually agreed upon Budget is appropriate for a Project of this size and scope.

Harris Group reviewed the “early stage Design Documents” that WML (with input from RBF) used to develop the Budget. It is our opinion that these documents were developed in a professional manner and contain sufficient detail to develop a Contract Price with reasonable accuracy.

It is our opinion that the strategy of developing the Risk Register is an appropriate way to estimate an adequate Contingency.

It is our opinion that the strategy the RBF employed to limit the GMP will result in a conversion to Lump Sum that should not exceed \$98,276,849.

- ❑ The Agreement defines a mutually agreed upon milestone schedule for Project completion and the liquidated damages that are to be paid by WML if that schedule is not met. It is

HGI's opinion that the mutually agreed upon schedule is appropriate for a Project of this scope and that the schedule liquidated damages provide an adequate incentive for WML to complete the construction in a timely manner.

- ❑ HGI reviewed the Commissioning Criteria and Procedures and the performance and acceptance Testing to be conducted following Substantial Completion included in Exhibit J and Exhibit K, respectively. It is our opinion that the procedures, responsibilities, and acceptance parameters contain enough detail for a test to adequately demonstrate that the RBF facility meets the performance required to ensure the Project can obtain its technical and financial requirements.
- ❑ It is HGI's opinion that WML has the resources and experience necessary to ensure that its scope of work will be performed in a manner that assures the Project will be completed on schedule and budget.

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## **SECTION 7 - THIRD PARTY AGREEMENTS AND INTERFACES**



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## SECTION 7 THIRD PARTY AGREEMENTS AND INTERFACES

HGI reviewed various agreements related to Project feedstock supply, biogas supply, land leases, and product offtake. Key provisions of such agreements are described below.

### FEEDSTOCK SUPPLY AGREEMENTS

HGI reviewed Feedstock Supply Agreements and Commitments between RBF and multiple feedstock suppliers. RBF has contracted with two waste disposal companies to supply the WF to the Project: Waste Management Recycling and Disposal Services of California, Inc. (“WM”) and Republic Services, Inc. (“RS”). RBF has contracted with the City of Rialto WWTP to supply biosolids under the Facilities Operating Agreement (“FOA”). Additionally, RBF is in the process of acquiring biogas from the city of Rialto under a separate agreement. RBF has a commitment from Liquid Environmental Solutions (the “LES Commitment”) to supply organic liquids to the Project. RBF has contracted with Denali Water Solutions to supply additional biosolids to the Project (the “Denali Agreement”). Key provisions of the Agreements are summarized below.

### WET FRACTION AGREEMENTS

RBF has identified four acceptable solid waste streams that may be pre-processed and delivered as Wet Fraction feedstock to the Project. The acceptable solid waste streams include Source Separated Organics (“SSO”), Wet Commercial Waste (“WCW”), or Screened Unders (“SU”) from MSW. The WF agreements are based on the typical quality and waste type characteristics of the solid waste streams shown in Table 7-1. The quality specifications for the extracted organics to be used as feedstock are defined in Table 7-2.

<b>Table 7-1 Typical Waste Stream Properties</b>				
<b><u>Waste Stream</u></b>	<b><u>Inert Contamination Level</u></b>	<b><u>Moisture Content</u></b>	<b><u>Bulk Density</u></b>	<b><u>Size</u></b>
MSW	> 50%	30 – 40%	450 lb/yd <sup>3</sup>	< 12”
WCW	30 – 50%	40 – 50%	650 lb/yd <sup>3</sup>	< 12”
SSO	< 30%	50 – 70%	1,350 lb/yd <sup>3</sup>	< 12”
SU	25 – 70%	-	850 lb/yd <sup>3</sup>	< 6”

<b>Table 7-2 Feedstock Quality Specifications</b>		
<b><u>Unit</u></b>	<b><u>Target Value</u></b>	<b><u>Acceptable Range</u></b>
Total Solids – Cake	30 %	24 – 40 %
Total Solids – Slurry	20 %	10 – 18 %
Volatile Solids to Total Solids	90 %	80 – 100 %
Inert Contaminates Larger than 2mm*		
- Plastic	3	< 3
- Glass	1	< 1
- Stone	1.5	< 1.5
- Metal	1	< 1

\*Inert Contaminates are measured as a Percent of Total Solids on a Dry Weight Basis.

### **WM Agreement**

The WM Agreement between RBF and WM, executed on November 28, 2017, outlines conditions for RBF to receive and accept a target volume of 300 tons per day (“tpd”) of Wet Fraction to be delivered over a period of six days per week. Key provisions of the agreement include:

- **Quantity and Quality:** It is WM’s priority to supply the target volume of WF to RBF. Waste streams shall be pre-processed using Anaergia’s OREX equipment. The OREX is to be installed by Anaergia at the WM facility per a Design-Build Services Agreement executed on November 28, 2017 between Anaergia Technologies and WM. If WM is unable to meet the target volume through use of the OREX, it shall use commercially reasonable efforts to process WCW, MSW, and/or SU to meet the target volume.

WM may deliver more than 300 tpd (up to 500 tpd) to RBF, provided the Project has available capacity.

- **Delivery:** WM is responsible for delivering its WF to the Project. RBF shall accept the feedstock 24 hours per day and operate the RBF facility so that there is a weekly average turnaround time of 25 minutes for all WM vehicles, and a maximum of 45 minutes for any single WM vehicle. Wait time outside the RBF facility is not to exceed 10 minutes.
- **Compensation:** Within 20 days following the end of each month (i) RBF shall send WM a statement of the number of tons of each type of feedstock delivered by WM together with amounts due, and (ii) WM shall send RBF a statement of the number of tons of RBF residuals accepted by WM for landfill disposal together with amounts due. Each party shall pay all invoices in full within 45 days of receipt of each invoice.

RBF shall pay to WM \$30 per ton in landfill disposal fees. WM shall pay to RBF the Feedstock gate fees listed in Table 7-3. Landfill disposal fees and Feedstock gate fees will escalate by 2.5% each year following the commercial operation date (“COD”).

<b>Table 7-3 Proposed Feedstock Gate Fees</b>	
<b><u>Wet Fraction</u></b>	<b><u>Wet Fraction Gate Fee</u></b>
0 – 200 tpd	\$44.95/ton
200 – 300 tpd	\$41.95/ton
>300 tpd	\$39.95/ton

- ❑ **Term and Termination:** The WM Agreement is effective as of November 28, 2017 and shall remain in effect until the 10<sup>th</sup> anniversary of the COD. If the COD does not occur by June 30<sup>th</sup>, 2020, RBF shall loan to WM a dynamic cyclone for the OREX system to enable WM to produce a viable output for composting until the COD of RBF occurs.

WM may terminate the WM Agreement upon 30 days written notice if (i) the COD has not occurred within 48 months of the effective date, or (ii) at any time prior to the expiration of the 48-month period RBF becomes reasonably certain that it will be unable to attain a COD within the said 48-month period.

Notwithstanding the foregoing, five years from the COD, WM and RBF may obtain pricing from third parties for Feedstock gate fees and landfill disposal fees, respectively. If third party pricing provides a more profitable deal for the said party and the counterparty does not stand to match the pricing, the WM Agreement may be terminated by said party.

### **Republic Services “RS” Agreement**

The RS Agreement between RBF and RS, executed on July 30, 2018, outlines conditions for RBF to receive and accept a target volume of 100 tons per day (“tpd”) of WF to be delivered over a period of six days per week. Key provisions of the agreement include:

- ❑ **Quantity and Quality:** It is RS’s priority to supply the target volume of Feedstock to RBF. Waste streams shall be pre-processed in the Anaheim Transfer station. All franchises within the Anaheim region (includes city of Anaheim, and nine other cities with in Republic Franchise Zones) will be dedicated to first supplying feedstock to RBF up to the Target Quantity of 100 tpd
- ❑ **Delivery:** RS is responsible for delivering WF to RBF. RBF shall accept the feedstock 5 days a week – Monday to Friday except Holidays.
- ❑ **Compensation:** RS is to pay \$48.67 per ton.
- ❑ **Term and Termination:** 10 Year term with mutual rights to adjust pricing based on market price within a band of 20%. The agreement includes termination provisions for lack of performance.

In addition to the above agreement, RS has provided a memo with an intent to supply additional WF from the city of Los Angeles zone, once some of the technical issues are resolved. It is expected that Los Angeles could provide additional 300 tpd of WF to RBF.

**CITY OF RIALTO WWTP**

**Biosolids Agreement**

RBF has contracted with the Rialto WWTP for contribution of dewatered municipal biosolids (approximately 25 tons per day) to the Project under the existing FOA

**Biogas Agreement**

A preliminary term sheet has been drafted for the Biogas Agreement between the City of Rialto WWTP and RBF. A draft of the Biogas Agreement was not available for review. The Rialto WWTP will send biogas produced from its anaerobic digesters to RBF for gas conditioning. Per the Biogas Agreement, RBF is to pay for the installation of a biogas pipeline from the Rialto WWTP to the RBF Facility including a blower, pipe trenching, valves and instruments, and electrical power connections and controls. The term of the Biogas Agreement will be a 20-year commitment with biogas supply commencing upon the COD of RBF. The proposed rate schedule is as follows:

<b>Table 7-6 Proposed Biogas Rate Schedule</b>	
<b><u>Biogas Produced</u></b>	<b><u>\$/MMBtu</u></b>
>150 scfm	\$1.00
50 – 150 scfm	\$0.75
0 – 50 scfm	\$0.50

**LES COMMITMENT**

HGI reviewed the commitment letter dated March 15, 2018 stating Liquid Environmental Solution’s (“LES”) commitment to contract with RBF as a supplier of liquid organics to the Project beginning in 2019. LES manages and collects non-hazardous waste streams, grease traps, grit traps, and used cooking oil from businesses in the Southern California area to be processed into useable liquid organics. LES currently supplies approximately 20,000 gallons per day of organic liquids to the City of Rialto WWTP. LES is under negotiations that will add an estimated 50,000 gallons per day to their current grease trap service and wastewater collection business, 30,000 gallons of which would be best delivered to Rialto.

LES is prepared to negotiate to provide RBF with between 30,000 and 50,000 gallons per day of liquid organics based on an agreement for expenses of both parties and additional processing and delivery logistics. If beneficial to gas production, LES is also prepared to add RBF as its preferred vendor in the Southern California region for each waste stream or product disposal.

### **DENALI AGREEMENT**

RBF has contracted with Denali Water Solutions to provide biosolids to the Project. Denali is contracted with the City of Los Angeles, Los Angeles County Sanitation Districts, and Orange County Sanitation Districts to haul biosolids from WWTPs. Among these large, LA-area WWTPs there is sufficient biosolids to supply the Project. The starting contract price is \$55 per ton with an escalator.

### **GROUND SUBLEASE AGREEMENT**

RBF and Rialto Utility Authority (“RUA”) executed a ground sublease agreement (the “Land Agreement”) on April 1, 2016 for the Project site at 503 East Santa Ana Avenue, Rialto, CA 92376. Key provisions of the agreement are summarized below:

- ❑ **Premises and Use:** RUA has agreed to sublease the Project site to RBF for the development and operation of the Project to process organic waste to convert the materials into renewable biogas or other reusable products to be used onsite and/or exported off-site. RBF may reconfigure the Project processes and expand its digestion and drying capacity so long as it remains capable of performing and carrying out the activities above.
- ❑ **Rent:** RBF agrees to pay \$10,000 per month for the Project site for the first 5 years of the Land Agreement term. The rent shall be paid on the first day of each month beginning on April 1, 2016, or the date upon which all conditions to effectiveness of sublease defined in the Land Agreement are met, whichever occurs first (the “Commencement”).

RUA may adjust the original rent effective as of the beginning of the fifth (5<sup>th</sup>) anniversary, tenth (10<sup>th</sup>) anniversary, and fifteenth (15<sup>th</sup>) anniversary of the Commencement in proportion to the cumulative increase during the preceding 60-month period in the Consumer Price Index published by the Bureau of Labor Statistics of the U.S. Department of Labor.

- ❑ **Term:** RBF shall lease Project site from RUA the for a term of 22 years. RBF shall have the right to extend the Land Agreement term for up to two additional consecutive five-year periods, beginning immediately upon the end of the original term.

### **OFF-TAKE AGREEMENTS**

#### **GAS PURCHASE AGREEMENTS**

The Project has contracted with two utilities under the entity SoCal Biomethane, LLC (“SCB”) for the offtake of RNG produced at the Project. Additional amounts of RNG not under contract will be sold to spot markets. Key parameters of the agreements are summarized below.

**Anaheim Public Utility**

SoCal Biomethane entered into a Gas Purchase Agreement with the City of Anaheim (“Anaheim”) on January 11, 2018. Pursuant to the agreement, SCB agrees to sell RNG and the associated environmental attributes to Anaheim pursuant to the following terms and conditions:

- ❑ **Contract Price:** Anaheim shall pay to SCB the total fixed price of \$12.74/MMBtu of RNG, inclusive of all associated environmental attributes. The total fixed cost is comprised of the gas purchase price, the REC equivalent price, and the allowance equivalent price. Each of these components will increase annually at the percentage defined in Exhibit C of the agreement.
- ❑ **Delivery:** For each term year, SCB is responsible for delivering RNG to Anaheim at the delivery point in an amount (i) not less than the contract quantity, which is equal to the number of days in the term year times the Average Daily Quantity (“ADQ”) of biomethane delivered in that term year, and (ii) not more than the maximum quantity, which is no more than 200% of the contract quantity for the applicable term year. Delivery of RNG shall cease if SCB has delivered the maximum quantity in a term year. Additionally, SCB shall not deliver more than 980 MMBtu of RNG in any day.

The delivery point is SoCalGas-Citygate. SCB will make commercially reasonable efforts to coordinate with Anaheim to optimize the timing of delivery of biomethane in order to maximize Anaheim’s use of biomethane.

- ❑ **Calculation of Damages:** If SCB delivers less than the minimum quantity, which is equal to 100% of the contract quantity, SCB will owe Anaheim for the deficient delivery. SCB shall also pay Anaheim if any quantity of biomethane delivered to the delivery point is (i) not eligible to generate RECs, or (ii) unable to be verified as “biomass-derived-fuel” under the Mandatory Reporting Regulation. Exhibit A of the agreement defines the calculations to determine how much SCB shall owe to Anaheim for the above-mentioned faults.
- ❑ **Term and Termination:** The term commences on the commencement date and ends 20 calendar years from the commencement date. The commencement date will be selected by SCB upon available delivery to Anaheim, but it should be no later than April 1, 2021. Should an event of default as outlined in the agreement occur, the non-defaulting party shall have the right to terminate the agreement if the event of default is not properly cured in a timely manner. This agreement may be terminated by either party if SCB fails to meet the commencement date requirements.

**Southwest Gas Corporation**

SCB and Southwest Gas Corporation (“Southwest”) signed an agreement effective July 26, 2018 to supply biomethane when RBF becomes operational. Key terms are summarized below:

- ❑ **Contract Price:** Southwest will pay to SCB the D3 RIN Fixed Price multiplied by the quantity of biomethane qualifying for D3 RINs plus the D5 RIN Fixed Price multiplied by the quantity of biomethane qualifying for D5 RINs. Fixed prices are as follows:

<b>Table 7-7 Proposed Contract Pricing</b>			
<b><u>Contract Price Component</u></b>	<b><u>Term 1</u></b>	<b><u>Term 2</u></b>	<b><u>Term 3</u></b>
D3 RIN Fixed Price (\$/MMBtu)	\$11.00	\$10.00	\$9.00
D5 RIN Fixed Price (\$/MMBtu)	\$4.50	\$4.25	\$4.00
Variable Biomethane Percentage (Percentage of the Net Environmental Attribute Value)	55%	60%	65%

- ❑ **Delivery:** SCB shall be responsible for delivery of at a minimum 287 MMBtu/day of biomethane and shall not exceed a maximum 575 MMBtu/day of biomethane. The delivery point will be a mutually agreeable interconnection point between RBF and the Southwest facility.
- ❑ **Term:** The term will begin on commencement date which will be no later than April 1, 2022 and continue for 120 months thereafter.

## **ELECTRICITY**

RBF will enter into a Power Purchase Agreement with Southern California Edison for up to 3MW of renewable electricity. The PPA to be executed is mandated by SB 1122 (the Bioenergy Feed-in Tariff Program), and its terms and pricing structure are consistent throughout the State of California.

## **FERTILIZER**

Denali Water Solutions is to be contracted with RBF to provide sales and marketing services for the fertilizer produced by the Project. Denali sells its converted products (e.g. compost, mulch) under the brand name WeCare Organics and various WeCare Compost® trademark names.

## **CONCLUSIONS**

- ❑ HGI reviewed the executed feedstock supply agreements between RBF and WM and between RBF and RS. It is our opinion that the formats of the agreements – and the commercial terms contained therein – are adequate to address the requirements for the supply of feedstock to the Project.
- ❑ Under the current WF feedstock agreements, the maximum amount that WM and RS would supply is 400 tpd. In addition, HGI reviewed a memorandum from RS which expresses RS's intent to supply additional feedstock from Los Angeles franchise zones. Based on Cal Recycles studies, there is adequate WF between these two haulers in the region to supply the capacity for the Project.



- ❑ The RNG gas purchase agreements include clauses that require RBF to deliver minimum amounts and minimum qualities of RNG. If RBF is unable to meet those requirements, it will have to compensate the offtakers for the deficit(s). The minimum amount of RNG the Project must deliver per the two agreements is 210,000 MMBtu/yr. This is less than half the 500,000 MMBtu/yr RBF projects the Project will produce. It is HGI's opinion that there is little risk that the Project would produce less than the minimum amount of RNG required by the gas purchase agreements.
- ❑ HGI reviewed the ground sublease agreement between RBF and Rialto Utility Authority. The ground sublease agreement outlines the conditions for RBF to develop and operate an organic waste recycling facility on land owned by the City of Rialto. It is our opinion that the formats of the agreements – and the provisions contained therein – are adequate to provide the Project with complete access and control of the Project site to allow for construction and operation for the life of the Facility.

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**SECTION 8 - ENVIRONMENTAL REQUIREMENTS  
AND SITE CONDITIONS**

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## SECTION 8 ENVIRONMENTAL REQUIREMENTS AND SITE CONDITIONS

Construction and operation of the Project is subject to federal, state, and local laws, regulations, codes, standards, guidelines and policies. Permits and approvals applicable to construction and operation of the Project are summarized in Table 8-2, located at the end of this section.

### ENVIRONMENTAL IMPACT REPORT

The California Environmental Quality Act (“CEQA”) of 1970 requires that the potential environmental impacts of a project be identified and that mitigation measures be recommended that may avoid or reduce significant impacts. To comply with the CEQA, Trinity Consultants, Inc. (“TCI”) prepared a draft Environmental Impact Report (“EIR”) and circulated it for public review from November 21, 2017 to January 5, 2018. Written comments were received during the public comment period. The comments were addressed and, where necessary, changes to EIR were made prior to Trinity submitting the final EIR in February 2018. The City of Rialto certified and approved the EIR on March 27, 2018 per Resolution No. 7310. A CEQA Notice of Determination for the Project was filed and posted with the County Clerk on March 28, 2018 (Receipt No. 36-03282018-169) to acknowledge completion of the EIR and to advise that the City of Rialto has approved the Project. Mitigation measures were made a condition of the approval.

Key conclusions from the EIR are as follows:

- ❑ No feasible mitigation measures exist to reduce the Project’s NO<sub>x</sub> emissions below the threshold of significance for operational emissions. However, to minimize NO<sub>x</sub> emissions, the EIR requires the following mitigation measure: “The applicant shall enter into a Title V permit with the South Coast Air Quality Management District (“SCAQMD”) and further reduce NO<sub>x</sub> emissions as part of the air permit application process, including participating in emissions reduction programs such as purchasing emission reduction credits, removing equipment, and/or accepting permit conditions to limit operations.”
- ❑ Implementation of the Project may have a potentially significant impact on:
  - Geology and Soils
  - Hydrology and Water Quality
  - Hazards and Hazardous Materials
  - Biological Resources
  - Cultural Resources

Potential significant impacts can be reduced to levels below significance through implementation of the mitigation measures outlined in the EIR.

## AIR PERMIT

HGI reviewed the air quality permit application for a modified bioenergy facility as part of the Air Quality Engineering Evaluation (“AQEE”) prepared by Trinity Consultants for the RBF project. Trinity Consultants provides environmental, health, and safety regulatory compliance assistance to regulated entities with a focus on air quality permitting. The air quality permit applications were submitted December 28, 2017 to SCAQMD with the AQEE and payment for applicable permit processing fees to expedite permit issuance. The AQEE includes facility information, equipment descriptions, process descriptions, emission calculations, rule evaluations, and a total of 23 applications to the SCAQMD. RBF has not yet received the final, approved air permit for the Project. SCAQMD confirmed receipt and completeness of the application and confirmed it is under review and anticipates issuing the draft permit in September 2018.

The RBF project equipment is expected to emit PM<sub>10</sub>, NO<sub>x</sub>, SO<sub>x</sub>, CO, VOCs, and air toxic compounds. Emission calculations were performed for each permitted process and equipment. The estimated total Project emissions are summarized in Table 8-1. The Project facility is subject to the Title V Permits Program due to criteria emissions that exceed major source thresholds for PM<sub>10</sub>, NO<sub>x</sub>, SO<sub>x</sub>, CO, and VOC. Trinity Consultants did not identify any significant issues and expects RBF to comply with all applicable rule requirements in regard to the air permit to be issued by SCAQMD for the Project.

<u>Compound</u>	<u>Emissions (lb/day)</u>
PM <sub>10</sub>	8.97
NO <sub>x</sub>	95.77
SO <sub>x</sub>	68.86
CO	276.77
VOC	50.63

## WATER DISCHARGE PERMIT

RBF intends to update the existing wastewater discharge permit that was previously issued to EnerTech Environmental, California, LLC, for its former biosolids facility at the Project site. Wastewater discharge permit #2008-07, effective July 21, 2008, allows for a Zero Discharge Significant Industrial User (“SIU”) classified facility as defined in the Rialto Sewer Use Ordinance. The following criteria is the basis for the permit classification:

- ❑ Potential to discharge an annual Average Daily Flow greater than 25,000 gallons per day; however, all process wastewater is to be discharged to the Inland Empire Brine Line (“IEBL”) under a separate discharge permit and not to the Rialto Sanitary Sewer System.
- ❑ Categorical Pretreatment Standards: None

- ❑ Sanitary sewer and non-process wastewater are to be discharged to the Rialto Sanitary Sewer System.

The permit authorizes the permit holder to discharge sanitary wastewater, non-contact heating and cooling water, unpolluted storm water, pump seal water, sample drain water, incident spills less than 100 gpd, eyewash and emergency shower wastewater, and truck wheel wash wastewater. The permit holder is not authorized to discharge process wastewater to the City sanitary sewer system. Process wastewater includes any water that comes into contact with any raw material, intermediate product, or finished product.

The Project expects to produce approximately 11,700 gpd of wastewater to be discharged to the City of Rialto WWTP. This discharge amount will adhere to the permit restrictions of a zero discharge SIU facility; however, the existing wastewater discharge permit #2008-07 expired July 20, 2013 and will require an update and renewal by RBF.

An additional amount of approximately 246,600 gpd of combined process and cooling system wastewater will be treated on-site prior to being discharged to the IEHL. A Discharge Permit Application for use of the IEHL was submitted March 2, 2018. Per administrative and statutory process, a permit will be granted 180 days prior to start of operations.

## **LOCAL PERMITS**

Local environmental requirements are defined in the mitigation measured within the approved EIR. Land use and zoning were approved by the city based on the Conditional Development Permit and the Precise Plan of Design approvals. It is the WML's responsibility to obtain required building permits that are administrative in nature.

## **ENVIRONMENTAL SITE CONDITIONS**

In February 2014, LOR Geotechnical Group, Inc. ("LOR") completed a Phase I Environmental Site Assessment ("ESA") at the site of the Project. The purpose of a Phase I ESA is to identify recognized environmental conditions ("RECs") in connection with the Project site. The American Society for Testing and Materials International Standard Practice for Environmental Site Assessment E 1527-13 defines an REC as the presence or likely presence of hazardous substances or petroleum products on the property under conditions that indicate an existing release, a past release, or a material threat of a release of hazardous substances or petroleum products into the structures on the property or into the ground, groundwater, or surface water of the property. The term does not include the de minimis conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of enforcement action if brought to the attention of appropriate governmental agencies.

The scope of the ESA for this Project included five (5) tasks: 1) reconnaissance of the site and immediate vicinity; 2) review of the data available from various regulatory agencies; 3) interview with the current site owner; 4) review of historical aerial photographs, city directory information, topographic maps, and environmental records and reports; and 5) preparation of a report.

LOR concluded the following:

- ❑ During site reconnaissance, LOR noted hazardous wastes or materials on site consisting of diesel fuel in 55-gallon drums, new and waste oil in gallon to 5-gallon containers, and chemicals from the former plant operations (hydrochloric and sulfuric acids, etc.). No significant staining of the gravel areas, asphalt, or concrete pavement was noted in the storage areas presenting minimal concern. LOR recommends the containers of hazardous wastes or materials should be lawfully transported offsite for recycling or disposal. This waste has been disposed of in accordance with regulations.
- ❑ A concrete pipe was found to be leaking at a landfill previously operated on site. Approximately 44,000 cubic yards of debris were excavated from the landfill due to the leakage and confirmation testing showed no significant contamination was left in place. The Santa Ana Regional Water Quality Control Board issued a closure letter for the landfill in 2007. It should not adversely impact the site. No further action is necessary.
- ❑ The Phase I ESA report conclusion did not find any areas on the Project site that could be considered a REC. No further action is needed.

## CONCLUSIONS

- ❑ HGI reviewed the list of permits required for construction and operation of the Project. It is our opinion that there are no known site-specific circumstances or technical obstacles that would preclude RBF from obtaining the remaining permits and agreements that it will require to construct and operate the Project.
- ❑ HGI reviewed the Final EIR that TCI developed for the Project. Based on our experience with TCI in previous projects, it is our opinion that TCI is well qualified to perform this work and did so in a professional manner. It is our opinion that the mitigation measures that become conditions for approval are reasonably attainable and will not limit the Project's ability to operate as designed.
- ❑ HGI reviewed the Air Permit applications that TCI developed. It is our opinion that TCI's application affords the Project sufficient flexibility (e.g. in operating hours) and will not be constrained by conditions set forth in the Permit to Operate.
- ❑ HGI reviewed the Phase I ESA prepared by LOR. It is HGI's opinion that LOR is well qualified to perform this task and did so in a professional manner. LOR found no evidence that would indicate the presence of RECs or implicate current or past presence of hazardous materials, material releases or regulated substance, or existing environmental liability at the site.

**Table 8-2 Key Environmental Permits, Approvals, and Documents**

<b><u>Classification</u></b>	<b><u>Issuing Entity</u></b>	<b><u>Status</u></b>	<b><u>Comments</u></b>
CDP/Planning	City of Rialto City Council	Received – 3/27/2018	CDP Resolution No. 7309
CEQA Approval	City of Rialto City Council	Received – 3/28/2018	Receipt No. 36-03282018-169
Precise Plan of Design	City of Rialto, Development Review Committee	Received – 3/29/2018	PPD No. 2017-0034
Flood Control Access Easements	San Bernardino County Flood Control District	Received – 5/30/2006	Permit No. P-22006027, last amended 6/11/2015
Interconnection for Parallel Operation	SCE	Expected – 4/1/2020	Permit to operate
Interconnection Authorization	SoCal Gas	Expected – 4/1/2020	Permit to operate
Solid Waste Facility Permit	San Bernardino Department of Public Health and CalRecycle	Expected – 6/1/2020	Permit to operate
Encroachment Permit(s)	City of Rialto	Expected – 10/1/2018	Permit to construct
Air Quality Permit - Title V	SCAQMD and EPA Region 9	Expected – 10/1/2018	Permit to construct
Air Quality Permit - Title V	SCAQMD and EPA Region 9	Expected – 12/31/2020	Permit to operate
Wastewater Discharge Permit	City of Rialto	Received – 7/21/2008	WDP No. 2008-07 – requires update/renewal
Stormwater Plan / WQMP	Santa Ana RWQCB	Received – 9/14/2018	Permit to operate



**Table 8-2 Key Environmental Permits, Approvals, and Documents**

<b><u>Classification</u></b>	<b><u>Issuing Entity</u></b>	<b><u>Status</u></b>	<b><u>Comments</u></b>
NPDES – Construction General Permit SWPPP	Santa Ana RWQCB	Received – 9/14/2018	Permit to construct
NPDES – Construction Dewatering	Santa Ana RWQCB	Received – 9/14/2018	Permit to construct
NPDES – Industrial Permit (stormwater)	Santa Ana RWQCB	Expected – 6/1/2020	Permit to operate
Landscape Plan Approval	Department of Engineering	Expected – 12/31/2018	Permit to construct
Rough Grading Permit	City of Rialto, Public Works Department	Expected – 12/31/2018	Permit to construct
Foundation Permit	City of Rialto, Building Plan Check Department	Expected – 12/31/2018	Permit to construct
Truss Packages	City of Rialto, Building Plan Check Department	Expected – 12/31/2018	Permit to construct
Noise Study	City of Rialto	Expected – 12/31/2019	Permit to operate
Structural Design Computations	City of Rialto, Building Plan Check Department	Expected – 12/31/2018	Permit to construct
Complete Working Drawings	City of Rialto, Building Plan Check Department	Expected – 12/31/2018	Permit to construct
Spill Prevention Control and Countermeasure (SPCC) Plan	San Bernardino County Fire Department	Expected – 12/31/2019	Permit to operate

**Table 8-2 Key Environmental Permits, Approvals, and Documents**

<b><u>Classification</u></b>	<b><u>Issuing Entity</u></b>	<b><u>Status</u></b>	<b><u>Comments</u></b>
Building and Mechanical Permit	Building Plan Check Department	Expected – 12/31/2018	Permit to construct
Hazardous Materials Business Plan	San Bernardino County Fire Department	Expected – 12/31/2019	Permit to operate
Fire Prevention, Planning, and Inspection	City of Rialto Fire Department	Expected – 12/31/2019	Permit to operate
Electrical Site Services Permit	SCE	Expected – 12/31/2018	Permit to construct
Electrical Permit	City of Rialto, Building Plan Check Department	Expected – 12/31/2019	Permit to construct
Occupancy	City of Rialto, Building Plan Check Department	Expected – 12/31/2019	Permit to operate
Demolition Permit	City of Rialto, SCAQMD	Received	Permit to construct

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## **SECTION 9 - FINANCIAL MODEL**

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## SECTION 9 FINANCIAL MODEL

### MODEL STRUCTURE AND CONTENTS

HGI reviewed “F - Rialto Financial Model - Yaniv Scherson - MAIN - external bonds, 6 mo DSRA - 9.17.18.xlsm,” RBF’s base case financial model for the Project (the “Financial Model”). The Financial Model assumes operations start in the third quarter of 2020 and reach full production in the end of the fourth quarter of 2020. The model forecasts operations through the end of 2040 (see Table 1 at the end of this section).

In our review of the Financial Model, we concentrated on those inputs and assumptions associated with Year 2021 because that is the first calendar year in which the Company anticipates full production. We reviewed the technical inputs, including capital costs, production capacity, availability, production efficiency, operation and maintenance costs, and sales revenues as they relate to the Project documents we have reviewed. Our review does not include analyses of financing assumptions, escalation, taxes, insurance, depreciation, amortization, or commodity markets and pricing.

In our review and analysis of the Financial Model, we made certain assumptions with respect to conditions that may exist or events that may occur in the future. Such assumptions are dependent upon future events. Actual conditions may vary from those assumed. In addition, we relied on certain information provided to us by sources that we believe to be reliable. We believe the use of such information is reasonable for the purpose of this study. To the extent that actual conditions may vary from those assumed herein or provided to us by others, actual results may vary from those projected in the Financial Model.

### MODEL ASSUMPTIONS

Projected annual operating revenues and expenses are based on certain assumptions, including feedstock volumes and tipping fees, feedstock conversion rates, plant capacity factor, and product sales prices, as discussed below. Annual operating expenses are discussed in more detail in Section 5 of this report. Any revenues, expenses, and capital costs associated with Pyrolysis are not included in the financial analysis.

### FEEDSTOCK VOLUMES AND TIPPING FEES

The projected feedstock volumes and tipping fees used in the Financial Model are based on the amounts targeted in the feedstock supply agreements and term sheets. Tipping fees combine for over 60% of the total annual revenue during the first year of full production.

### FEEDSTOCK CONVERSION RATE

The Financial Model incorporates data from a process model developed by Anaergia. That process model calculates the potential volumes biogas and biomethane that can be produced from given feedstocks. The process model’s inputs and results are based on analyses of feedstocks and Anaergia’s experience with digesters it designed and operates. Among the important

characteristics of the feedstocks are their volatile solids fraction and their biomethane potential. At its most basic sense, the enzymes and bacteria in a digester break down the volatile solids in the feedstock to produce biomethane. In general, volatile solids can be categorized of fats, proteins, and carbohydrates.

Anaergia's process model assumes the WF averages 30% total solids, 85% of which are volatile solids. This means each kilogram ("kg") of WF feedstock is made up of 0.7 kg water, 0.045 kg inert material, and 0.255 kg volatile solids.

The process model also assumes that the feedstock has a biomethane potential of 450 m<sup>3</sup> of CH<sub>4</sub> per MT of volatile solids. This assumes that the biogas produced in the digester is 60% CH<sub>4</sub> by volume. The biomethane potential is calculated not only from the total fraction of volatile solids but also the relative makeup (e.g. fractions of fats, proteins, and carbohydrates) of the volatile solids and the assumed conversion rate of each to biomethane. Other parameters that influence the biomethane potential include the temperature at which the digester operates and the length of time the feedstock remains in the digester.

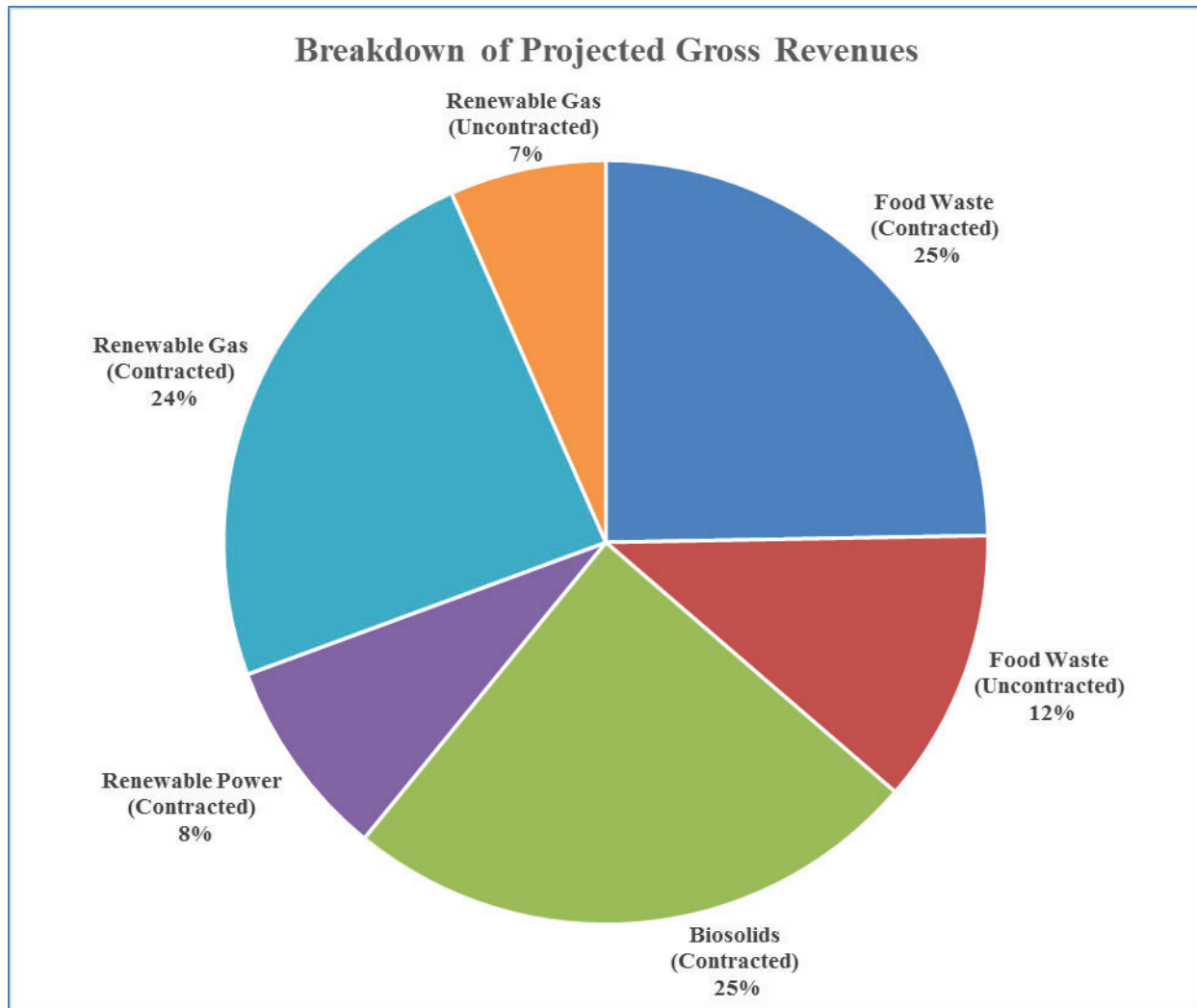
### **PLANT CAPACITY FACTOR**

Capacity factor is defined as the annualized fraction of full nameplate production. Factors that influence capacity factor include planned and unplanned outages, feedstock interruptions, and part-load operations. The Financial Model estimates that the annual electricity sales equal approximately 16.3 MWh/yr, or 93% of the nameplate capacity of the electricity production that is earmarked for sales. The Financial Model estimates that the RNG sales equal approximately 500,000 MMBtu/r, which is approximately 85% of the annual potential RNG production for the given feedstock of 210,200 tons of WF per year.

### **OFFTAKE PRICING/REVENUES**

The offtake prices used in the Financial Model are based on the offtake agreements RBF has negotiated with offtakers and escalate, where contractually necessary, on an annual basis.

Per the Financial Model, gross revenues for the first full year of operation total approximately \$24.4M million and will accrue from tipping fees for WF and biosolids, sales of electricity, and sales of RNG (see Figure 9-1).



**Figure 9-1 Breakdown of First Year Gross Revenues**

### **OPERATING RESULTS (BASE CASE)**

The Company has prepared the Financial Model for the Project from 2019 through 2040. Table 9-1 (at the end of this Section) summarizes the projected revenues, expenses, revenues available for debt service, debt service payments, and the resulting debt service coverage ratio (“DSCR”). As calculated in the Financial Model, the Base Case is expected to provide sufficient cash flows for a DCSR of 1.5x.

### **OPERATING RESULTS (STRESS CASE)**

Using the Financial Model, HGI simulated a stress case scenario for the Project from 2020 through 2040. The stress case primarily stresses (i) all feedstock tipping fee revenues, (ii) all offtake revenues, and (iii) the operating costs of the facility.

For the Stress Case, all tipping fees and offtake revenues were reduced by 10% compared to the Base Case. The operating costs (both fixed and variable) were increased by 10% compared to the Base Case.

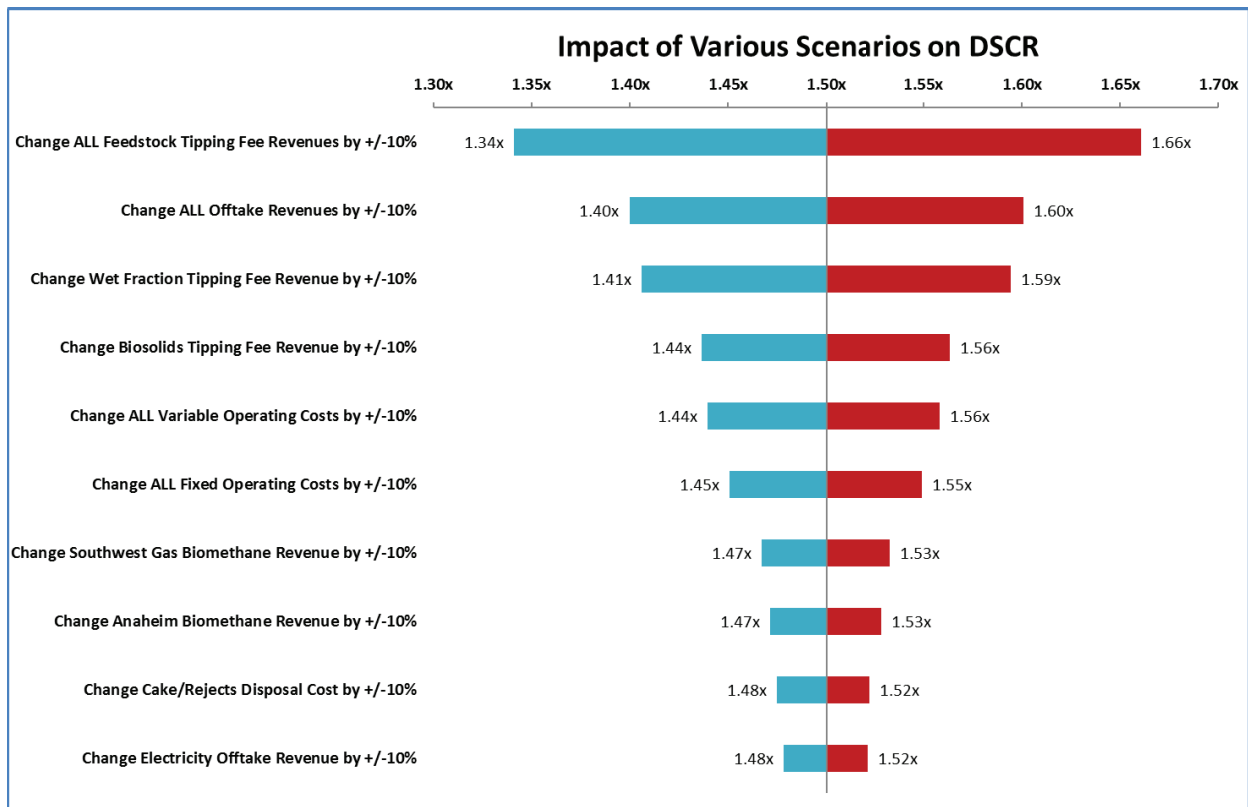
As calculated in the Financial Model, the Stress Case is expected to provide sufficient cash flows for a DSCR of 1.13x for 2021 and an average DSCR of 1.01x through 2040.

### **SENSITIVITY ANALYSIS**

Due to uncertainty necessarily inherent in relying upon assumptions and projections, it should be anticipated that actual operating results would differ, perhaps materially, from those conditions assumed in the Financial Model. HGI reviewed 11 sensitivity cases, which demonstrate the impact on the Project's DSCR by changing (i.e. increasing by 10% and decreasing by 10% compared to the Company's "Base Case") certain inputs in the Financial Model. Sensitivity cases presented herein (see Figure 9-2) are not intended to reflect the full extent of possible impacts on the Project.

It is evident from the sensitivity analysis that changing the feedstock and offtake revenues. When changes to feedstock and offtake revenues are considered individually (e.g. WF revenue and biomethane revenue, respectively), their impact on DSCR is not significant. This is a result of the diversity of revenue streams for the Project.





**Figure 9-2 Tornado Graph of Sensitivities**

## CONCLUSIONS

- ❑ HGI reviewed the Financial Model. It is our opinion that the model was developed in a professional manner and that the parameters in the model are consistent with those of financial models for other projects of similar size and scope with which we are familiar.
- ❑ It is our opinion that the model's input values (e.g. WF amounts, offtake prices, etc.) are generally consistent with Project documents such as the Mass Balance, offtake agreements, etc.
- ❑ HGI reviewed the feedstock volumes and tipping fees used in the Financial Model. Based on our review of the regulations that drive that amount of available WF and the data on volumes of potential WF that is available in the franchise zones represented by the agreements with WM and RS, it is our opinion that there is feedstock available that is well in excess of that required by the Financial Model. Similarly, it is our opinion that there is sufficient volume of biosolids within a reasonable distance to meet the requirements in the Financial Model.

It is our opinion that the WF tipping fees in the model are consistent with the fees that are in the WF supply agreements. The values in the Financial Model are on the conservative

(i.e. low) end of the ranges that are in the agreements. It is our opinion that the tipping fees for the biosolids that are associated with the Rialto WWTP are consistent with the values in the supply agreement.

- The capital cost includes an initial funding of \$272K in in a major maintenance reserve account that accumulates at an average rate of \$380K per year from operating revenue. It is our opinion that these values are appropriate for the Project.
- HGI reviewed Anaergia’s process model and the inputs to the Financial Model that were derived from the process model. It is our opinion that Anaergia is well qualified to develop such a process model and did so in a professional and accurate manner.

For the process model, among the important characteristics of the feedstock are the volatile solids fraction and biomethane potential. Anaergia’s process model assumes the WF averages 30% total solids, 85% of which are volatile solids. HGI reviewed laboratory analyses of several samples of WF from which Anaergia derived these values. It is our opinion that the model values are within the ranges summarized in the lab results.

The process model also assumes that the feedstock has a biomethane potential of 450 m<sup>3</sup> of CH<sub>4</sub> per MT of volatile solids. This is based on Anaergia’s experience with its other digesters that utilize similar feedstocks and the specific makeup of fats, proteins, and carbohydrates listed in the model. HGI calculated the biomethane potential based on that same makeup. It is our opinion that the biomethane potential value in the process model is consistent with our calculation.

HGI reviewed other parameters in the process model. Among the most important are the hydraulic retention time (“HRT”) and the volatile solids loading rate. The HRT is the average length of time (in days) that the feedstock is inside the digester; the longer the HRT, the more time the feedstocks are broken down and produce biogas. The volatile solids loading rate is the daily rate at which volatile solids are pumped into a certain volume (1 m<sup>3</sup>) of digester. Based on our experience with designing and operating digesters, it is our opinion that the values for HRT (27 days) and volatile solids loading rate (4.95 kg VS/m<sup>3</sup>-day) are consistent with projects of similar size and scope and provide the proper (and flexible) operating parameters to digest the feedstocks.

As stated above, it is our opinion that the process model predicts the volume and quality of biomethane that can be produced from a specific volume and makeup of WF feedstock. However, if the actual makeup of the WF varies from that depicted in the process model, the Project may produce a different volume of biomethane than what the Financial Model predicts. For example, if the actual WF includes more inert material or has a greater fraction of fibrous carbohydrates than originally anticipated, the volume of biomethane will be less than the original prediction. HGI used the Financial Model to simulate such situations. It is our opinion that, because of the diversity of revenue sources (tipping fees make up 60% of the gross revenue), reductions in WF quality have a relatively minor effect on the financial performance of the Project. For example, a 10% reduction in the biomethane potential results in a debt service coverage ratio change from 1.50x to 1.42x.

Further RBF would be able to mitigate this effect in several ways. One way would be to replace sources of low biomethane potential WF with sources that have greater potential. Another way would be to increase the volume of WF it receives to offset offtake shortfalls with increased tipping revenue. It should be noted that there are process limits to this.

- ❑ The Financial Model assumes a capacity factor of approximately 93% for annual electricity production and 85% for RNG production (based on the assumed feedstock mix and annual operating days). The balance of the year reflects the RBF's estimate for downtime for planned and unplanned maintenance, weather, reduced feedstock availability, etc. It is HGI's opinion that the Model's capacity factor for electricity production is on the high end of the range for expected capacity factors for the first year of operation for similar facilities. However, if maintained properly and staffed by knowledgeable and trained personnel, the Project can achieve the Company's forecasted production rate over the life of the Project.
- ❑ HGI reviewed how the model handles the offtake amounts and prices. It is our opinion that the Financial Model accurately reflects the amounts and prices reflected in the offtake agreements and term sheet. The majority of the offtake revenues are fixed or have floor rates. It is our opinion that this mitigates some of the risk of rates that are market-based and may drop in the future.

It is also our opinion that the Financial Model incorporates some conservatism with respect to potential biomethane revenue. For example, the model currently assumes that the Project will sell 210,000 MMBtu/yr to both City of Anaheim and SW Gas, while selling 80,000 MMBtu/yr into the spot market. The modeled amount is well above the amount RBF is contractually obligated to sell to Anaheim and SW Gas. When the spot market prices are greater than the Anaheim and SW Gas contract prices, RBF would benefit by selling the minimum amount they are obligated to Anaheim and SW Gas and maximize the amount it sells into the spot market.

SECTION 9 FINANCIAL MODEL

Table 1 Integrated Financial Statement

Integrated Facility LLC

	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28	1/1/29	1/1/30	1/1/31	1/1/32	1/1/33	1/1/34	1/1/35	1/1/36	1/1/37	1/1/38	1/1/39	1/1/40		
<b>Revenue</b>																							
Waste-to-Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Waste-to-Energy - Waste Management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste-to-Energy - Renewable Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
POG LES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste-to-Energy - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Artemis Meth. Utility - CPA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Operational expenditure</b>																							
Waste-to-Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste-to-Energy - Waste Management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste-to-Energy - Renewable Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
POG LES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Waste-to-Energy - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Artemis Meth. Utility - CPA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBITDA</b>																							
Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operational expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Debt service</b>																							
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Capital Replacement Fund Requirement</b>																							
Capital Replacement Fund Requirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

\*Unless payments, property tax, permit fees, training/capex/infrastructure, water/sewer discharge fees base payments

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## **ATTACHMENT 1**

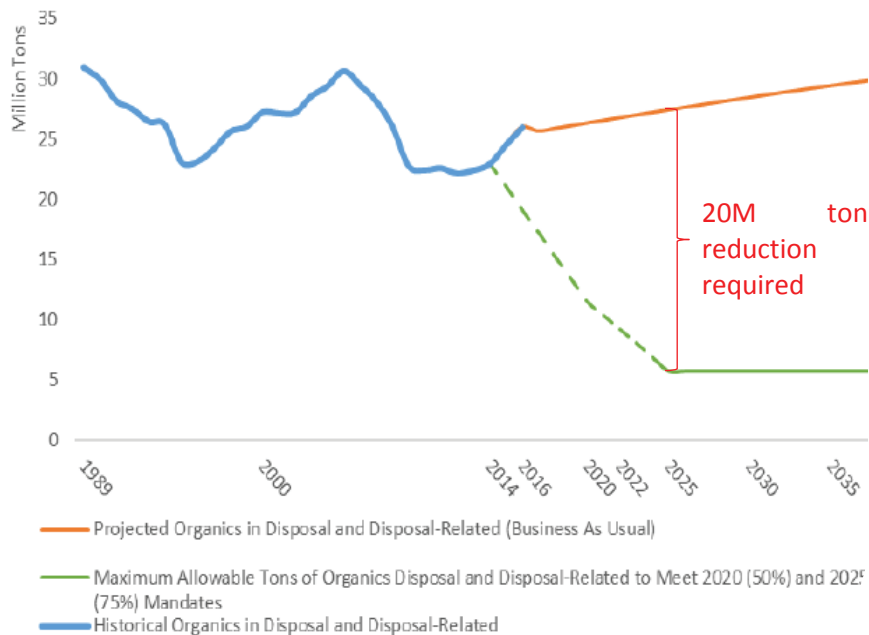
### **Feedstock Analysis in LA Catchment**

### Major statewide driver for organics recycling infrastructure

All haulers have a drivers for organics diversion: AB 1826 was signed by Governor Brown on September 28th, 2014, requiring that each jurisdiction adopt an organics recycling program beginning January 1st, 2016, with full implementation scheduled for January 2019. This legislation necessitates organics recycling infrastructure like that which is proposed by RBF. Subsequent law SB 1383 requires statewide organics diversion of 50% by 2020 and 75% from landfill by 2025 – equivalent to roughly 20M tons per year of diversion that will require approximately 200 new facilities across California. SB 1383 requires all jurisdictions in California to subscribe to an organics collection and processing program whereby organic waste is diverted from landfill and used for beneficial reuse such as in anaerobic digesters. The law has liquated damages for non-compliance up to \$10,000/day.

The following statewide analysis was conducted by Calrecycle showing the intense need for organics recycling infrastructure.

1. 20M TPY of diversion is needed by 2025, and this grows.



**Figure 1: California must divert 20M tons per year by 2020. ~200 facilities needed.**

2. Food is the largest fraction of the diverted tonnage, and is most critical in developing new outlets (image below).

Categories of organic waste as delineated in the 2014 Waste Characterization Study:<sup>1</sup>

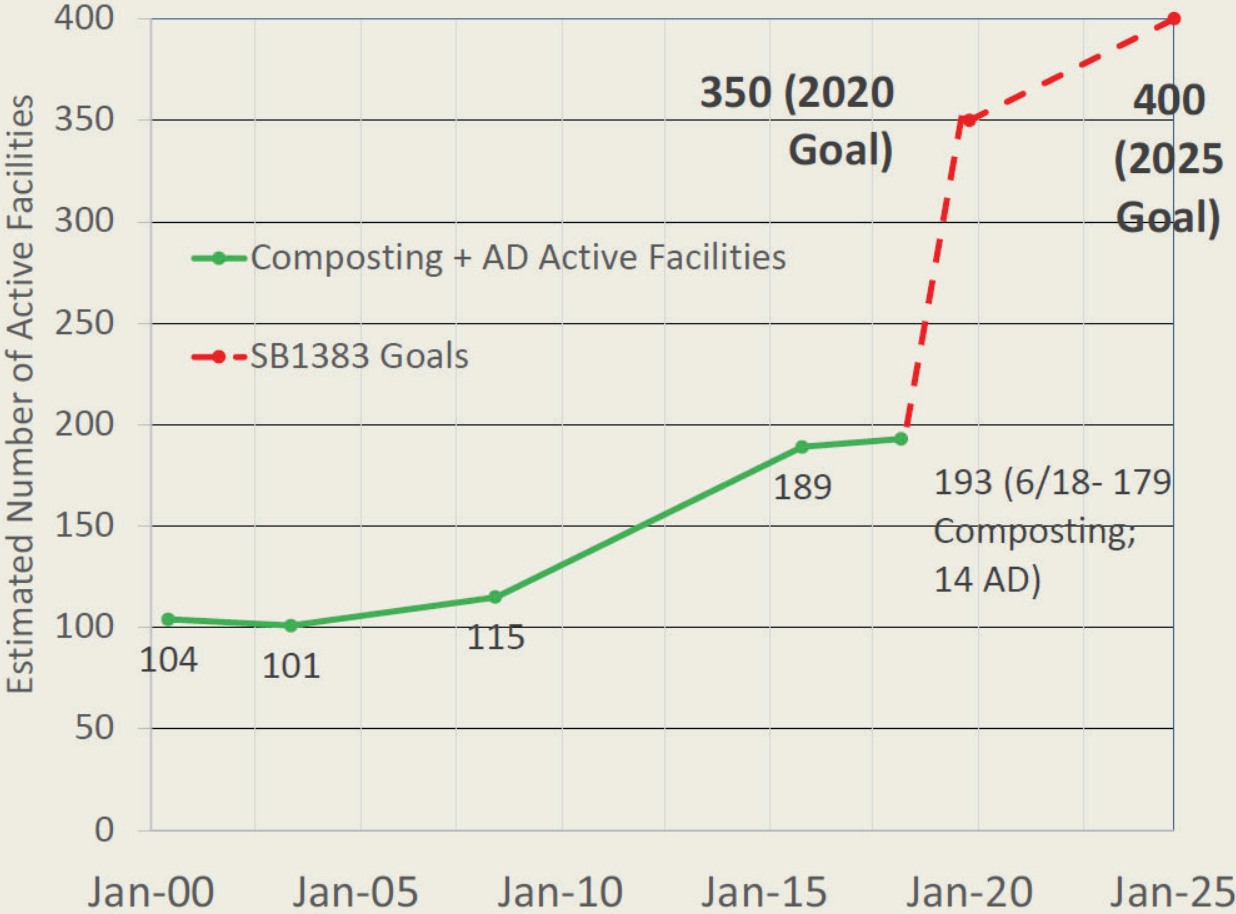
Material Type	Material	% Waste Stream	Tons Material
Inerts and Other	Other Wood Waste	4.9%	1,527,318
Inerts and Other	Clean Dimensional Lumber	3.2%	976,096
Inerts and Other	Clean Pallets & Crates	2.1%	650,072
Inerts and Other	Clean Engineered Wood	1.7%	523,223
Other Organic	Food	18.1%	5,591,179
Other Organic	Remainder/Composite Organic	4.3%	1,323,465
Other Organic	Textiles	4.0%	1,234,711
Other Organic	Leaves and Grass	3.8%	1,172,925
Other Organic	Prunings and Trimmings	3.1%	962,262
Other Organic	Carpet	1.8%	570,212
Other Organic	Branches and Stumps	1.7%	528,493
Other Organic	Manures	0.6%	174,808
Paper	Remainder/Composite Paper - Compostable	6.6%	2,024,520
Paper	Other Miscellaneous Paper - Other	3.7%	1,146,978
Paper	Uncoated Corrugated Cardboard	3.1%	964,942
Paper	Newspaper	1.2%	372,966
Paper	Remainder/Composite Paper - Other	0.6%	196,120
Paper	Magazines and Catalogs	0.6%	178,166
Paper	White Ledger Paper	0.4%	121,637
Paper	Remainder/Composite Paper - Rigid Food & Beverage Cartons	0.3%	104,408
Paper	Other Office Paper	0.3%	103,845
Paper	Paper Bags	0.2%	70,627
Paper	Other Miscellaneous Paper - Compostable	0.2%	68,942
Paper	Phone Books and Directories	0.0%	14,583
Total		66.8%	20,602,497

<sup>1</sup> The numbers in this table are presented to indicate the general categories and amounts of various types of organic materials disposed in 2014.

3. There are 189 existing facilities (compost & AD). 400 total facilities are needed between now and 2025.



# Additional Facilities Required



4. As of 2017, there are 11 operating AD facilities of which 6 are at WWTPs
5. Total capacity needs to grow by 2.8x in next 5 years.
6. **207 new facilities needed by 2025 and most critical is food waste to anaerobic digestion (slide 10)**

## Conclusions:

Is composting and AD facility infrastructure being established to meet SB 1383 targets?

**NO**

- Total capacity needs to increase by 2.2X in 18 months to meet the 2020 target and in 5.5 years by 2.8X for the 2025 target.
- 157/207 new facilities needed to meet the 2020/2025 targets.
- Little new or expanded capacity in the pipeline and most critical material is food waste with AD at WWTPs very important.

**Potential sources for additional food waste for RBF:**

1. **Waste Management:** The Agreement with Waste Management is for up to 300 Tons per day of separated food waste delivered to RBF. The contact pledges the Los Angeles Franchise Zones of Waste Management to RBF. Although the contract is for 300 TPD, it is expected that a significantly higher quantity of feedstock will be available from the pledged franchised zones that gives RBF all the feedstock generated in the zone. Based on Waste Management customer count and Calrecycle waste characterization data, there are roughly 1,050 TPD of organics available in Waste Management’s Los Angeles Franchise Zone and an additional 1,400 TPD of organics from neighboring cities that require organics diversion service to comply with state landfill diversion regulations (SB 1383). Waste Management purchased an turnkey solid waste processing line with OREX from Anaergia. The system is oversized to operate a single shift to provide the 300 TPD supply. Waste Management intends to operate a second and third shift to maximize throughput and overlay the capital investment over more tonnage. Waste Management is offering organics processing capacity to the City of LA for its waste under an active RFP.

	<b>Business Count</b>	<b>Estimated Organics (Tons/Day)</b>
Los Angeles Franchise	1892	1,419
Neighboring Regions within drive to Sun Valley	1382	1,037
<b>TOTAL</b>		<b>2,456</b>

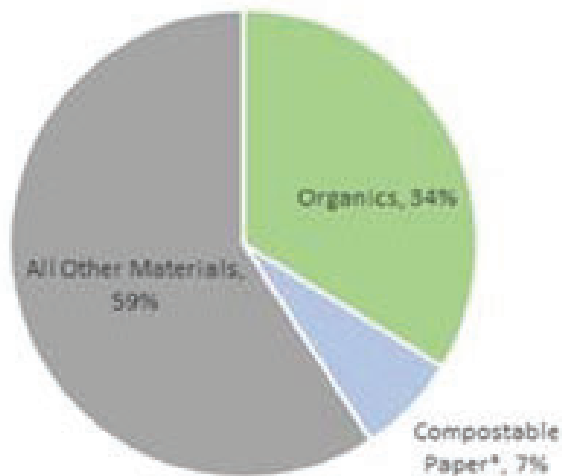
**Figure 2: Summary of estimated organics tonnage in Waste Management Los Angeles Franchise Zone and in Neighboring Citites**

2. **Republic Services:** The Republic contact pledges the Orange County Zones of Republic Services. The current contract is for 100 TPD, however there is a possibility for increasing the size of this contract by including the Los Angeles Zones, which Republic has indicated interest and is pursuing. Republic has equal market share to Waste Management (about 25% of City of LA franchise for each hauler). Republic and Waste Management are under discussions now for Republic to send waste from its LA Franchise Zone to be processed at Sun Valley. Should Republic pledge its waste, it would be for comparable quantity to Waste Management (~300 TPD)
3. **Athens Services:** Anaergia is under discussions with Athens, a major hauler in the LA Franchise, for the sale of an OREX line for organics extraction from solid waste and a 10 year supply agreement for 300 TPD to RBF. A draft agreement has been drafted and reviewed by both parties, discussions are ongoing.
4. **United Waste Services (UWS):** Anaergia is under discussions with UWS, one of the smaller haulers in the LA Franchise, for the sale of an OREX line for organics extraction from solid waste and a 10 year supply agreement for 100 TPD to RBF.
5. **Burrtec:** Anaergia is under discussions with Burrtec, the local hauler for the Rialto region and major hauler in San Bernardino, for the sale of an OREX line for organics extraction from solid waste and a 10 year supply agreement for 100 TPD to RBF.

**Figure 3: Feedstock availability summary from the three major Los Angeles Commercial Franchise Haulers.**

	<b>Market Size (TPD)</b>	<b>Source/Rationale</b>
Waste Management Los Angeles Franchise	1,420	Estimate provided by Waste Management and based on Calrecycle characterization
Waste Management within drive to Sun Valley	1380	Estimate provided by Waste Management and based on Calrecycle characterization
Republic Services Los Angeles Franchise	1,400	Same market share as Waste Management in LA Zone
Republic Services Orange County	1,300	Republic Services Processes Reoughly 1M TPY in Orange County, and based on Calrecycle characterization
Athens Services Los Angeles Franchise Zone	2,000	Scaled from Waste Management Catchment Size and market share
<b>TOTAL</b>	<b>7,000</b>	<b>2,456</b>

### Organics in California's Overall Disposed Waste Stream, 2014



Organics are:

- Food
- Green - leaves, grass
- Landscaping - prunings, trimmings, branches, stumps
- Non-hazardous Wood Waste

\* Compostable Paper includes food-soiled paper and other compostable paper

Data from CalRecycle's 2014 Disposal-Facility-Based Characterization of Solid Waste in California

Figure 4: Calrecycle California waste characterization, 2014

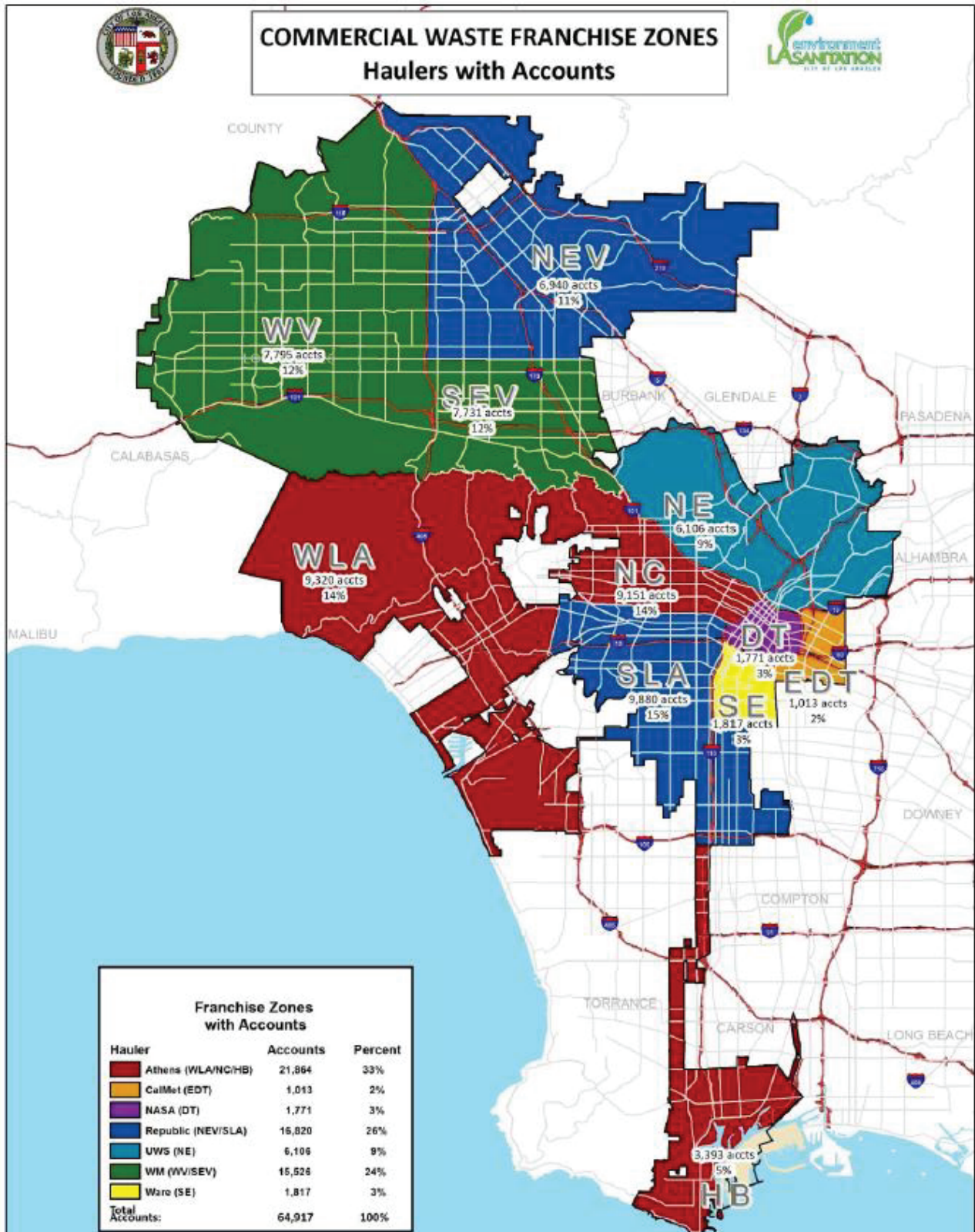


Figure 5: Los Angeles Commercial Franchise Zones showing three major haulers: Athens Services, Republic Services, and Waste Management.

## APPENDIX C

### SELECTED DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following are brief summaries of certain provisions of the Indenture, the Loan Agreement and the Guaranty Agreement, each dated as of January 1, 2019, pertaining to the issuance of the Bonds. These summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the full terms of the respective documents listed below. Capitalized terms not otherwise defined herein have the meaning specified in the respective document.*

#### DEFINITIONS

“Access Agreement” means that certain Side Letter Access Agreement made as of April 1, 2016, by and between Rialto Water Services, LLC and the Borrower, as may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Account Control Agreement” means, collectively, (i) that certain Blocked Account Control Agreement (“Shifting Control”) dated as of January 30, 2019, among the Borrower, the Trustee and Silvergate Bank, as depository bank, and (ii) any other similar agreement between a depository institution, the Borrower and the Trustee whereby the Trustee is granted the right of control over funds or bank accounts of the Borrower, as each of the same may be amended from time to time as permitted thereby. “Act” means the California Pollution Control Financing Authority Act (Chapter 1 (commencing with Section 44500) of Division 27 of the California Health and Safety Code), as now in effect and as it may from time to time thereafter be amended or supplemented.

“Additional Debt Payments” means payments of debt service in respect of Nonrecourse Indebtedness or additional Subordinate Debt that are permitted by the Agreement.

“Additional Payments” means certain payments (other than Loan Repayments) required to be made by the Borrower pursuant to the Agreement.

“Administrative Fees and Expenses” means the reasonable and necessary expenses incurred by the Authority pursuant to the Agreement or the Indenture and the compensation and expenses paid to or incurred by the Trustee, any Bond Registrar, and/or any Paying Agent under the Agreement or the Indenture, which include but are not limited to printing of Bonds, accomplishing transfers or new registration of Bonds, or other charges and other disbursements including those of their respective officers, directors, members, attorneys, agents and employees incurred in and about the administration and execution of the Loan Agreement and the Indenture.

“Administrative Memorandum” means that certain Administrative Memorandum to Ground Sublease, made as of October 20, 2016, by and between RUA and the Borrower, as may be amended from time to time in accordance with the terms of the Indenture and the Loan Documents.

“Agreement” or “Loan Agreement” means that certain Loan Agreement by and between the Authority and the Borrower, dated as of January 1, 2019, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

“Allocation Resolution” means Resolution No. 18-127 adopted by CDLAC on December 12, 2018, transferring a portion of the 2018 State Ceiling on Qualified Private Activity Bonds.

“Anaergia Services” means Anaergia Services LLC, a Delaware limited liability company.

“Approving Opinion” means an opinion of Bond Counsel (addressed and delivered to the Authority and the Trustee) that an action being taken (i) is authorized by the Act and the Indenture and complies with the terms of the Agreement, if applicable, and (ii) will not, in and of itself, adversely affect the Tax-exempt status of the Bonds.



“Attornment Agreement” means that certain Recognition and Attornment Agreement, made as of March 22, 2016, by and among the City of Rialto, RUA and the Borrower, as the same may be amended from time to time in accordance with the terms thereof and its terms of the Indenture and the Loan Documents.

“Authorized Denomination” means, \$250,000 or any integral multiple of \$5,000 in excess thereof.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Book-Entry Bonds.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, duly admitted to practice law before the highest court of any state of the United States of America, and acceptable to the Authority; but will not include counsel for the Borrower.

“Bond Payment Date” means any date upon which any principal, interest or premium payable with respect to the Bonds will become due, whether upon redemption (including without limitation sinking fund redemption), acceleration, maturity or otherwise.

“Bond Registrar” or “Registrar” means the entity or entities performing the duties of the bond registrar pursuant to the Indenture.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for such Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Borrower” means Rialto Bioenergy Facility, LLC, a limited liability company organized and existing under the laws of the State of Delaware, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Agreement and also means, unless the context otherwise requires, an assignee of the Agreement as permitted by the Agreement, but does not mean any affiliate of the Borrower.

“Borrower’s Audited Financial Statements” means the consolidated annual financial statements of the Borrower, prepared in accordance with GAAP, consistently applied, accompanied by an audit report of an independent certified public accountant and supplementary calculations verifying the Borrower’s compliance with the Days Cash on Hand Requirement and the Coverage Requirement (as such terms are defined the Loan Agreement).

“Business” means the business of the Borrower as presently conducted and as contemplated to be conducted as of and after the Date of Delivery, including, without limitation, the anaerobic digestion of organic waste for the production and sale of renewable natural gas, electricity and other byproducts.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday in the State of California, (ii) a day on which commercial banks in New York, New York, San Francisco, California, Minneapolis, Minnesota, or any other city or cities in which the Corporate Trust Office of the Trustee is located are closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which interbank wire transfers cannot be made on the Fedwire system.

“Capital Replacement Fund” means the fund by that name created pursuant to the Indenture.

“Capitalized Interest Account” means the account by that name established within the Project Fund pursuant to the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collateral Assignment” means the Collateral Assignment of Contracts, Permits, Licenses and Plans, dated as of January 1, 2019, executed by the Borrower in favor of the Trustee, as may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Collateral Assignments of Feedstock Agreements” means, collectively, (i) the Collateral Assignment of Feedstock Supply Agreement, dated as of January 1, 2019, executed by the Borrower in favor of the Trustee with respect to the Borrower’s Feedstock Agreement with Republic, and the related Consent to Collateral Assignment executed by Republic and acknowledged and agreed to by the Borrower and the Trustee, and (ii) each other collateral assignment of (and related consent to assignment) later executed and delivered in connection with Borrower’s entry into a Feedstock Agreement in accordance with the terms of the Loan Documents, in each case, as the same may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Collateral Assignments of Offtake Agreements” means, collectively, (i) the Collateral Assignment of Offtake Agreement, dated as of January 1, 2019, executed by the Borrower in favor of the Trustee with respect to the Southwest Gas Offtake Agreement, and the related Consent to Collateral Assignment executed by Southwest Gas Corporation, (ii) the Collateral Assignment of Offtake Agreement, dated as of January 1, 2019, executed by the Borrower in favor of the Trustee with respect to the Borrower’s Offtake Agreement with the City of Anaheim, and the related Collateral Assignment Agreement executed by the City of Anaheim and the Trustee and acknowledged by the Borrower, and (iii) each other collateral assignment (and related consent to assignment) later executed and delivered in connection with Borrower’s entry into an Offtake Agreement in accordance with the terms of the Loan Documents, in each case, as the same may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Common Control Entity” means any entity which is a member of a “controlled group of corporations” with, or is under “common control” with, the Borrower as defined in Section 414(b) or (c) of the Code.

“Completion Date” means the earlier of the date of completion of the Project or final disbursement from the Project Fund as that date will be certified as provided in the Agreement.

“Construction Budget” means the detailed construction budget attached to the Construction Contract as Exhibit H, which sets forth all categories of Costs of the Project required in connection with the development, construction, start-up and testing of the Project, including, without limitation, all construction costs, all interest, taxes and other carrying costs related to the Bonds, all costs related to the construction of the facilities described under the Project Documents and the costs of all real and personal property to be included in the Project, as updated from time to time.

“Construction Contract” means that certain Design-Build Contract, made as of June 26, 2018, by and between the Borrower and Construction Contractor, as may be amended from time to time in accordance with the terms thereof and the terms of the Indenture and the Loan Documents.

“Construction Contractor” means W.M. Lyles Co., together with its permitted successors and assigns.

“Construction Monitor” means Harris Group Inc., and its successors and assigns, or such other consulting firm engaged by the Borrower to perform the functions of the Construction Monitor under the Construction Monitor Contract for the benefit of the Holders.

“Construction Monitor Contract” means that certain Proposal for Construction Monitoring Services dated December 17, 2018, by and between the Borrower and the Construction Monitor, or any other agreement with substantially the same terms and conditions with a replacement Construction Monitor.

“Contingent Debt Liabilities” means all guaranties, endorsements, assumptions and other contingent liabilities in respect of, or to purchase or otherwise acquire, Indebtedness of others; provided, however, that “Contingent Debt Liabilities” will not include any other liability that does not constitute Indebtedness.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement by and between the Borrower and the Trustee, dated the Date of Delivery, as it may from time to time be supplemented or amended.

“Corporate Trust Office” means with respect to the Trustee, the office of the Trustee at which at any particular time its corporate trust business will be principally administered, which office at the date hereof is located in

Minneapolis, Minnesota; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, underwriting fees, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee incurred in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of Section 147(g) of the Code.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Date of Delivery” means the date of initial issuance and delivery of the Bonds.

“Days Cash on Hand” means, for the period tested, the sum of unrestricted and unencumbered (i) cash, (ii) cash equivalents and (iii) marketable debt and equity securities, divided by the quotient of (x) operating expenses (which will include all scheduled debt service obligations payable during the period) less depreciation and amortization divided by (y) 365. Notwithstanding any of the foregoing to the contrary, Days Cash on Hand will include proceeds of equity contributions from any member of the Borrower, but will not include (A) self-insurance funds, (B) proceeds of any short-term borrowings including, without limitation, internal affiliate loans (including loans from any member of the Borrower) and draws on lines of credit regardless of the maturity date of the line of credit, (C) proceeds of accounts receivable financings or factoring, (D) proceeds of put debt not supported by a liquidity facility with term-out features, or (E) any collateral required pursuant to the terms of a Financial Product Agreement that has been posted.

“Debt Service” means, on a given date, the interest (including past due interest) and scheduled principal payments then due and owing on the Bonds that is scheduled to be paid to the Bondholders pursuant to the terms of the Indenture, including mandatory sinking fund installments.

“Debt Service Coverage Ratio” means, with respect to any Indebtedness or portion thereof to which this ratio will be applied (the “Measured Indebtedness”), the ratio of (i) EBITDA for a given period to (ii) the total of all principal, interest, premium (if any), fees and other amounts due and payable (including past due amounts) during such period in respect of the Measured Indebtedness (collectively, the “Measured Debt Service”), all as determined in accordance with GAAP; provided, however, that if the final maturity date of any portion of the Measured Indebtedness will occur during such period, then, for purposes of this ratio, the Measured Debt Service will be reduced by an amount equal to the amount then held in any reserve fund that is available to pay debt service on such portion of the Measured Indebtedness.

“Debt Service Reserve Fund” means the trust fund so designated which is created and established pursuant to the Indenture.

“Determination of Taxability” means the occurrence or existence of any of the conditions or events more fully described in the Agreement.

“Direct Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, or any successor securities depository for the Bonds.

“Easement Agreement” means that certain Easement Agreement, made as of April 1, 2016, by and between the City of Rialto and the Borrower, as may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“EBITDA” means, with respect to any period, Net Income for such period plus all amounts deducted in arriving at such Net Income amount in respect of (i) federal, state and local income taxes, (ii) interest expense, (iii) amortization expense and (iv) depreciation expense; provided, however, that the following items will be excluded from the computation of “EBITDA”: (a) extraordinary items of income or loss, (b) gains or losses from the extinguishment of Indebtedness, (c) unrealized gains and losses on investments or Financial Product Agreements, (d) any gain or loss from the disposition of assets not in the ordinary course of business, (e) any loss from impairment of the value of assets, (f) financing costs that are treated as a current expense, rather than amortized and (g) any other item that is nonrecurring and also a non-cash item.

“Environmental Affiliate” means any Person, only to the extent of, and only with respect to matters or actions of such Person for which, the Borrower could reasonably be expected to have liability as a result of the Borrower retaining, assuming, accepting or otherwise being subject to liability for Environmental Claims relating to such Person, whether the source of the Borrower’s obligation is by contract or operation of law.

“Environmental Approvals” means any Governmental Approvals required under applicable Environmental Regulations.

“Environmental Claim” means any written notice, claim, demand or similar written communication by any Person alleging potential liability or requiring or demanding remedial or responsive measures (including potential liability for investigatory costs, cleanup, remediation and mitigation costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties) in each such case (x) either (i) with respect to environmental contamination-related liabilities or obligations with respect to which the Borrower could reasonably be expected to be responsible that are, or could reasonably be expected to be, in excess of \$2,000,000 in the aggregate, or (ii) that has or could reasonably be expected to result in a Material Adverse Effect and (y) arising out of, based on or resulting from (i) the presence, release or threatened release into the environment, of any Materials of Environmental Concern at any location, whether or not owned by such Person; (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Regulations or Environmental Approvals; or (iii) exposure to Materials of Environmental Concern.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any person treated as a single employer of the Borrower within the meaning of Section 414(b) or (c) of the Internal Revenue Code of 1986, as amended.

“ERISA Event” means (a) a “reportable event” within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to a pension plan, (b) the existence with respect to any pension plan of an “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended) and (c) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal by the Borrower or any such ERISA Affiliate.

“ERISA Plan” means any employee pension benefit plan under ERISA, as such plan is defined in ERISA.

“Event of Default” means any of the events specified as such in the Indenture.

“Excess Cash” means Gross Revenues less (i) Operation and Maintenance Expenses, (ii) Debt Service, (iii) Administrative Fees and Expenses and (iv) amounts required to be funded into any reserves required by the Indenture or the Loan Documents.

“Feedstock Agreements” means, collectively, (i) that certain Feedstock Supply Agreement, dated as of November 28, 2017, by and between the Borrower and Waste Management Recycling and Disposal Services of California, Inc., (ii) that certain Feedstock Supply Agreement, dated as of July 30, 2018, by and between the Borrower and Republic, (iii) that certain Facility Operation Agreement, entered into as of July 26, 2016, by and among the City of Rialto, RUA and the Borrower, (iv) that certain Biosolids Hauling and Supply Agreement, executed September 10, 2018, by and between the Borrower and Denali Water Solutions, LLC, and (v) any and all other agreements, whether now existing or hereafter entered into, between the Borrower and one or more suppliers whereby the Borrower

procures or obtains mixed organic food waste or Class B biosolids for processing at the Project, as each of the foregoing may be amended from time to time in accordance with the terms thereof and the terms of the Indenture and the Loan Documents.

“Financial Model” means the pro forma financial statements and projections of revenue and expense and cash flows with respect to the Borrower and the Project described and reviewed by Harris Group Inc. in Section 9 of the Independent Engineer’s Report dated September 27, 2018 and attached to the Limited Offering Memorandum as Appendix B.

“Financial Product Agreement” means any interest rate exchange agreement, hedge or similar arrangement, including, inter alia, an interest rate swap, asset swap, a constant maturity swap, a forward or futures contract, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, direct funding transaction or other derivative, however denominated and whether entered into on a current or forward basis, excluding however commodity (including power and natural gas) forward purchase agreements.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, doing business as Fitch Ratings, its successors and their assigns, or, if such entity will have been dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s).

“GAAP” means generally accepted accounting principles in the United States.

“Governmental Approval” means any authorization, consent, approval, license, lease, ruling, permit, certification, exemption, filing for registration by or with any Governmental Authority.

“Governmental Authority” means any federal, state, municipal, national, local or other governmental department, court, commission, board, bureau, agency or instrumentality or political subdivision thereof, or any entity or officer exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to any government or any court, whether of the United States or a state, territory or possession thereof, a foreign sovereign entity or country or jurisdiction or the State.

“Grant Subaccount” means the subaccount by that name established pursuant to the Indenture.

“Gross Revenues” means all moneys, contributions, fees, rates, receipts, rentals, charges, issues and income received for, received by or derived from, as the case may be, the Borrower, the operation of the Borrower or the Project, the Facilities or any other source whatsoever, including, without limitation, Project Revenues, moneys received from the operation of the Borrower’s business or the possession of its properties, insurance proceeds or condemnation awards, and all rights to receive the foregoing, whether in the form of accounts, accounts receivable, general intangibles, chattel paper, instruments, documents, contract rights or other rights, and the proceeds of the same whether now owned or held or hereafter coming into being. Notwithstanding anything herein to the contrary, Gross Revenues will not include any proceeds of insurance (other than business interruption insurance), sale proceeds or condemnation awards attributable to any property of any kind that is subject to or financed under a separate financing arrangement with respect to Nonrecourse Indebtedness permitted by the terms of the Agreement.

“Guarantor” means Anaergia Services in its capacity as guarantor under the Guaranty Agreement.

“Guaranty Agreement” means that certain Limited Payment Guaranty made as of the date hereof by Guarantor in favor of the Trustee, as may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Holder” or “Bondholder,” or “Owner,” whenever used with respect to a Bond, means the Person in whose name such Bond is registered.

“Indebtedness” means (i) any guaranty and (ii) any indebtedness or obligation of the Borrower (other than accounts payable and accruals), as determined in accordance with GAAP, including obligations under conditional

sales contracts or other title retention contracts and rental obligations under leases which are considered capital leases under GAAP.

“Independent Consultant” means any professional consulting, accounting, engineering, financial advisory firm or commercial banking firm or individual selected by the Borrower or, as provided in Loan Agreement, by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding having the skill and experience necessary to render the particular report, advice, determination, or consent required and having a favorable reputation for such skill and experience, and which firm or individual is licensed by, or permitted to practice in, the State of California, and which firm or individual does not control the Borrower and is not controlled by or under common control with the Borrower.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Investment Securities” means any of the following securities (other than those issued by the Authority, the Guarantor or the Borrower):

(1) Commercial paper issued by corporations that are organized and operating within the United States and that at the time of investment are rated by Moody’s or S & P (a) “A-2” or “P-2” or higher if such commercial paper has a maturity of seven (7) days or less, and (b) “A-1” or “P-1” if such commercial paper has a maturity of greater than seven (7) days;

(2) United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the full and timely payment of principal and interest, not subject to prepayment or call;

(3) Negotiable certificates of deposit issued by or deposit accounts with a nationally or state-chartered bank, including the Trustee, its parent company and their affiliates, or by a state licensed branch of a foreign bank, provided that the senior debt issued by such bank and/or its holding company will be rated “A” by Moody’s and S&P, respectively, and the commercial paper issued by such holding company or branch of a foreign bank will be rated “P-1” and “A-1” by Moody’s and S&P, respectively;

(4) Bonds, notes or other obligations of any state, municipality or political subdivision the interest on which is excluded from gross income for federal income tax purposes, which are rated “A” or higher by Moody’s, S&P, or Fitch;

(5) Investments in or shares of any “regulated investment company” within the meaning of Section 851(a) of the Code, the assets of which are securities or investments described in (1) - (4) above, including funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(6) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including, but not limited to the Trustee or any of its affiliates), or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected security interest in obligations described in paragraph (2) of this definition or obligations which are rated “Aaa” by Moody’s or “AA+” by S&P;

(7) Money market funds with a rating of at least “A” or which invest solely in securities rated at least “A”, including funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(8) Collateralized or uncollateralized investment agreements or other contractual arrangements with domestic or foreign corporations, financial institutions or national associations, provided that the senior long term debt of such corporations, institutions or associations is rated within the highest three rating categories by S&P, Moody’s and Fitch, if rated by Fitch.

“Knowledge” means, with respect to the Borrower, the actual or constructive knowledge of any officer or director of the Borrower, including any Authorized Representative of the Borrower, after reasonable inquiry in the ordinary course of performance of such person’s duties on behalf of the Borrower.

“Lease Agreement” means that certain Ground Sublease, made as of April 1, 2016, by and between RUA and the Borrower, as amended by the First Amendment thereto made as of January 9, 2018, and as may be further amended from time to time in accordance with the terms thereof and the terms of the Indenture and the Loan Documents.

“Lease Documents” means, collectively, the Lease Agreement, the Attornment Agreement, the Lessor Estoppel, the Easement Agreement, the Administrative Memorandum and the Access Agreement.

“Leasehold Deed of Trust” means that certain Leasehold Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents and Leases, dated as of January 1, 2019, executed by the Borrower, as trustor, in favor of UMB Bank, N.A., as trustee thereunder, creating a lien for the benefit of the Trustee (as assignee of the Authority), as trustee for the Holders of the Bonds, and for the benefit of the holders from time to time of Parity Debt.

“Lessor Estoppel” means that certain Lessor Estoppel Certificate and Agreement, dated January 1, 2019 and delivered by RUA to the Borrower, the Authority and the Trustee, which includes, without limitation, Schedule I thereto, pursuant to which RUA has made certain representations regarding the Lease Agreement and has granted certain rights and remedies to the Trustee in respect of the Lease Agreement.

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on the Gross Revenues or any property or asset of the Borrower.

“Limited Offering Memorandum” means the Limited Offering Memorandum dated January 16, 2019 relating to the Bonds.

“Loan Default Event” means any one or more of the events specified as such in the Loan Agreement.

“Loan Documents” means, collectively, the Agreement, the Guaranty Agreement and each of the Security Documents.

“Loan Repayments” means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement.

“Material Adverse Effect” means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, property, condition (financial or otherwise) or operations of the Borrower or the Project, taken as a whole, (b) the ability of the Borrower to perform its material obligations under (i) any Loan Document or (ii) Material Project Document or Material Project Revenue Generating Agreement to which it is a party, (c) creation, perfection or priority of the Liens granted, or purported to be granted, in favor, or for the benefit, of the Trustee pursuant to the Loan Documents or (d) the material rights or remedies of the Trustee or any Bondholder under any Loan Documents.

“Materials of Environmental Concern” means Hazardous Substances, chemicals, pollutants, contaminants, wastes and toxic substances, any toxic mold, radon gas or other naturally occurring toxic or hazardous substance or organism and any material that is regulated in any way, or for which liability is imposed, pursuant to an Environmental Regulation.

“Material Project Document” means each of (i) the Lease Agreement, (ii) the O&M Agreement, and (ii) any Project Document that is projected to produce annual revenues in excess of ten percent (10%) of total Gross Revenues budgeted for the Fiscal Year during which such determination is made.



“Material Project Revenue Generating Agreement” means any Project Revenue Generating Agreement that is projected to produce annual revenues in excess of ten percent (10%) of total Gross Revenues budgeted for the Fiscal Year in which such determination is made.

“Maximum Annual Debt Service” means, as of the date of calculation, an amount equal to the maximum annual debt service due on the Bonds and any Parity Debt during the then current or any succeeding calendar year, whether at maturity or upon mandatory sinking fund redemption, provided that solely for purposes of such calculation, the amount of debt service coming due on the Bonds during calendar year 2040 will be deemed to be an amount equal to the amount of debt service coming due on the Bonds during calendar year 2039.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation will have been dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch).

“Multiemployer Plan” has the meaning set forth in Section 4001(a)(3) of ERISA and all rules and regulations promulgated from time to time thereunder.

“Net Income” means, with respect to any period, the sum of the excess of revenues over expenses of the Borrower for such period as determined by GAAP in the United States.

“Net Proceeds” means the proceeds from insurance or from actual or threatened condemnation or eminent domain actions with respect to all or any portion of the Project, less any costs reasonably expended by the Borrower to receive such proceeds.

“Nonrecourse Indebtedness” means any Indebtedness secured by a lien, which is not a general obligation of the Borrower and liability for which is effectively limited to any property (a “Nonrecourse Lien”) subject to such lien with no recourse (except to such Nonrecourse Lien) to (other than carve outs typically imposed by lenders in commercial real estate transactions, including fraud, waste or environmental indemnity), or lien upon, directly or indirectly, the Gross Revenues or any other property then owned by the Borrower.

“O&M Agreement” means that certain Operations and Maintenance Services Agreement, dated as of September 1, 2018, by and between the Borrower and Anaergia Services, and any replacement operations and maintenance agreement entered into in accordance with the terms of the Indenture and the Loan Documents, as each of the foregoing may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Offtake Agreements” means, collectively, (i) that certain Biomethane Purchase and Sale Agreement, dated as of January 11, 2018, by and between SoCal Biomethane and the City of Anaheim, as assigned from SoCal Biomethane to the Borrower pursuant to that certain Assignment and Assumption Agreement, dated as of November 13, 2018, by and among the City of Anaheim, SoCal Biomethane and the Borrower, (ii) the Southwest Gas Offtake Agreement and (iii) any and all other agreements, whether now existing or hereafter entered into, under which the Borrower is obligated to sell, and a purchaser is obligated to purchase, renewable natural gas, renewable electricity or fertilizer produced at the Project, as each of the foregoing may be amended from time to time in accordance with the terms thereof and the terms of the Indenture and the Loan Documents.

“Offtake Expiration Event” means the occurrence of the following: (i) the Borrower fails to either (A) exercise, at least two (2) years prior to the stated expiration date of the Southwest Gas Offtake Agreement, its rights to extend such agreement for a term of at least five (5) years or (B) enter into an agreement to replace the Southwest Gas Offtake Agreement on terms with similar or more advantageous prices for the sale of renewable natural gas than in the Southwest Gas Offtake Agreement and otherwise on commercially reasonable terms and for a term of at least five (5) years, and (ii) the Independent Consultant is unable to deliver a report to the Trustee that the Borrower is nonetheless expected to achieve the Days Cash on Hand Requirement set forth in the Agreement and each component of the Coverage Requirement set forth in the Agreement (without including any capital contributions to the Borrower from its members for purposes of calculating EBITDA) after the expiration of the Southwest Gas Offtake Agreement without replacement. Once commenced, an Offtake Expiration Event will be deemed to continue until such time, if

any, as Borrower has so extended the Southwest Gas Offtake Agreement or entered into one or more Offtake Agreements, each having a term of at least five (5) years, on the basis of which the Independent Consultant is able to deliver a report to the Trustee that, taking such Offtake Agreements into account, the Borrower is expected to achieve the Days Cash on Hand Requirement set forth in the Agreement and each component of the Coverage Requirement set forth in the Agreement (without including any capital contributions to the Borrower from its members for purposes of calculating EBITDA).

“Operating Report” means the operating report described in the Continuing Disclosure Agreement.

“Operation and Maintenance Expenses” means, for any period, the sum without duplication of all (a) reasonable and necessary expenses of administering, managing, operating the Project and maintaining it in good repair and operating condition, (b) salaries, wages and costs of benefits for the employees of Borrower, (c) costs associated with the supply and transportation of all feedstock, natural gas, electricity and other supplies and raw materials to the Project and distribution and sale of products from the Project that the Borrower is obligated to pay, including prepayments of the costs for any such feedstock, natural gas, electricity and other supplies and raw materials, (d) all reasonable and necessary insurance costs (other than insurance premiums that are paid as Costs of the Project), (e) property, sales and franchise taxes to the extent that the Borrower is liable to pay such taxes to the taxing authority (other than taxes imposed on or measured by income or receipts) to which the Project, may be subject (or payment in lieu of such taxes to which the Project may be subject), (f) reasonable and necessary costs and fees incurred in connection with obtaining and maintaining in effect Project permits and other necessary governmental approvals for the Project, (g) reasonable and arm’s-length legal, accounting and other professional fees attendant to any of the foregoing items during such period, (h) the reasonable costs of administration and enforcement of the this Agreement, the Loan Documents, all Project Documents and all Project Revenue Generating Agreements, (i) amounts payable under Financial Product Agreements (other than termination payments) which are identified in the Borrower’s annual budget, (j) amounts payable by the Borrower under the Project Documents in the ordinary course of business and not as a result of a breach or default by the Borrower thereunder, (k) the reasonable fees and expenses of the Construction Manager and each Independent Consultant, and (l) all other costs and expenses included in the then-current operating budget including, but not limited to, costs of salaries, wages and employee benefits, licensing fees and fees payable under the Technical Services Agreement and O&M Agreement. In no event will Costs of the Project be considered Operation and Maintenance Expenses.

“Opinion of Counsel” means a written opinion (addressed and delivered to the Authority and the Trustee) of counsel independent from the Borrower (who may be counsel for the Authority) selected by the Authority and, with respect to certain provisions of the Indenture related to the Trustee’s consent to certain amendments to the Loan Documents or the Indenture, reasonably acceptable to the Trustee.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture regarding Disqualified Bonds) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds with respect to which liability of the Authority will have been discharged in accordance with the provisions of the Indenture regarding Discharge of Liability of Bonds, including Bonds (or portions of Bonds) referred to in the Indenture regarding Disqualified Bonds; and (iii) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Parity Debt” means any Indebtedness incurred by the Borrower that is issued in compliance with certain provisions of the Agreement and is secured equally and ratably with the obligations of the Borrower under the Agreement by (i) a Lien on and security interest in Gross Revenues and (ii) the Liens and security interests established by the Security Documents.

“Participating Affiliate” means, with respect to the Borrower, each Person (i) that directly or indirectly, through one or more intermediaries or other Persons, controls, or is controlled by, or is under common control with, the Borrower, and (ii) that is itself, or with its affiliates described in clause (i), a “participating party” within the meaning of the Act. For purposes of this definition, a “Person” who is an individual includes the spouse, children or parents of such Person (collectively, “relatives”), and includes any trust of which such Person or his or her relatives is the trustee or a beneficiary. For the purpose of this definition, the “control” of a Person will mean the possession,

directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of a majority of voting securities or membership interests, as trustee, by contract or otherwise.

“Paying Agent” means the Paying Agent as described in the Indenture.

“Permitted Liens” means the liens described in the Agreement and any other liens or encumbrances on the Project Site which do not materially adversely affect the value or operation of the Project Site.

Without limiting the generality of the foregoing, “Permitted Liens” includes the following: (i) undetermined or inchoate liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed of record which are being contested in good faith by the Borrower; (ii) the lien of taxes and assessments which are not delinquent; (iii) easements, exceptions or reservations, whether or not of record, for the purpose of pipelines, telephone lines, cellular telephone communications facilities, power lines, roads, streets, alleys, drainage and sewerage purposes, laterals, ditches, and other like purposes, or for the joint or common use of the Project Site, Facilities and equipment; (iv) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Project Site; (v) any obligations or duties affecting any portion of the Project Site to any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit; (vi) present or future valid zoning laws and ordinances; (vii) liens securing Indebtedness for the payment, redemption, or satisfaction of which money (or evidences of Indebtedness) in the necessary amount to fully pay such Indebtedness will have been deposited in trust with a trustee or other holder of such Indebtedness; (viii) the rights of the Trustee under the Indenture and/or the Loan Documents; (ix) statutory liens arising in the ordinary course of business which are not delinquent or are being contested in good faith by the Borrower; (x) leases, licenses or other rights to use portions of the Project Site, provided the same do not materially interfere with the operation of the Project Site; or (xi) any lien with respect to Parity Debt on a parity basis, including the Liens of the Security Documents and the Lien on Gross Revenues established pursuant to the Agreement.

“Person” means an individual, corporation, firm, association, limited liability company, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledge Agreement” means the Membership Interest Pledge Agreement dated as of January 1, 2019, executed by the Anaergia Services in favor of the Trustee, and each other membership interest pledge agreement executed by a member of the Borrower in accordance with Agreement, in each case as may be amended from time to time in accordance with its terms and the terms of the Indenture and the Loan Documents.

“Post-Default Rate” means (i) when used with respect to any payment of Debt Service on any Bonds or Parity Debt, the then-applicable interest rate plus four percent (4%), and (ii) when used with respect to all other payments due under the Indenture, a variable rate equal to the Trustee’s prime rate plus four percent (4%), computed on the basis of a 365 or 366-day year, as the case may be, for actual days elapsed.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Proceeds Account” means the account by that name established pursuant to the Indenture.

“Project” means the Project, as described in the Agreement, as it may be amended pursuant to the terms of the Agreement.

“Project Documents” means, collectively, the Lease Documents, the Construction Contract, the Construction Monitor Contract, the Technical Services Agreement, the O&M Agreement, the Offtake Agreements and the Feedstock Agreements.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Project Revenue Generating Agreements” means, other than the Project Documents, any and all written contracts or agreements, whether now existing or hereafter entered into, to which the Borrower is a party and under which the Borrower derives revenues from the operation of the Project.

“Project Revenues” means any and all amounts payable to the Borrower under the Project Documents and the Project Revenue Generating Agreements.

“Project Site” means the Project Site, as described in the Agreement.

“Qualified Institutional Buyer” has the meaning given to a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933.

“Qualified Newspaper” means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language and customarily published on each Business Day, of general circulation in New York, New York, and selected by the Trustee, whose decision will be final and conclusive.

“Rebate Fund” means the fund by that name created pursuant to the Indenture.

“Redemption Account” means the account by that name established in the Revenue Fund pursuant to the Indenture.

“Republic” means Republic Waste Services of Southern California, LLC.

“Required Equity Contribution” means the equity contributions required to be made or deemed made by the Borrower to the funds and accounts hereof in the form of cash in connection with (i) the issuance of the Bonds on the Date of Delivery as provided in the Indenture or (ii) any repair, restoration or replacement plan pursuant to the Loan Agreement.

“Reserve Requirement” means, as of the date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service, (ii) one hundred twenty five percent (125%) of the average annual debt service on the Bonds and any Parity Debt, and (iii) ten percent (10%) of the original principal amount of the Bonds and any Parity Debt. Initially, the Reserve Requirement equals \$11,084,937.50.

“Retained Rights” means (i) the right to receive any Additional Payments and Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligations of the Borrower to make deposits pursuant to the Tax Certificate.

“Revenue Fund” means the fund by that name established pursuant to the Indenture.

“Revenues” means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Agreement or the Guaranty Agreement, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except as provided below), excluding (i) Additional Payments, including without limitation any Administrative Fees and Expenses and (ii) any moneys paid for deposit into the Rebate Fund, or the Borrower Subaccount of the Costs of Issuance Fund and any investment earnings on moneys held in such funds or subaccounts.

“RUA” means the Rialto Utility Authority, a joint powers authority duly organized under the laws of the State of California.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and their assigns, and, if such entity will have been dissolved or liquidated or will no longer perform the

functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or Fitch).

“Security Agreement” means the Pledge and Security Agreement, dated as of January 1, 2019, executed by the Borrower in favor of the Trustee, as it may be amended from time to time as permitted thereby.

“Security Documents” means, collectively, the Account Control Agreement, the Security Agreement, the Leasehold Deed of Trust, the Pledge Agreement, the Collateral Assignment, the Collateral Assignments of Feedstock Agreements and the Collateral Assignments of Offtake Agreements.

“Short-Term Indebtedness” means subordinate or parity Indebtedness having an original maturity of less than or equal to one year and not renewable at the option of the Borrower for a term greater than one year from the date of original incurrence or issuance unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each year.

“SoCal Biomethane” means SoCal Biomethane, LLC, a Delaware limited liability company.

“Southwest Gas Offtake Agreement” means that certain Base Contract for Sale and Purchase of Natural Gas, dated as of October 18, 2018, by and between the Borrower and Southwest Gas Corporation (including the Special Provisions thereto), together with that certain Transaction Confirmation #19-1-SCA, Pkg No. RNG3, dated November 6, 2018, by and among Southwest Gas Corporation, SoCal Biomethane and the Borrower (as assignee of SoCal Biomethane in respect of Transaction Confirmation #21-1-SCA, Pkg No. RNG1, dated August 20, 2018), as may be amended from time to time in accordance with its terms and the terms of the Indenture and the Local Documents.

“Subordinate Debt” means any Indebtedness issued or incurred by the Borrower which is either (i) not secured by a pledge of or Lien upon the Gross Revenues or any assets or property of the Borrower; or (ii) secured by a pledge of or Lien upon the Gross Revenues or any asset or property of the Borrower that is subordinate to the pledge of an Lien upon the Gross Revenues and each Lien established by the Security Documents for the security of the Agreement and any Parity Debt.

“Supplemental Indenture” means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Surplus Account” means the account established within the Revenue Fund pursuant to the Indenture.

“Tax Certificate” means the Tax Certificate and Agreement of the Borrower and the Authority dated the Date of Delivery.

“Taxable Subaccount” means the subaccount by that name established pursuant to the Indenture.

“Tax-exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than in the case of a Holder of any Bonds who is a substantial user of any component of the Project or a related Person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Tax-Exempt Subaccount” means all of the subaccounts by that name established pursuant to the Indenture.

“Technical Services Agreement” means that certain Amended and Restated Technical Consulting Services Agreement, dated as of June 26, 2018, by and between the Borrower and Anaergia Services, as may be amended from time to time in accordance with its terms and the terms of this Indenture and the Loan Documents.

“Trustee” means UMB Bank, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America, having Corporate Trust Offices in Minneapolis, Minnesota or its successor as Trustee as provided in the Indenture.

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## THE INDENTURE

Certain provisions of the Indenture are summarized below. Other provisions are summarized in this Official Statement under the caption “THE BONDS.” THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE INDENTURE, A COPY OF WHICH IS ON FILE WITH THE TRUSTEE.

### Project Fund

The Trustee will establish the Rialto Bioenergy Facility, LLC Project Fund (the “Project Fund”), to the credit of which proceeds of the Bonds will be deposited and applied to the payment of the Costs of the Project. The Trustee will also create separate accounts in the Project Fund designated as the Tax-Exempt Subaccount (the “Tax-Exempt Subaccount”), the Taxable Subaccount (the “Taxable Subaccount”), the Grant Subaccount (the “Grant Subaccount”) and the Rialto Bioenergy Facility, LLC Capitalized Interest Account (the “Capitalized Interest Account”), each of which will be funded as provided in the Indenture. The moneys in each subaccount of the Project Fund will be held by the Trustee in trust and applied to the payment of (i) the Costs of the Project, in the case of the Tax-Exempt Subaccount, (ii) Operating and Working Capital Costs, in the case of the Taxable Subaccount, (iii) the Costs of the Project or, following the Completion Date, Operating and Working Capital Costs or, to the extent permitted by the provisions of the Agreement, distributions to members of the Borrower, in the case of the Grant Subaccount and (iv) a portion of the interest due and payable on the Bonds, in the case of the Capitalized Interest Account, all in the manner set forth below.

Before each payment is made by the Trustee from the Project Fund or any account established therein (excluding transfers from the Capitalized Interest Account and transfers from the Tax-Exempt Subaccount to the Surplus Account, as described below), there will be filed with the Trustee a sequentially numbered Requisition of the Borrower conforming with the requirements of this paragraph and the Agreement, and in the form attached to the Indenture, stating with respect to each payment to be made:

- (1) the requisition number;
- (2) the name and address of the Person to whom payment is due;
- (3) the purpose for which such payment is to be made;
- (4) the amount to be paid;
- (5) that each obligation mentioned therein has been properly incurred and is a proper charge against the Project Fund;
- (6) that none of the items for which payment is requested has been previously paid or reimbursed from the Project Fund;
- (7) that each item for which payment is requested is or was necessary in connection with the acquisition, construction, installation, equipping or financing of the Project (as further provided in certain provisions of the Agreement governing Disbursements from the Project Fund) or, with respect to any payment from the Taxable Subaccount, the operation of the Project (as further provided in certain provisions of the Agreement governing disbursements from the Taxable Subaccount), or with respect to any payment from the Grant Subaccount, (A) the acquisition, construction, installation or equipping of the Project or (B) following the Completion Date, the operation of the Project or to fund distributions to members of the Borrower permitted by the provisions of the Agreement regarding distributions (in each case as further provided in certain provisions of the Agreement governing disbursements from the Grant Subaccount);
- (8) with respect to any payment from the Tax-Exempt Subaccount, that at least ninety-five percent (95.0%) of the amount requisitioned, together with all amounts requisitioned to date, have in the aggregate been used



to pay for or to reimburse the Borrower for expenditures properly allocable to Costs of the Project pursuant to the Tax Certificate (excluding Costs of Issuance); and

(9) that an invoice evidencing each item for payment is attached thereto, including invoices for costs previously paid and for which reimbursement is being requested; or, alternatively, that a single invoice payable to the Borrower, addressed to the Trustee, is attached thereto, for payment by the Borrower of for Costs of the Project or Operating and Working Capital Costs, as applicable, due and payable or previously paid and for which reimbursement is being requested.

Each such Requisition of the Borrower, approved by the Construction Monitor with respect to amounts to be disbursed thereunder on or before the Completion Date, as evidenced by its written approval thereon, will be sufficient evidence of the facts stated therein, and the Trustee will have no duty to confirm the accuracy of such facts. Upon receipt of each such Requisition of the Borrower, signed by an Authorized Representative of the Borrower and (with respect to any Requisition for payment on or before the Completion Date) the Construction Monitor and accompanied by an invoice for each item for payment, or, alternatively, a single invoice payable to the Borrower for payment by the Borrower of Costs of the Project or Operating and Working Capital Costs, the Trustee will thereupon disburse moneys in the Project Fund to pay the amount set forth therein as directed by the terms thereof.

Upon the receipt by the Trustee of a certificate conforming with the requirements of the Agreement, and after payment of costs payable from the Project Fund or provision having been made for payment of such costs not yet due by retaining such costs in the Project Fund or otherwise as directed in such certificate, the Trustee will transfer any remaining balance in the Tax-Exempt Subaccount within the Project Fund into a separate account within the Revenue Fund, which the Trustee will establish and hold in trust and which will be entitled the "Surplus Account." In the alternative, the Borrower may submit to the Trustee a certificate, stating that its plans for the Project have changed and that it has determined to use a portion of unspent proceeds in the Project Fund to redeem Bonds. Upon receipt of either of the foregoing certificates, the Trustee will arrange for the identified amount of unspent proceeds in the Tax-Exempt Subaccount within the Project Fund to be returned to the Trustee for deposit in the Surplus Account. The moneys in any Surplus Account will be used and applied (subject to the Indenture) at the written direction of the Borrower (unless some other application of such moneys permitted by the Indenture and the Agreement is requested by the Borrower and would not, in the opinion of Bond Counsel, cause interest on the Bonds to become no longer Tax-exempt) to redeem Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest possible dates at which the Bonds can be redeemed pursuant to the Indenture. Notwithstanding the provision in the Indenture regarding the investment of moneys, the moneys in the Surplus Account will be invested at the written instruction of the Borrower at a yield no higher than the yield on the Outstanding Bonds (unless in the opinion of Bond Counsel, addressed and delivered to the Authority and the Trustee, investment at a higher yield would not cause interest on the Bonds to become no longer Tax-exempt) and all such investment income will be deposited in the Surplus Account and expended or reinvested as provided above.

In the event of redemption of all of the Bonds pursuant to the redemption provisions of the Indenture or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the account within the Tax-Exempt Subaccount within the Project Fund relating to such Bonds will be transferred to the Surplus Account within the Revenue Fund, and all moneys in the Revenue Fund relating to such Bonds will be used to redeem Bonds.

In the event that the Trustee receives payment of any funds from the Borrower pursuant to the provisions of the Agreement regarding Grant Revenues, the Trustee will deposit such funds into the Grant Subaccount of the Project Fund.

Moneys in the Capitalized Interest Account will be transferred by the Trustee on each Interest Payment Date, commencing June 1, 2019, to the Interest Account of the Revenue Fund in an amount sufficient to pay a portion of the interest due and payable on the Bonds on such Interest Payment Date, in accordance with the Indenture.

### **Costs of Issuance Fund**

Under the Indenture, the Trustee will establish the Costs of Issuance Fund. The Trustee will also create separate accounts in the Costs of Issuance Fund designated the "Proceeds Account," and the "Borrower Subaccount" which will be funded as provided in the Indenture. The moneys in each account of the Costs of Issuance Fund will be

held by the Trustee in trust and applied to the payment of Costs of Issuance for the Bonds. Each Requisition of the Borrower will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. All payments from the Costs of Issuance Fund will be reflected in the Trustee's regular accounting statements. Any amounts remaining in a Proceeds Account of the Costs of Issuance Fund six (6) months following the Date of Delivery of the Bonds will be transferred to the Tax-Exempt Subaccount of the Project Fund for such Bonds. Any amounts remaining in the Borrower Subaccount of the Costs of Issuance Fund three (3) months following the Date of Delivery of the Bonds will be transferred to the Borrower. Upon completion of such transfers, the Trustee will close the Costs of Issuance Fund.

### **Pledge and Assignment; Revenue Fund**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund, and the Borrower Subaccount of the Costs of Issuance Fund) are pledged to secure the full payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge will constitute a lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

The Authority will transfer in trust, and assign to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged as described in the foregoing paragraph and all of the right, title and interest of the Authority in the Agreement (except for the Retained Rights). Such assignment to the Trustee is solely in its capacity as Trustee under the Indenture subject to the protections, immunities and limitations from liability afforded the Trustee under the Indenture. The Trustee will be entitled to and will collect and receive all of the Revenues, the Gross Revenues pledged to the Authority under the Agreement and any Revenues or Gross Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and, subject to the provisions of the Indenture, will forthwith be paid by the Authority to the Trustee. Notwithstanding anything to the contrary in the Indenture, the Authority will have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than the Retained Rights) under the Indenture or the Guaranty Agreement or any of the other Loan Documents, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default, the obligations of the Borrower under the Loan Documents and the obligations of the Guarantor under the Guaranty Agreement.

All Revenues (except investment earnings, which will be deposited as provided in the provisions of the Indenture regarding Investment of Moneys) will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund which the Trustee will establish, maintain and hold in trust; except as otherwise provided in the provisions of Indenture regarding Allocation of Revenues, all moneys received by the Trustee and required to be deposited in the Redemption Account, if any, will be promptly deposited in the Redemption Account, which the Trustee will establish, maintain and hold in trust as provided in the provisions of the Indenture regarding Allocation of Revenues. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

### **Allocation of Revenues**

The Trustee will establish, maintain and hold in trust a separate fund designated as the "Revenue Fund" and accounts therein designated the "Interest Account," "Principal Account," "Redemption Account," "Debt Service Reserve Fund" and "Capital Replacement Fund." Subject to the provisions of Section of the Indenture regarding application of Revenues after an Event of Default, on the first Business Day of each calendar month, the Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee is directed to establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, an amount equal to one-sixth of the aggregate amount of interest becoming due and payable on the next succeeding Bond Payment Date or date of redemption of all Bonds then Outstanding (to the extent the amount of such interest exceeds the amount on deposit in the Capitalized Interest Account).

Second: to the Principal Account, an amount equal to one-sixth of the aggregate amount of any principal or sinking fund payments becoming due and payable on the next succeeding Bond Payment Date.

Third: to the Redemption Account, the aggregate amount of principal and premium, if any, next coming due by acceleration or by redemption (other than sinking fund payments) permitted or required under the Indenture, or any portion thereof paid by the Borrower.

Fourth: to the Debt Service Reserve Fund, the amount necessary to restore such fund to the Reserve Requirement (taking into account any reserve funds then held in respect of Parity Debt), if required, in three equal installments, all as provided in the Indenture.

In addition, following the completion of the transfers contemplated in *First* through *Fourth* above, on the first Business Day of June and December of each year, commencing with December 2021, the Trustee will transfer from the Revenue Fund to the Capital Replacement Fund an amount equal to \$190,000 or such other amount as determined by the Independent Consultant in accordance with the Agreement.

In the event that the Trustee receives any payment in respect of any Guaranteed Obligations (as defined in the Guaranty Agreement) from the Guarantor (a “Guaranty Payment”), the Trustee will deposit such payment into the applicable fund or account of the Indenture (or, as applicable, remit to the account of the Authority or the Trustee) in accordance with the purpose for which such payment was paid pursuant to the Guaranty Agreement. For the avoidance of doubt, (i) Guaranty Payments in respect of fees, expenses or other amounts payable to the Authority or the Trustee will be respectively remitted to the Authority or the Trustee (for its own account), (ii) Guaranty Payments in respect of Guaranteed Project Costs will be deposited in the Tax-Exempt Subaccount and (iii) Guaranty Payments in respect of Guaranteed Debt Service Obligations (except those described in the foregoing item (i)) will be deposited in the Interest Account, Principal Account or Redemption Account, as applicable, in accordance with such purpose.

In the event that the Trustee receives funds from the Borrower pursuant to the provisions of the Agreement requiring deposits of Excess Cash upon and during the continuance of an Offtake Expiration Event, the Trustee will deposit such funds in the Redemption Account, to be further applied or transferred in accordance with the provisions of the Indenture relating to mandatory redemption from Excess Cash deposits.

### **Priority of Moneys in Revenue Fund**

Funds for the payment of the principal or redemption price (including premium, if any) of and interest on the Bonds will be derived from the following sources in the order of priority indicated below from each of the accounts in the Revenue Fund:

- (1) moneys paid into the Interest Account, if any, representing accrued interest received at the initial sale of the Bonds and proceeds from the investment thereof which will be applied to the payment of interest on such Bonds;
- (2) moneys paid into the Revenue Fund pursuant to the provisions of the Indenture regarding defeasance of the Bonds from the Deposit of Money or Securities with Trustee and proceeds from the investment thereof; and
- (3) any other moneys paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof.

### **Investment of Moneys**

All moneys in any of the funds or accounts established pursuant to the Indenture will be invested by the Trustee as directed in writing by the Borrower or its agent, solely in Investment Securities. Notwithstanding any other

provision in the Indenture, in the absence of written investment instructions directing the Trustee by noon of the second Business Day preceding the day when investments are to be made, the Trustee is directed to invest available funds in Investment Securities described in paragraph (7) of the definition thereof. The Trustee will not be liable for any losses resulting from any investments made pursuant to the preceding two sentences.

Investment Securities may be purchased at such prices as the Trustee may in its discretion determine or as may be directed in writing by the Borrower or its agent. All Investment Securities will be acquired subject to the limitations set forth in the Indenture regarding Account Records and Reports, the limitations as to maturities set forth below and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Borrower.

Moneys in all funds and accounts will be invested in Investment Securities maturing not later than the date on which such moneys will be required for the purposes specified in the Indenture. Notwithstanding anything else in the Indenture, any moneys in the Interest Account, the Principal Account or the Redemption Account held for the payment of particular Bonds will be invested at the written direction of the Borrower in direct obligations of the United States or bonds or other obligations guaranteed by the United States government or for which the full faith and credit of the United States is pledged for the full and timely payment of principal and interest thereof (or money market funds investing solely in such bonds or other obligations), rated in the highest rating category applicable to such investments which mature or are subject to redemption at the option of the holder thereof not later than the date on which it is estimated that such moneys will be required to pay such Bonds (but in any event maturing or subject to such redemption in not more than thirty (30) days). Moneys held for non-presented Bonds will be held uninvested.

Except as otherwise provided in the last paragraph of this subheading, all interest, profits and other income received or losses incurred from the investment of moneys in any fund or account established pursuant to the Indenture will be deposited or booked in the fund or account which gave rise to the investment earnings or losses. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid. To the extent that any Investment Securities are registrable, such Securities will be registered in the name of the Trustee or its nominee.

For the purpose of determining the amount in any fund, all Investment Securities credited to such fund will be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

Subject to the provisions of the Indenture regarding Arbitrage Covenants, investments in any and all funds and accounts held by the Trustee under the Indenture (other than moneys held in the Borrower Subaccount of the Costs of Issuance Fund, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds or held by the Trustee under the provisions of the Indenture regarding defeasance associated with the Deposit of Money or Securities with Trustee) may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions of the Indenture for transfer to or holding in particular funds and accounts, the amounts received or held by the Trustee thereunder, provided that the Trustee will at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture. Subject to the provisions of the Indenture regarding Accounting and Records, any moneys invested in accordance with the requirements described in this subheading may be invested in a pooled investment account consisting solely of funds held by the Trustee as a fiduciary.

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for redemption any Investment Securities whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Investment Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. The Trustee may implement its automated cash investment system, to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments.

Notwithstanding anything to the contrary in the foregoing paragraphs under this subheading, all interest, profits and other income received from the investment of moneys in each of the Debt Service Reserve Fund and the Capitalized Interest Account will be deposited or booked in the Tax-Exempt Subaccount of the Project Fund until (i) the receipt by the Trustee of a Final Project Account Disbursement Certificate pursuant to the Agreement and (ii) either (A) payment of costs payable from the Project Fund or (B) provision having been made for payment of such costs not yet due (1) by retaining the amount of such costs in the Project Fund or (2) as otherwise directed in such certificate.

### **Capital Replacement Fund**

The Trustee is authorized to create and establish a separate account which will be known as the “Capital Replacement Fund” which will be held in trust by the Trustee until applied as directed in the Indenture. The Trustee will withdraw funds from the Capital Replacement Fund to pay for the maintenance and repair costs related to the Facility so long as there exists no Event of Default as described in the Indenture. Moneys in the Capital Replacement Fund to be used for such purpose will be disbursed upon receipt of a Requisition of the Borrower for payment, executed by the Authorized Representative of the Borrower, and the Trustee will issue its checks for each such disbursement upon receipt of such a requisition. The Trustee may conclusively rely upon such Requisition and will have no responsibility or duty to investigate any of the matters set forth therein.

### **Events of Default; Acceleration; Waiver of Default**

Each of the following events which has occurred and is continuing will constitute an “Event of Default” under the Indenture:

(1) default in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(2) default in the due and punctual payment of any installment of interest on any Bond, when and as the same will become due and payable;

(3) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding; or

(4) the occurrence and continuance of a Loan Default Event described in the Agreement, or any other default or event of default under any of the Loan Documents, including, without limitation, any Event of Default under the Guaranty Agreement.

No default specified in (3) above will constitute an Event of Default unless the Authority or the Borrower on behalf of the Authority will have failed to correct such default within the applicable period; provided, however, that if the default will be such that it cannot be corrected within such period, it will not constitute an Event of Default if corrective action is instituted by the Authority or the Borrower on behalf of the Authority within the applicable period and diligently pursued. With regard to any alleged default concerning which notice is given to the Authority under the provisions described in this subheading, the Borrower will have full authority to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts.

During the continuance of an Event of Default, unless the principal of all the Bonds will have already become due and payable, the Trustee may, and upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified as provided in the Indenture, the Trustee will, promptly upon such occurrence, by notice in writing to the Authority and the Borrower, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such

declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Interest on the Bonds will continue to accrue as of the date of declaration of acceleration at the Post-Default Rate until paid. The Trustee will promptly notify the Bondholders of the date of declaration of acceleration in the same manner as for a notice of redemption.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered as provided in the Indenture, there will have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Agreement, and the reasonable fees and expenses of the Trustee, including reasonable fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

### **Institution of Legal Proceedings by Trustee**

If one or more of the Events of Default will have happened and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction pursuant to the provisions of the Indenture regarding the duties, immunities and liabilities of the Trustee will, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Act or under the Indenture or the Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or the Agreement, or in aid of the execution of any power in the Indenture or the Agreement granted, or for appointment of a receiver, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties under the Indenture.

### **Application of Revenues and Other Funds After Default**

Notwithstanding the provisions of the Indenture regarding deposits to the Revenue Fund and allocation of Revenues, if an Event of Default will have occurred and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (subject to certain provisions of the Indenture, including the provisions thereof regarding the Costs of Issuance Fund (relative to the Borrower Subaccount of the Costs of Issuance Fund), Rebate Fund and Liability of Authority Limited to Revenues) will be promptly applied by the Trustee as follows and in the following order:

(1) To the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, including the provisions thereof regarding Extension of Maturity of Bonds, as follows:

(i) Unless the principal of all of the Bonds will have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds will have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available will not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

provided, however, that in no event will moneys set aside to pay principal or interest on any particular Bonds (including moneys held for non-presented Bonds or held by the Trustee under the provisions of the Indenture regarding defeasance from Deposit of Money or Securities with Trustee), be used to pay any of the items listed in clause (1) above.

### **Trustee to Represent Bondholders**

The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Loan Documents, the Act and applicable provisions of any other law. Subject to the provisions of the Indenture regarding Events of Default; Acceleration; Waiver of Default, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor will, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Loan Documents, the Act or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

### **Bondholders' Direction of Proceedings**

Anything in the Indenture to the contrary notwithstanding, but subject to the provisions of the Indenture regarding Liability of the Trustee, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or for which it has not been provided adequate indemnity.

### **Limitation on Bondholders' Right to Sue**

Subject to provisions of the Indenture regarding Events of Default; Acceleration; Waiver of Default, no Holder of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection



or enforcement of any right or remedy under the Indenture, the Loan Documents, the Act or any other applicable law with respect to such Bond, unless (1) such Holder will have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers therein before granted or to institute such suit, action or proceeding in its own name; (3) subject to the provisions of the Indenture regarding Liability of the Trustee, such Holder or said Holders will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, at the option of the Trustee, to be conditions precedent to the exercise of any remedy thereunder or under law; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by such Holders' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Loan Documents, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture regarding Extension of Payment of Bonds.

### **Appointment of Bond Registrar**

The Authority appoints the Trustee as the Bond Registrar.

### **Modification with Consent of Holders**

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding will have been filed with the Trustee. No such modification or amendment will (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this provision, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to the Holders of the Bonds at the address shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

### **Modification without Consent of Holders**

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into without the consent of any Bondholders (but with thirty (30) days' notice to the Bondholders), but with the written consent of the Borrower and only to the extent permitted by law, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the provisions of the Indenture which will not adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to modify, amend or supplement the Indenture in such a manner to permit the Authority, the Trustee, the Borrower or any other responsible party to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time be amended or supplemented, with respect to the Bonds;

(5) to make any other changes which will not adversely affect the interests of the Holders of the Bonds;  
or

(6) for the avoidance of doubt and without limiting the subclauses above, to make any modification contemplated in subclause (1), (2) or (5) above in connection with the Borrower's entry into an additional Offtake Agreement, Project Revenue Generating Agreement or Feedstock Agreement.

Anything contained under the headings "Modification with Consent of Holders" and "Modification without Consent of Holders" to the contrary notwithstanding, a Supplemental Indenture under such headings will not become effective unless and until the Borrower consents thereto in writing, unless a Loan Default Event has occurred and is continuing, in which case no such consent will be required with respect to any Supplemental Indenture entered into as provided under the heading "Modification With Consent of Holders."

#### **Discharge of Indenture**

Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable thereunder by the Authority and related to the Bonds:

(1) paying or causing to be paid the principal of, interest and premium, if any, on the Bonds Outstanding, as and when the same become due and payable;

(2) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the provisions of the Indenture regarding defeasance by Deposit of Money or Securities with the Trustee) to pay or redeem all Bonds then Outstanding; or

(3) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Authority will also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds will not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture will cease, terminate, become void and be completely discharged and satisfied except only as provided in the provisions of the Indenture regarding Discharge of Liability on Bonds, and thereupon the Trustee will forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture.

#### **Discharge of Liability on Bonds**

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the provisions of the Indenture regarding defeasance by the Deposit of Money or Securities with the Trustee) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to its maturity, notice of such redemption will

have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, except only that the Holder thereof will thereafter be entitled to payment of the principal of, premium, if any, and interest on such Bond by the Authority, and the Authority will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment and such money or securities will be pledged to such payment, provided further, however, that the provisions of the Indenture regarding payment of Bonds after discharge of Indenture obligations, will apply in all events.

### **Deposit of Money or Securities with Trustee**

Whenever it is provided or permitted in the Indenture that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (exclusive of the Rebate Fund and the Borrower Subaccount of the Costs of Issuance Fund) and will be:

(1) Moneys in an equal amount to the principal amount of such Bonds, and all unpaid interest thereon to maturity except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as provided in the redemption provisions of the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the maturity or redemption date; or

(2) Investment Securities of the type described in clause (2) (including funds described in clause (5) rated Fitch “AAA” or equivalent which consist solely of securities described in clause (2)) of the definition of Investment Securities which are purchased with moneys and which are nonredeemable and noncallable, the principal of and interest on which when due and without reinvestment will provide money sufficient to pay the principal of, premium, if any, all unpaid interest to maturity, or to the redemption date on the Bonds to be paid or redeemed, as such principal and interest become due, with maturities as may be necessary to make the required payment on the Bonds; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or irrevocable provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Indenture or by a request of the Authority) to apply such money or Investment Securities to the payment of such principal, premium, if any, and interest with respect to such Bonds and provided further that the Authority and the Trustee will have received a report of an accountant that the moneys or Investment Securities on deposit are sufficient to pay the principal, premium, if any, and interest on the Bonds to maturity or the redemption date, and a legal opinion from a nationally recognized firm in bankruptcy law that payment of the Bonds from such moneys will not be a voidable preference in the event of the bankruptcy of the Borrower, the Guarantor or the Authority.

### **Liability of Authority Limited to Revenues**

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but will not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. The Authority will not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Agreement.

### **Limitation of Rights to Parties and Bondholders**

Nothing in the Indenture or in the Bonds expressed or implied is intended or will be construed to give to any person other than the Authority, the Trustee, the Borrower, Direct Participants and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision in the Bonds or the Indenture contained; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Borrower, Direct Participants and the Holders of the Bonds.

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## **THE AGREEMENT**

The following is a summary of certain provisions of the Agreement. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE TRUSTEE.

### **Loan of Proceeds**

Under the Agreement, the Authority agrees to make a loan to the Borrower of the proceeds of the Bonds (conditioned on the receipt thereof by the Authority) for the purpose of financing the acquisition, construction, rehabilitation, renovation, installation, improvement and/or equipping of solid waste treatment, disposal and recycling facilities (the "Project"), Costs of Issuance, and capitalized interest and certain reserves as provided for in the Indenture.

### **Agreement to Construct the Project; Modifications of the Project**

To provide funds to finance the Project, the Authority agrees that it will issue under the Indenture, sell and cause to be delivered to the purchasers thereof, the Bonds. The Authority will thereupon apply the proceeds received from the sale of the Bonds as provided in the Indenture. The Borrower agrees that it or one or more of its Participating Affiliates has or will acquire, construct, rehabilitate, renovate, install, improve and equip, or complete the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of, the Project, and will acquire, construct, rehabilitate, renovate, install, improve, and equip all other facilities and real and personal property deemed necessary for the operation of the Project, in accordance with the description of the Project prepared by the Borrower and approved by the Authority, including any and all supplements, amendments and additions or deletions thereto or therefrom. The Borrower further agrees to proceed with due diligence to complete the Project, and reasonably expects to do so within three (3) years. Except as otherwise permitted pursuant to the provisions of the Agreement regarding Agreement to Construct the Project; Modifications of the Project; Costs of Issuance Fund and certain provisions regarding the Borrower's Maintenance of Its Existence; Assignments; Permitted Transfers of the Project, the Borrower also agrees that it or a Participating Affiliate will own the Project during the term of the Agreement or, if shorter, the useful life of any component of the Project. The Borrower also agrees that it or a Participating Affiliate will operate the Project (except such portion that is transferred to a Person other than a Participating Affiliate in accordance with the provisions of the Agreement regarding Borrower's Maintenance of Its Existence; Assignments; Permitted Transfers of the Project) during the term of the Agreement or, if shorter, the useful life of any component of the Project.

In the event that the Borrower desires to materially alter or change the Project, the Borrower must first notify the Authority, the Trustee and CDLAC and obtain the consent of the Authority and the Holders of a majority in aggregate principal amount of the Bonds then Outstanding. The Authority agrees it will not unreasonably withhold consent to such changes if the revised elements of the Project are qualified under the Act and are consistent with the Borrower's representations in the Agreement and meet all other legal requirements of the Authority as if they were included in the description of the Project approved by the Authority. If the Authority and the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent to the proposed amendment or supplement, the Authority will instruct the Trustee in writing to consent to such amendment or supplement to the description of the Project as will be required to reflect such alteration or change to the Project upon receipt of:

- (1) a Certificate of the Borrower describing in detail the proposed changes and stating that they will not have the effect of disqualifying the Project as facilities that may be financed pursuant to the Act;
- (2) a copy of the form of amended or supplemented description of the Project approved by the Authority; and
- (3) an Approving Opinion with respect to such proposed changes.

The Holders of a majority in aggregate principal amount of the Bonds then Outstanding may withhold their consent under the provisions described in this subheading in their sole and absolute discretion.

The Borrower covenants that it will exercise all available lease renewal rights to ensure that its leasehold interest in the Project Site will remain in effect so long as any Bonds remain Outstanding. The Borrower further agrees that if it or one of its Participating Affiliates no longer leases the Project Site or a portion thereof during the term of this Loan Agreement it will either (i) purchase the Project Site or such portion thereof, (ii) relocate any component of the Project that is not yet fully depreciated to another portion of the Project Site that is still leased by the Borrower (if applicable) or (iii) prepay the portion of the loan subject to the provisions of the Agreement relating to optional prepayment, and direct the Trustee to prepay the portion of the Bonds, that was used to finance any component of the Project that (A) is not yet fully depreciated and (B) is no longer located on a portion of the Project Site leased by the Borrower. The Borrower will send written notice to the Authority and the Trustee at least thirty (30) days prior to the end of any lease relating to the Project Site explaining how it will comply with the requirements of this paragraph.

### **Project Fund**

The Borrower will authorize and direct the Trustee, upon compliance with the Indenture, to disburse the moneys in the Project Fund to or on behalf of the Borrower for only the following purposes (and not for Costs of Issuance), subject to the provisions of the Agreement:

- (1) Payment to the Borrower of such amounts, if any, as will be necessary to reimburse the Borrower or a Participating Affiliate in full for all advances and payments made by the Borrower or a Participating Affiliate, at any time prior to or after the delivery of the Bonds, in connection with (A) the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof) and (B) to the extent permitted by the Tax Certificate and the Act, the design, permitting, acquisition, construction, rehabilitation, renovation, installation, improvement and/or equipping of the Project.
- (2) If the Project includes the construction or rehabilitation of a building, payment for labor, services, materials and supplies used by or furnished to the Borrower or one or more of its Participating Affiliates to improve the Project Site and to design, obtain permits for, acquire, construct, rehabilitate, renovate, install, improve and/or equip the Project on the Project Site, as provided in the plans, specifications and work orders therefor; payment of the costs of acquiring, constructing, installing, and equipping utility services or other related facilities; payment of the costs of acquiring all real and personal property deemed necessary to construct the Project; insurance during the construction period; and payment of the miscellaneous expenses incidental to any of the foregoing items.
- (3) Payment of the fees, if any, of architects, engineers, legal counsel and supervisors expended in connection with the design, permitting, acquisition, construction, rehabilitation, renovation, installation, improvement and/or equipping of the Project.
- (4) If the Project includes the construction or rehabilitation of a building, payment of taxes including property taxes, assessments and other charges, if any, that may become payable during the construction period with respect to the Project, or reimbursement thereof, if paid by the Borrower.
- (5) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the design, permitting, acquisition, construction, installation or equipping of the Project.
- (6) Payment of any other Costs of the Project permitted by the Tax Certificate and the Act (including, without limitation, interest accruing on the Bonds during the construction period of the Project and reimbursement to the Borrower of costs of financing the Costs of the Project, but not including any Costs of Issuance).

- (7) With respect to the Taxable Subaccount, payment of operating and working capital costs relating to the Project (“Operating and Working Capital Costs”).
- (8) With respect to the Grant Subaccount, for any payments contemplated in numbered clauses (1) through (6) above or, following the Completion Date, for Operating and Working Capital Costs or, to the extent permitted by the provisions of the Agreement, for distributions to members of the Borrower.

All moneys remaining in the Project Fund after the Completion Date and after payment or provision for payment of all other items provided for in numbered clauses (1) to (6) above will be used in accordance with the Indenture.

Each of the payments referred to in the preceding paragraphs of this subheading will be made upon receipt by the Trustee of a written requisition in the form prescribed by the provision in the Indenture relating to the Project Fund, signed by an Authorized Representative of the Borrower.

The Borrower acknowledges that it will not submit any requisitions to the Trustee for the payment of Project Costs from the Project Fund or any account therein, unless it attaches to such requisition invoices evidencing each item requested for payment therein. In any instance where the requisition is for payment to the Borrower for reimbursement of costs previously paid, the Borrower will attach the original invoices and other documentation to describe the original expenditures which were paid.

#### **Costs of Issuance Fund**

The Borrower will authorize and direct the Trustee, upon compliance with the Indenture, to disburse the moneys in the Costs of Issuance Fund to or on behalf of the Borrower only for Costs of Issuance, subject to the provisions of the Agreement.

#### **Loan Repayments and Additional Payments**

On the 25th day of each month, until the principal of, premium, if any, and interest on, the Bonds will have been fully paid or provision for such payment will have been made as provided in the Indenture, the Borrower covenants and agrees to pay to the Trustee as a repayment on the loan made to the Borrower from Bond proceeds pursuant to the provisions of the Agreement regarding Loan of Proceeds; Issuance of Bonds, a sum equal to one sixth (1/6) of the total amount of interest and principal (whether at maturity or upon scheduled mandatory redemption) becoming due and payable on the Bonds on the next Bond Payment Date, as provided in the Indenture (“Loan Repayments”); provided that the Borrower will receive a credit against amounts due on the 25th day of each month equal to the amounts then on deposit with the Trustee in the Interest Account, the Principal Account, the Redemption Account and the Capitalized Interest Account to the extent such amounts have not previously been credited against the Loan Repayments then due.

Each Loan Repayment made pursuant to the Agreement will at all times be sufficient to pay one-sixth (1/6) of the total amount of interest and principal (whether at maturity or upon scheduled mandatory redemption) becoming due and payable on the Bonds on the next Bond Payment Date; provided that if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrower will be relieved of any obligation to make any further payments described under this paragraph and the preceding paragraph. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption (including without limitation sinking fund redemption) or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Borrower will forthwith pay such deficiency as a Loan Repayment thereunder.

All Loan Repayments will be made in federal funds or other funds immediately available at the Corporate Trust Office of the Trustee. If a Loan Default Event occurs with respect to the payment of any Loan Repayment

described in the preceding two paragraphs, then interest will accrue on the amount overdue at the Post-Default Rate in accordance with the Agreement.

In addition, the Borrower agrees to pay certain Trustee fees and expenses, Authority fees and expenses, costs of issuance and other miscellaneous amounts as provided in the Agreement (collectively, “Additional Payments”), as well as any amounts required to be paid to the Trustee for deposit in the Capital Replacement Fund pursuant to the Indenture.

In the event the Borrower should fail to make any Loan Repayments or Additional Payments required by the Agreement, the amount of such payment will continue as an obligation of the Borrower until such amount has been fully paid. With respect to Additional Payments that are payable to the Authority or the Trustee, the Borrower agrees to pay interest at the Post-Default Rate on any amount of such payments that is overdue by more than thirty (30) days.

### **Unconditional Obligation**

The obligations of the Borrower to make the payments required by the provisions of the Agreement regarding Repayment and Payment of Other Amounts Payable and to perform and observe the other agreements on its part contained therein will be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Agreement, the Borrower will pay all payments required to be made on account of the loan (which payments will be net of any other obligations of the Borrower) as prescribed in the provisions of Agreement regarding Repayment and Payment of Other Amounts Payable and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, sinking fund installments, if any, and interest on, the Bonds will have been fully paid, or provision for the payment thereof will have been made as required by the Indenture, the Borrower (i) will not suspend or discontinue any payments provided for in the Agreement; (ii) will perform and observe all of its other covenants contained in the provisions of Agreement regarding Repayment and Payment of Other Amounts Payable; and (iii) except as provided in the provisions of the Agreement regarding Prepayment, will not terminate the Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of those facilities or equipment comprising the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture, except to the extent permitted by the Agreement.

### **Assignment of Authority’s Rights**

As security for the payment of the Bonds, the Authority assigns to the Trustee the Authority’s rights under the Agreement, including the right to receive payments thereunder (except the Retained Rights), and the Authority directs the Borrower to make the payments required under the Agreement (except such payments for expenses and indemnification) directly to the Trustee. The Borrower assents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Borrower and the Authority or the Trustee.

### **Certain Covenants of the Borrower**

The Borrower agrees to maintain and repair, or cause to be maintained and repaired, the Project, and pay all utilities, taxes, governmental charges and assessments due from or levied against the Project. The Borrower agrees to keep the Project insured to the extent provided in the Agreement. The Borrower may not dissolve or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it so that the Borrower is not the resulting or surviving entity, and may not sell or otherwise dispose, or permit the sale or disposal (including operating arrangements) of the Project, without the prior written consent of the Authority, the Trustee and the Holders of a majority in aggregate principal amount of Bonds then Outstanding, except as otherwise permitted in the Agreement. The Borrower will be permitted to admit new members so long as such additional members pledge their membership interests to the Trustee in accordance with the Agreement. The Borrower may incur additional Short-Term Indebtedness, Subordinate Debt and Contingent Debt Liabilities for working capital purposes as in its judgment is deemed expedient, provided that in



no event will the Borrower incur such additional Indebtedness to the extent that such incurrence would cause the Borrower to fail to comply with the Overall Coverage Requirement, when taking into consideration EBITDA and debt service on existing Indebtedness for the Fiscal Year prior to the date such additional Indebtedness will be incurred. Further, the Borrower may incur Nonrecourse Indebtedness and additional Subordinate Debt not otherwise described in this paragraph, provided that payments of debt service in respect of such Nonrecourse Indebtedness or additional Subordinate Debt will be made solely as permitted by the Agreement.

The Borrower covenants that, except as specifically permitted by the Agreement, it will not (A) incur additional Indebtedness or (B) create, assume, incur or suffer to be created, assumed or incurred any liens on the Facility or any of its revenues (other than Permitted Liens). The Borrower covenants to comply with certain requirements relating to its Debt Service Coverage Ratio and Days Cash on Hand and, further, the Borrower covenants that, subject to certain exceptions provided for in the Loan Agreement, it will not make distributions to its members nor make Additional Debt Payments unless such requirements, among others, are met. By the 15<sup>th</sup> day of the last month of each Fiscal Year, commencing with December 15, 2020, the Borrower will submit to the Trustee an annual budget for the Project for the next Fiscal Year, in each case showing estimated revenues, operating expenses (including maintenance requirements), debt service (including Additional Debt Payments) and capital requirements for such next Fiscal Year. The Borrower will not sell, factor or otherwise dispose of more than \$5,000,000 in accounts receivable or similar contract rights constituting part of the Gross Revenues in any Fiscal Year. The Borrower agrees to comply with the covenants in the Loan Agreement relating to ERISA. The Borrower represents and warrants that it will only enter into a Financial Product Agreement with consent of Holders of a majority of principal amount of the Bonds then Outstanding, which consent may be withheld by the Holders in their sole and absolute discretion. The Borrower may not acquire, construct, maintain or operate any facilities competitive with the Project until such time as the Project meets its commercial acceptance tests under its applicable construction contracts. The Borrower will retain a Construction Monitor to perform certain services, including review and approval of requisitions from the Project Fund and change orders under the Construction Contract. Additionally, the Borrower must comply with certain requirements prior to materially amending, modifying or terminating any Material Project Document or Material Project Revenue Generating Agreement.

Upon receipt of any grant funds, the Borrower agrees to promptly pay such funds over to the Trustee for deposit into the Grant Subaccount of the Project Fund.

#### **Damage, Destruction and Condemnation; Use of Proceeds**

If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) (1) the Project or any portion thereof is damaged or destroyed by fire or other casualty, or (2) title to, or the temporary use of, the Project or any portion thereof will have been condemned or taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Borrower will nevertheless be obligated to continue to pay the amounts specified in the Agreement, to the extent not prepaid in accordance with the Agreement.

The Borrower will be entitled to the Net Proceeds, if any, of any insurance or condemnation awards resulting from the damage, destruction, condemnation or taking of the Project or any portion thereof. All Net Proceeds will be deposited by the Borrower in an escrow account administered by the Trustee and will be applied, with written notice provided to the Authority and the Trustee, in one or more of the following ways at the election of the Borrower:

(a) the prompt repair, restoration, relocation, modification or improvement of the stage of completion of construction of the damaged, destroyed, condemned or taken portion of the Project to enable (i) such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain and (ii) the Project as a whole to generate Gross Revenues and EBITDA, respectively, in amounts equal to or exceeding the lesser of (A) the amounts of Gross Revenues and EBITDA generated by the Project prior to such damage, destruction or condemnation or (B) the amounts of Gross Revenues and EBITDA required to reasonably assure ongoing compliance with the Coverage Requirement and the Days Cash on Hand Requirement. Any balance of the Net Proceeds remaining after such work has been completed will be deposited in the Revenue Fund to be applied to the payment of principal of and premium, if any, and interest on the Bonds, or, if the Bonds have been fully paid (or provision for payment thereof has been made in

accordance with the provisions of the Indenture), any balance remaining in the Revenue Fund to be applied as provided in the Indenture.

(b) prepayment of all or a portion of the amounts payable under the Agreement, in accordance with the Agreement, to cause the redemption of Bonds in accordance with the Indenture; provided, however, that Net Proceeds will not be applied for such purpose unless: (1) all of the amounts payable under the Agreement are so prepaid and all Outstanding Bonds are to be redeemed in accordance with the Indenture, or (2) in the event that less than all of the amounts payable under the Agreement are so prepaid, the Borrower will furnish to the Authority and the Trustee a Certificate of the Borrower acceptable to the Authority and the Trustee providing that (i) the property forming part of the portion of the Project that was so damaged or destroyed by casualty or was taken or condemned is not essential to the Borrower's use or possession of such portion of the Project, or (ii) the property forming part of the portion of the Project that was so damaged or destroyed by casualty or was taken or condemned has been repaired, replaced, restored, relocated, modified or improved to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or such taking or condemnation.

If (1) the Project or a portion thereof is to be repaired, replaced, restored, relocated, modified or improved under the paragraphs above, and (2) the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, replacement, relocation, modification or improvement, then the Borrower will nonetheless complete the work to repair, replace, restore, relocate, modify or improve the Project or such portion thereof, or cause such work to be completed, and will pay or cause to be paid any cost in connection therewith in excess of the amount of the Net Proceeds held in escrow.

The Borrower will be entitled to the net proceeds of any insurance or condemnation award or portion thereof made for damages to or takings of its property not included in or part of the Project and the use by the Borrower of such net proceeds will not be subject to the Borrower's obligations under the Agreement.

### **Continuing Disclosure**

The Borrower covenants and agrees to execute, deliver and comply with the Continuing Disclosure Agreement. The Borrower acknowledges and agrees that the Authority will have no obligations or liabilities with respect to the Continuing Disclosure Agreement.

### **Data Availability**

The Borrower will maintain the Data Room while and so long as the Bonds remain Outstanding. The Borrower will provide access to the Data Room to the Trustee and, upon request, any Holder, Beneficial Owner and prospective Holder or Beneficial Owner, provided that the Borrower will not be obligated to provide such access to any Person unless such Person (A) has executed a nondisclosure agreement in a form and substance acceptable to Borrower in its reasonable discretion and (B) is not a competitor in respect of the Borrower or the Project, as determined by the Borrower in its reasonable discretion. Additionally, the Borrower will be under no obligation to update or supplement the Data Room after the Date of Delivery. For purposes of this paragraph, the term "Data Room" means the agreements, reports, projections and other information compiled by the Borrower and made available to prospective purchasers of the Bonds pursuant to a centralized electronic database as of the Date of Delivery, and following the Date of Delivery, made available at such other location and/or in such other format (electronic or otherwise) or manner that the Borrower may determine from time to time.

### **Loan Default Events**

Any one of the following which occurs and continues will constitute a Loan Default Event:

(a) failure of the Borrower to make Loan Repayments required by the Agreement when due, unless such payment is paid by the Guarantor before payment is due; or

(b) failure of the Borrower to comply with the covenants contained in the Agreement relating to the Borrower's maintenance of its existence and assignments and permitted transfers of the Project; the Borrower's

payment of its obligations and compliance with Liens; the establishment and preservation of the Lien on collateral and continuation statements; the Capital Replacement Fund; the Gross Revenue Fund; restrictions on the creation of Liens and disposition of Gross Revenues; financial covenants; and Financial Product Agreements; or

(c) failure of the Borrower to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Agreement other than as provided in clauses (a) or (b) above, which continues for a period of thirty (30) days after written notice delivered to the Borrower by the Authority or the Trustee and, which notice will specify such failure and request that it be remedied, unless the Authority and the Trustee will agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(d) existence of an Event of Default under the provisions of the Indenture or a default or event of default under any of the Loan Documents (including, without limitation, the Guaranty Agreement) or the Project Documents; or

(e) existence of a default or event of default under any Project Revenue Generating Agreement, the termination or cancellation of which would have a material adverse effect on the Borrower's ability to satisfy the financial covenants set forth in the Loan Agreement; or

(f) any representation or warranty of the Borrower set forth in the Agreement at the time made or deemed made is false in any material respect; or

(g) an Act of Bankruptcy of the Borrower or (so long as the Guaranty Agreement is in effect) the Guarantor; or

(h) payment of any installment of interest or principal, or any premium, on any Parity Debt not made when the same becomes due and payable; or

(i) the existence of any additional Event of Default specified in a Supplemental Indenture; or

(j) any judgment, writ or warrant of attachment or of any similar process entered or filed against the Borrower or (so long as the Guaranty Agreement is in effect) the Guarantor or against any property of the Borrower or (so long as the Guaranty Agreement is in effect) the Guarantor and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of thirty (30) days; provided, however, that none of the foregoing will constitute a Loan Default Event unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds \$1,000,000.

The provisions of clause (c) above are subject to the limitation that the Borrower will not be deemed in default if and so long as the Borrower is unable to carry out its agreements under the Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; wars; acts of terrorism; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower; it being agreed that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the Borrower, and the Borrower will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower. This limitation will not apply to any default under clauses (a), (b), (d), (e), (f), (g), (h), (i) or (j) above.

## Remedies on Default

Subject to the provisions of the Agreement described in clause (c) of the subheading "Loan Default Events" above (if applicable), whenever any Loan Default Event will have occurred and will be continuing,

(a) The Trustee, by written notice to the Authority and the Borrower and (so long as the Guaranty Agreement is in effect) the Guarantor may declare the unpaid balance of the Loan Repayments payable under the Agreement to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds will have been declared to be due and payable under the Indenture. Upon any such declaration such amount will become and will be immediately due and payable as determined in accordance with the Indenture.

(b) The Trustee may exercise any right or remedy with respect to the Project or any collateral therefor provided in the Loan Documents, including without limitation the rights and remedies provided in the Agreement, in the Indenture or the rights and remedies conferred or reserved to the Trustee by the Security Documents or any other documents securing the Project Site or Facilities for the benefit of the Authority or Trustee or subjecting the Project, the Facilities or the Gross Revenues to the Lien of the Agreement.

(c) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower; provided that the Trustee will be obligated to protect the confidentiality of such information to the extent provided by State and federal law and prevent its disclosure to the public, except to the Authority and Bondholders.

(d) The Authority or the Trustee may take whatever other action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Agreement, including without limitation, appointment of a receiver of the Borrower; provided, however, that acceleration of the unpaid balance of the loan payments is not a remedy available to the Authority.

Upon the occurrence of a Loan Default Event, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority or Trustee under the Loan Agreement, the Authority or the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the rights and properties pledged thereunder and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment will confer. The Borrower agrees not to contest such proceedings.

In case the Trustee or the Authority will have proceeded to enforce its rights under the Agreement and such proceedings will have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Authority, then, and in every such case, the Borrower, the Trustee and the Authority will be restored respectively to their several positions and rights under the Agreement, and all rights, remedies and powers of the Borrower, the Trustee and the Authority will continue as though no such action had been taken.

The Borrower covenants that, in case a Loan Default Event will have occurred with respect to the payment of any Loan Repayment payable under the Agreement, then, upon demand of the Trustee, the Borrower will pay to the Trustee the whole amount that then will have become due and payable under the Agreement, with interest on the amount then overdue at the Post-Default Rate. Such overdue rate will remain in effect until such overdue amount has been paid.

In case the Borrower will have failed forthwith to pay such amounts upon such demand, the Trustee will be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings will have been pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee will have been appointed

for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee will be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses to the extent permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by the Trustee up to the date of such distribution.

### **Options to Prepay Installments**

Under the Agreement, the Borrower will have the option to prepay the Loan Repayments by paying to the Trustee, for deposit in the Revenue Fund, the amount set forth in the provisions of the Agreement regarding Amount of Prepayment, under the circumstances (as such circumstances may apply to any Bonds) described in the Agreement and the Indenture.

### **Mandatory Prepayment**

The Borrower will have and accepts the obligation to prepay the Loan Repayments required by the Agreement, together with interest accrued, but unpaid, thereon, to be used to redeem all or a part of the Outstanding Bonds under any of the following circumstances and in accordance with the terms of the Indenture:

(1) the Borrower will prepay the Loan Repayments in an amount sufficient to redeem all Bonds then Outstanding in whole in accordance with the Indenture if and when as a result of any changes in the Constitution of the United States of America or the California Constitution or as a result of any legislative, judicial or administrative action, the Agreement will have become void or unenforceable or impossible to perform in accordance with the intention and purposes of the parties thereto, or will have been declared unlawful;

(2) the Borrower will prepay the Loan Repayments in an amount sufficient to redeem the Bonds then Outstanding in whole or in part as required by this paragraph if, interest on the Bonds, or any of them, is determined not to be Tax-exempt to the Holders thereof (other than a Holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code); provided, however, that the Bonds will be redeemed (by virtue of this paragraph) in whole or in part, as applicable, solely to the extent (i) that an opinion of Bond Counsel, requested by Borrower or the Authority and addressed to the Authority and the Trustee, states that interest on the Bonds, or any of them, is not Tax-exempt or would not be Tax-exempt unless all or part of the Bonds are redeemed, (ii) that a final administrative determination of the Internal Revenue Service states that interest on the Bonds, or any of them, is not Tax-exempt or would not be Tax-exempt unless all or part of the Bonds are redeemed, (iii) that a judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received notice and was afforded an opportunity to participate in to the full extent permitted by law states that interest on the Bonds, or any of them, is not Tax-exempt or would not be Tax-exempt unless all or part of the Bonds are redeemed or (iv) required under the terms of a closing agreement or other similar agreement with the Internal Revenue Service settling an issue raised in connection with an audit of the Bonds (a “Determination of Taxability”);

(3) the Borrower will prepay Loan repayments if and to the extent mandatory redemption is required by any Supplemental Indenture; or

(4) upon and during the continuance of an Offtake Expiration Event, then if, as of the end of any calendar month, the Borrower has generated Excess Cash, the Borrower will forthwith transfer from the Gross Revenue Fund, or cause the Trustee to so transfer, an amount equal to the amount of such Excess Cash to the Trustee for deposit into the Redemption Account for further application or transfer in accordance with the Indenture, and any and all amounts used to redeem Bonds pursuant to the provisions of the Indenture regarding Mandatory Redemption from Excess Cash due to Offtake Expiration Event will be credited as payments of the Loan Repayments under the Agreement.

**Non-Liability of Authority**

The Authority will not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Borrower acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to the Agreement and payments made by the Guarantor pursuant to the Guaranty Agreement, together with other Revenues, including investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Agreement will ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same will become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower will pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Authority or any third party.

**Amendments, Changes and Modifications**

Except as otherwise provided in the Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, the Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, given in accordance with the provisions of the Indenture regarding amendment of the Agreement with the consent of the Trustee.

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## THE GUARANTY AGREEMENT

The following is a summary of certain provisions of the Guaranty Agreement. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE GUARANTY AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE TRUSTEE.

### Guaranty of Payment

(a) The Guaranty Agreement is a guaranty of payment and not of collection, and, except as set forth in clause (b) below with respect to Guaranteed Project Costs, Guarantor expressly waives any right to require that any action be brought against the Authority, the Borrower or any other person or (except as results from the application of the Individual Demand Cap) to require that resort be had to any security.

(b) Guarantor will not be required to make any payment in respect of a Guaranteed Project Cost asserted by the Construction Contractor to be due to Construction Contractor under the Construction Contract (as opposed to a Guaranteed Project Cost payable by Borrower to a Person other than the Construction Contractor) for which Borrower or Guarantor asserts in good faith that the Construction Contractor or an affiliate of the Construction Contractor bears responsibility under the Construction Contract or any guaranty in respect of the Construction Contractor's obligations thereunder, provided that (i) Borrower or Guarantor pays any undisputed portion of the Guaranteed Project Cost, (ii) Borrower or Guarantor promptly (A) commences, pursuant to appropriate procedures, efforts to enforce such obligation(s), and (B) notifies the Trustee of its intent to do so and thereafter periodically reports to the Trustee on the status of such efforts, (iii) the Construction Contractor is contractually obligated to continue performance under the Construction Contract during the pendency of such procedures, and (iv) Borrower or Guarantor diligently pursues such procedures to completion, and, promptly following completion and the application to the payment of the Guaranteed Project Costs of the amount, if any, realized through such enforcement attempt, pays any remaining unpaid portion of such Guaranteed Project Cost.

(c) If there will occur an Loan Default Event by the Borrower under the Agreement with respect to the payment of the Guaranteed Obligations when and as the same become due, and such Loan Default Event is continuing, the Guarantor, upon written demand by the Trustee as provided in the Guaranty Agreement, without notice other than such demand and without the necessity of further action by the Trustee, its successors or assigns, will, subject to the Aggregate Cap and the Individual Demand Cap, promptly and fully pay such defaulted payment.

(d) In case of any Event of Default under the Guaranty Agreement, regardless of the Aggregate Cap, Guarantor will pay all reasonable costs and expenses, including reasonable attorneys' fees and expenses, paid or incurred by Trustee and Authority in connection with the enforcement of the obligations of Guarantor under the Guaranty Agreement.

(e) All payments by the Guarantor will be paid in lawful money of the United States of America in immediately available funds. Each default in payment of any Guaranteed Obligation will give rise to a separate cause of action under the Guaranty Agreement and separate suits may be brought under the Guaranty Agreement as each cause of action arises.

### No Set-Off; Limited Liability of the Authority

No act of commission or omission of any kind or at any time upon the part of the Trustee with respect to any matter whatsoever will in any way affect or impair the rights of the Trustee to enforce any right, power or benefit of the Trustee under the Guaranty Agreement, and, except for compulsory counterclaims, no set-off, claim, reduction or diminution of any obligation or any defense of any kind or nature that the Guarantor has or may have against the Authority, the Borrower or the Trustee or their assignees or successors will be available to the Guarantor or against any of Authority, Borrower or Trustee or their assignees or successors in any suit or action brought by the Trustee or its successors or assigns to enforce any right, power or benefit under the Guaranty Agreement. Nothing in the Guaranty Agreement will be construed as a waiver by the Guarantor of any rights or claims it may have against the Borrower or the Trustee or the Authority under the Guaranty Agreement or otherwise, but any recovery upon such rights and claims will be had from the Borrower or the Trustee or the Authority separately, it being the intent of the Guaranty

Agreement that the Guarantor will be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants thereunder for the benefit of the Trustee and the owners and beneficial owners of the Bonds.

### **Books and Records; Financial Information**

The Guarantor will maintain proper books of record and account, in which entries will be made in accordance with general accepted accounting principles (except where noted), consistently applied, of all its business and affairs. Guarantor will provide the Authority and Trustee with such financial information and reports as Authority and Trustee may reasonably request from time to time.

### **Events of Default; Remedies**

The occurrence and continuation of any one of the following will constitute an Event of Default:

(a) subject to the Aggregate Cap and the Individual Demand Cap, failure of the Guarantor to pay any Guaranteed Obligations upon receipt of demand by the Trustee or the Authority to the Guarantor given in accordance with the Guaranty Agreement; or

(b) failure of the Guarantor to observe or perform any of the other covenants, conditions or agreements under the Guaranty Agreement for a period of sixty (60) days after notice (unless the Guarantor and the Trustee and, with respect to payments due the Authority under the provisions of the Agreement regarding fees, expenses, costs, and indemnification thereof as provided in the Guaranty Agreement, the Authority will agree in writing to an extension of such time prior to its expiration), specifying such failure and requesting that it be remedied, given by the Trustee or the Authority to the Guarantor; provided, that if said default is such that it can be corrected but cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Guarantor within the applicable period and is diligently pursued until the default is corrected; or

(c) if any representation contained in the Guaranty Agreement or any financial statement or other information furnished to the Trustee or the Authority in connection with the Guaranty Agreement was false or misleading in any material respect at the time it was made or delivered, provided that the same will not constitute an Event of Default if, within sixty (60) days of notice thereof from the Trustee, Guarantor is able to reasonably cure the effect of any such materially false representation, warranty or financial statement; or

(d) an Act of Bankruptcy of the Guarantor; or

(e) any judgment, writ or warrant of attachment or of any similar process will be entered or filed against the Guarantor or against any property of the Guarantor and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 30 days; provided, however, that none of the foregoing will constitute an Event of Default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds \$1,000,000.

Whenever an Event of Default under the Guaranty Agreement will have happened and be continuing, (a) the Trustee in the manner provided in the Indenture may declare the entire unpaid principal of, or redemption premium, if any, and interest on the Bonds to be immediately due and payable, and (b) the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect payments then due or thereafter to become due under the Guaranty Agreement or to enforce observance or performance of any covenant, condition or agreement of the Guarantor under the Guaranty Agreement.

In case the Trustee will have proceeded to enforce the Guaranty Agreement and such proceedings will have been discontinued or abandoned for any reason, then and in every such case the Guarantor and the Trustee will be restored respectively to their several positions and rights thereunder, and all rights, remedies and powers of the Guarantor and the Trustee will continue as though no such proceeding had been taken.

### **Successors and Assigns; Enforcement of Remedies**



The Guaranty Agreement will be binding upon the Guarantor, its successors and assigns, and all rights against the Guarantor arising under the Guaranty Agreement will be for the sole benefit of the Trustee and the Bondholders and their successors and assigns and, with respect to payments due the Authority under the Agreement, the Authority. The Trustee and the Guarantor will agree that the Authority and the beneficial owners of the Bonds are third party beneficiaries of the Guaranty Agreement. The Trustee will be entitled to bring any suit, action or proceeding against the Guarantor for the enforcement of any provision of the Guaranty Agreement without exhausting any other remedies which it may have pursuant to the terms of the Bonds, the Indenture or the Agreement and without resort to any other security held by or available to the Authority or the Trustee.

#### **Amendment of Guaranty Agreement**

Subject to the provisions of the Indenture, the Trustee and the Guarantor may, with notice to Authority, without the consent of the Holders of the Bonds then Outstanding (but with 30 days' notice to such Holders), enter into any amendment, change or modification of the Guaranty Agreement (i) for the purpose of curing any ambiguity or formal defect or omission to make any other changes which will not adversely affect the interests of the Holders of the Bonds, (ii) in connection with an amendment of the Indenture, or (iii) in connection with any other change that is not to the material prejudice of the Trustee or the Holders of the Bonds. Except for the amendments, changes or modifications described in the preceding sentence, the Trustee and the Guarantor may not enter into any other amendment, change or modification of the Guaranty Agreement without first mailing notice to the Holders of the Bonds then Outstanding, and then obtaining the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that the foregoing will not permit, without the written approval or consent of the Holders of 100% in aggregate principal amount of the Bonds then Outstanding, an extension of the time of payment of, or a reduction in, any of the Guaranteed Obligations.

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## APPENDIX D

### PROPOSED FORM OF OPINION OF BOND COUNSEL

January \_\_, 2019

California Pollution Control Financing Authority  
Sacramento, California

**\$117,200,000**  
**California Pollution Control Financing Authority**  
**Solid Waste Disposal Revenue Bonds**  
**(Rialto Bioenergy Facility, LLC Project)**  
**Series 2019 (AMT) (Green Bonds)**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the California Pollution Control Financing Authority (the "Issuer") of its Solid Waste Disposal Revenue Bonds (Rialto Bioenergy Facility, LLC Project) Series 2019 (AMT) (Green Bonds) (the "Bonds"). The Bonds have been issued pursuant to the terms of an Indenture, dated as of January 1, 2019 (the "Indenture"), between the Issuer and UMB Bank, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be loaned by the Issuer to Rialto Bioenergy Facility, LLC (the "Borrower") pursuant to the terms of a Loan Agreement, dated as of January 1, 2019 (the "Loan Agreement"), between the Issuer and the Borrower, to acquire, construct, rehabilitate, renovate, install, improve and equip certain solid waste treatment, disposal and recycling facilities in the State of California, more particularly described in Exhibit A to the Loan Agreement. Unless otherwise defined, each capitalized term used in this opinion letter shall have the meaning given it in the Indenture.

In connection with this opinion letter, we have examined the California Pollution Control Financing Authority Act (Chapter 1 (commencing with Section 44500) of Division 27 of the California Health and Safety Code), as supplemented and amended (the "Act"), the Indenture, the Loan Agreement, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Issuer and the Borrower, and such other documents, certificates, instruments, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Bonds will be dated the date hereof. The Bonds are payable solely from the revenues, receipts and payments pledged pursuant to the Indenture. We refer you to the Bonds, the Indenture and the Loan Agreement for a description of the purposes for which the Bonds are issued and the security therefor.

As to questions of fact material to this opinion letter, we have relied upon (a) representations of and compliance with covenants by the Issuer contained in the Indenture, (b) certificates of public officials furnished to us and (c) representations, covenants and certifications of the Borrower, the Issuer and other parties, including, without limitation, representations, covenants and certifications as to the use of the proceeds of the Bonds, compliance with the arbitrage and rebate requirements, the average reasonably expected economic life of the property being financed with the proceeds of the Bonds and other factual matters that are relevant to the opinions expressed in numbered paragraph 6, in each case without

undertaking any independent verification. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments delivered in connection with the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto, and we have further assumed the due organization, existence and powers of such other parties.

Based on the foregoing, we are of the opinion that, under current law:

1. The Bonds have been duly authorized, issued and delivered in accordance with the Act and the Indenture and, subject to numbered paragraph 5 below, constitute valid, binding and enforceable limited obligations of the Issuer, payable as to principal, premium, if any, and interest solely from the revenues and receipts pledged to such purpose under the Indenture. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the pledge described in numbered paragraph 3 below. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof or any local agency is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California and said State is not liable for the payment thereof.

2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer and, subject to numbered paragraph 5 below, constitute valid and binding agreements of the Issuer enforceable against the Issuer in accordance with their terms.

3. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund and the Borrower Subaccount of the Costs of Issuance Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. All of the Issuer's right, title and interest in the Loan Agreement (except for the Retained Rights) have been assigned to the Trustee and, subject to numbered paragraph 5 below, such assignment constitutes a valid and binding assignment by the Issuer, enforceable against the Issuer in accordance with its terms.

5. The enforceability of the obligations of the Issuer under the Indenture, the Bonds and the Loan Agreement, and the Issuer's assignment of its right, title and interest in the Loan Agreement to the Trustee, are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights. The enforceability of such obligations is also subject to (a) usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents, (b) the exercise of judicial discretion in appropriate cases and (c) the limitations on legal remedies against public entities in the State of California. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy. Moreover, the rights and the obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to the limitations on legal remedies against authorities of the State of California.

6. Interest (including any accrued "original issue discount" properly allocable to the owners of the Bonds) on the Bonds is excludable from gross income for purposes of federal income taxation, except for interest on any Bond for any period that such Bond is held by a person who is a "substantial user" of the Project or by a "related person," as such terms are used in Section 147(a) of the Code. It should be noted, however, that interest on the Bonds is a specific preference item for purposes of calculating federal

alternative minimum taxable income. The opinions set forth in this paragraph are subject to compliance by the Issuer and the Borrower with all of the requirements of the Code that must be satisfied after the issuance of the Bonds so that the interest on them is, or continues to be, excludable from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in the foregoing paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the Issuer and the Borrower. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Department of the Treasury. Each of the Indenture, the Loan Agreement and the Tax Certificate contains covenants (the "Covenants") under which the Issuer and the Borrower have agreed to comply with such requirements. Failure by the Issuer or the Borrower to comply with their respective Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. Compliance by the Issuer with its respective Covenants does not require the Issuer to make any financial contribution for which it does not receive funds from the Borrower.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Indenture, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document.

7. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other State of California tax consequences arising with respect to the Bonds.

Our services as Bond Counsel have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the tax treatment of the interest on the Bonds for federal income tax purposes. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, or any such assets. We have not examined any documents or other information concerning the business or financial resources of the Issuer or the Borrower, nor do we express any opinion as to the accuracy or completeness of any information with respect to the Issuer or the Borrower that may have been relied upon by the purchasers of the Bonds in making their decisions to purchase the Bonds.

This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

California Pollution Control Financing Authority  
Solid Waste Disposal Revenue Bonds  
(Rialto Bioenergy Facility, LLC Project) Series 2019 (AMT) (Green Bonds)

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of January 1, 2019, is executed and delivered by Rialto Bioenergy Facility, LLC, a Delaware limited liability company (the “Borrower”), and UMB Bank, N.A., as trustee (the “Trustee”) and as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the above-named bonds (the “Bonds”). The Bonds are being issued pursuant to the Indenture, dated as of January 1, 2019 (the “Indenture”), by and between the California Pollution Control Financing Authority (the “Authority”) and the Trustee. The Borrower and Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Borrower and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission’s Rule 15c2-12(b)(5). The Borrower and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Section 3(a) of this Disclosure Agreement, setting forth the items specified in Section 4(a)(1) of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or such other officer or employee as the Borrower shall designate in writing to the Trustee and the Dissemination Agent from time to time.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Agreement.

“Loan Agreement” shall have the meaning given to such term in the Indenture.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Quarterly Report” shall mean any Quarterly Report provided by the Borrower pursuant to, and as described in, Section 3(b) of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports and Quarterly Reports.

(a) Annual Report. The Borrower shall provide, or shall cause the Dissemination Agent to provide, not later than 150 days after the end of the Borrower’s Fiscal Year (which shall be May 30 of each year, so long as the Borrower’s Fiscal Year ends on December 31), commencing with the report for the Fiscal Year ending December 31, 2019 (which is due not later than May 30, 2020) to the MSRB an Annual Report which is consistent with the requirements of Section 4(a)(1) of this Disclosure Agreement. If the Borrower’s Fiscal Year changes, the Borrower shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(1) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Borrower shall provide the Annual Report to the Dissemination Agent (if other than the Borrower). The Dissemination Agent shall provide any Annual Report received by it to the MSRB, as provided herein. If the Borrower is unable to provide, or cause the Dissemination Agent to provide, to the MSRB an Annual Report by the date required in subsection (a) above, the Borrower shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(2) The Dissemination Agent shall (if the Dissemination Agent is other than the Borrower) file a report with the Borrower certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

(b) Quarterly Report. The Borrower shall provide, or shall cause the Dissemination Agent to provide, not later than 45 days after the end of each fiscal quarter, commencing with the quarter ending June 30, 2019, to the MSRB a Quarterly Report which is consistent with the requirements of Section 4(a)(2), (3) and (4) of this Disclosure Agreement.



(c) Other Borrower Reports. The Borrower shall provide, or shall cause the dissemination agent to provide, to the MSRB periodic reports which are consistent with the requirements of Sections 4(a)(5), (6), and (7) of this Disclosure Agreement.

SECTION 4. Reporting Requirements.

(a) The Borrower shall provide:

(1) Within 150 days after the end of the Borrower's Fiscal Year, the Borrower's audited financial statements (presented on a stand-alone basis), together with information consistent with the requirements of Sections 4(a)(2), (3) and (4) of this Disclosure Agreement; provided, however, that such information shall be presented on an annual basis based on such audited financial statements;

(2) Within 45 days after the end of each quarter of each Fiscal Year, commencing with the quarter ending September 30, 2020, the Borrower's quarterly unaudited financial information (presented on a stand-alone basis), such information consisting of (i) an income statement, balance sheet and statement of operations (including changes in cash position) and (ii) calculations of the Borrower's Days Cash on Hand (as defined in the Loan Agreement) and Debt Service Coverage Ratio, each presented on a basis substantially consistent with the format of the Borrower's audited financial statements and in a form reasonably ascertainable to the Holders, including the identification of each equity contribution included in such calculation;

(3) Within 45 days after the end of each quarter of each Fiscal Year, commencing with the quarter ending September 30, 2020, a report from the Borrower containing the following information:

(i) the volume processed by the Project, including all feedstock waste processed in the Facility;

(ii) the aged accounts receivable, on a 30/60/90 day basis;

(iii) the total amount of all Gross Revenues and all Operating and Working Capital Costs (with all such expenses payable to affiliates of the Borrower separately identified) for such fiscal quarter and the total capital repairs and replacement expenses if any, incurred during such fiscal quarter;

(iv) the variances between the actual Gross Revenues received and the budgeted Gross Revenues for the relevant quarter and the actual Operating and Working Capital Costs incurred and the budgeted Operating and Working Capital Costs for the relevant quarter in the operating and capital budgets, together with a brief narrative explanation of the reasons for any such variance of 15% or more;

(v) project operating parameters, including product output, product sales, verification that the product meets required specifications, and unscheduled outages lasting more than five (5) Business Days;

(vi) the number of tons of feedstock processed at the Project per ton of raw feedstock received; MMBtu actually derived per ton of processed feedstock; percentage of product meeting required specifications; amount and disposition of any product not meeting specifications; actual sales of product; tons of greenhouse gas emissions avoided, hours of actual operation of the Project; in each case, with comparison to design capacity and applicable budgets;

(vii) the net number of full-time equivalent jobs added or removed in such quarter; and

(4) a Certificate of the Borrower that all payments required under this Loan Agreement have been made and whether there are any continuing Loan Default Events (as defined in the Loan Agreement) or Event of Default, as applicable, or any facts or circumstances known to the Borrower which, with the passage of time or the giving of notice or both, would constitute a Loan Default Event or Event of Default, together with a description of the nature of such event, fact or circumstance and the steps undertaken by the Borrower to cure such Loan Default Event or Event of Default, fact or circumstance;

(5) No later than 30 days prior to the end of the fourth quarter of each Fiscal Year, the Borrower's annual operating and capital budget for the subsequent Fiscal Year;

(6) Prior to the Completion Date and within 30 days after the end of each month during which the Project is under construction, construction reports from the Borrower with respect to the Project, signed by the Construction Monitor, which shall include the following information as of the end of the reporting period:

(i) a brief description of construction activity for the applicable reporting period, including:

(A) work performed on site during such reporting period;

(B) status of procurement or refurbishment of equipment, and

(C) any material issues with vendor performance (including delivery issues, performance problems or material cost overruns);

(ii) adherence to expected construction timeline (including estimated number of days ahead or behind schedule in comparison to such expected construction timeline);

(iii) adherence to expected construction budget (including material dollar and percentage deviation from such budget); and

(iv) if applicable, a brief narrative description of the reasons behind any material delays or material costs over budget indicated in Subsection (5)(ii) and (5)(iii) above; and

(7) Promptly upon sending or receipt, copies of any material correspondence between the Borrower and any governmental entity regarding compliance with Environmental Regulations, potential material violations of state or local law, or other material correspondence relating to the Borrower's construction of or operations of the Facility.

(c) Investor Calls. The Borrower will make its appropriate officers available for investor calls at a mutually agreeable time upon no less than 10 days' prior written request of the holders of a twenty-five percent (25%) in aggregate principal amount of Bonds outstanding, which request may be delivered by the Trustee, so long as such calls are no more often than quarterly during each year; provided, however, that if a Loan Default Event (as defined in the Loan Agreement) or an Event of Default has occurred and is continuing, the Borrower shall be available for monthly calls at the discretion of the Trustee or the Holders. Notice of any investor calls under this Section shall be provided to all Holders and the MSRB no later than seven (7) days prior to such call, unless waived by all Holders.

#### SECTION 5. Reporting of Significant Events.

(a) The Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) Business Days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person. Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the

existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten (10) Business Days after the occurrence of the event:

(1) Unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) Modifications to rights of Bondholders;

(3) Optional, unscheduled or contingent Bond calls;

(4) Release, substitution, or sale of property securing repayment of the Bonds;

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) Appointment of a successor or additional trustee or the change of name of a trustee; or

(8) The termination or material modification of a Material Project Document.

(c) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event described in Section 5(b) above, the Borrower shall determine if such event would be material under applicable federal securities laws.

(d) If the Borrower learns of the occurrence of a Listed Event described in Section 5(a) above, or determines that a Listed Event described in Section 5(b) above would be material, the Borrower shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB, and the Borrower shall provide a copy of such notice to the Authority and the Trustee (if the Trustee is not then serving as Dissemination Agent). Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

SECTION 9. Duties and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and, to the extent permitted by law, the Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding claims and liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Borrower shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Continuing Disclosure Agreement.

SECTION 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Trustee may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the above provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule (assuming the Rule was applicable to the Bonds at the time of the original issuance of the Bonds), after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) the amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements or a change in the Borrower's Fiscal Year, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 12. Default. In the event of a failure of the Borrower or the Trustee to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower or the Trustee to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture. The sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first written above.

**RIALTO BIOENERGY FACILITY, LLC, a  
Delaware Limited Liability Company**

By: \_\_\_\_\_  
President

[Signature Page – Continuing Disclosure Agreement]



**UMB BANK, N.A.**, as Trustee and as  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

[Signature Page – Continuing Disclosure Agreement]

**EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Bond Issue: California Pollution Control Financing Authority  
Solid Waste Disposal Revenue Bonds  
(Rialto Bioenergy Facility, LLC Project)  
Series 2019 (AMT) (Green Bonds)

Name of Borrower: Rialto Bioenergy Facility, LLC, a Delaware limited liability company

Date of Issuance: January 30, 2019

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Borrower, dated as of January 1, 2019. [The Borrower anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, 20\_\_\_\_.

**RIALTO BIOENERGY FACILITY, LLC, a  
Delaware Limited Liability Company**

By: \_\_\_\_\_ [to be signed only if filed]

## APPENDIX F

### BOOK-ENTRY SYSTEM

*The information in this APPENDIX F has been provided by DTC for use in securities offering documents, and the Authority takes no responsibility for the accuracy or completeness thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Limited Offering Memorandum. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

*As used in this Appendix F, "Securities" means the Bonds, "Issuer" means the Authority, and "Agent" means the Trustee.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information contained on this Internet site is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

## APPENDIX G

### FORM OF INVESTOR LETTER

California Pollution Control Financing Authority  
Sacramento, California

Honorable Fiona Ma, CPA  
Treasurer of the State of California

Re: California Pollution Control Financing Authority  
Solid Waste Disposal Revenue Bonds  
(Rialto Bioenergy Facility, LLC Project) Series 2019 (AMT)(Green Bonds)

Ladies and Gentlemen:

The undersigned (the “Purchasers” and each a “Purchaser”), being an [initial] purchaser of the above-referenced bonds in the aggregate principal amount of \$\_\_\_\_\_, hereby makes the following representations upon which you may rely:

1. The undersigned acknowledges that the Bonds were issued for the purpose of assisting in the financing of the acquisition, construction, rehabilitation, renovation, installation, improvement and equipping of solid waste disposal facilities and equipment in Rialto, California (the “Project”), as more particularly described in that certain Loan Agreement dated as of January 1, 2019 (the “Loan Agreement”), between California Pollution Control Financing Authority (the “Issuer”) and Rialto Bioenergy Facility, LLC (the “Borrower”), as duly amended or supplemented from time to time in accordance with its terms. The undersigned further acknowledges that the Bonds are secured by an Indenture dated as of January 1, 2019 (the “Indenture”) which creates a security interest in the trust estate under the Indenture for the benefit of the holders and owners of the Bonds.

2. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

3. The Purchaser is a Qualified Institutional Buyer within the meaning of Rule 144A under the Securities Act of 1933, as amended. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt municipal obligations similar to the Bonds, and is capable of evaluating the risks and merits of its purchase of the Bonds and can bear the economic risk of purchasing the Bonds.

4. The Bonds are being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and, subject to the further provisions of this paragraph 4 and paragraph 8, the Purchaser (or an affiliate) intends to hold the Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible. Although the Purchaser does not intend at this time to dispose of all or any part of the Bonds (other than to an affiliate), the Purchaser shall have the right to sell and transfer the Bonds at any time in accordance with terms and conditions of the Indenture and applicable law.

5. The Purchaser understands that the Bonds are not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

6. The Purchaser acknowledges that the Bonds, together with interest thereon, are special, limited obligations payable solely from amounts paid to the Issuer by the Borrower pursuant to the terms of the Bonds, the

Loan Agreement and the Indenture and any other amounts held in any fund or account established pursuant to the Indenture (other than the Rebate Fund) and that notwithstanding anything to the contrary contained in the Bonds or the Indenture, the Issuer shall not be required to use any other moneys or assets of the Issuer to pay any portion of the Project, or make any other payment or advance any other monies or be liable for any other costs or expenses in connection with the Project, or the Bonds, except from amounts paid to the Issuer by the Borrower pursuant to the Loan Agreement and the Indenture. The Purchaser further understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the Issuer (which has no taxing power), the State of California, or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation, moral obligation, or a pledge of the faith and credit of the Issuer, the State of California, or any political subdivision thereof; and that the liability of the Issuer with respect to the Bonds is subject to further limitations set forth in the Bonds, the Loan Agreement, and the Indenture.

7. The Purchaser acknowledges and agrees that it has not relied upon the Issuer or any of its members, employees, officers or agents for any information in connection with the Purchaser's purchase of the Bonds.

8. Each Purchaser agrees severally to indemnify and hold harmless the Issuer, the State Treasurer, and their members, employees, officers and agents with respect to any claim asserted against any of them that is based upon the Purchaser's sale, transfer or other disposition of its interests in the Bonds in violation of the provisions hereof or of the Indenture or any material inaccuracy in any statement made by the Purchaser in this letter.

9. The Purchaser hereby waives any and all claims, actions, or causes of action which the Purchaser may have from and after the date hereof against the Issuer, the State Treasurer, and their respective members, officers, agents and employees, arising from any action (other than gross negligence or willful misconduct) which the Issuer or the State Treasurer took or could have taken in connection with the authorization, sale, execution and delivery of the Bonds. Notwithstanding any provision hereof, the Issuer acknowledges and agrees that the Purchaser does not waive any claims, actions, or causes of action which the Purchaser may have from and after the date hereof against bond counsel for the Bonds.

10. The undersigned is a duly appointed, qualified, and acting representative of the Purchaser, is authorized to make the certifications, representations and warranties contained herein on behalf of the Purchaser and is authorized to execute and deliver this letter.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Indenture.

[PURCHASER]

By: \_\_\_\_\_

\_\_\_\_\_  
[Name]  
[Title]

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**APPENDIX H**  
**GREEN BOND OPINION LETTER**

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October 8, 2018

Mr. Arun Sharma  
Anaergia Services, LLC  
5780 Fleet Street, Suite 310  
Carlsbad, CA 92008

Email: [arun.sharma@anaergia.com](mailto:arun.sharma@anaergia.com)  
Reference: **Rialto Bioenergy Facility**  
**Green Bond Opinion Letter**

Dear Mr. Sharma:

This letter, prepared by Harris Group Inc. (“Harris Group”), provides our opinion as to whether the proposed Rialto Bioenergy Facility (“Project”), developed by Rialto Bioenergy Facility LLC (“RBF”), qualifies for green bonds. Harris Group assessed the Project with respect to Green Bond Principles (“GBP”) as defined by the International Capital Market Association (“ICMA”).

## **INTRODUCTION**

RBF developed a multi-feedstock bioenergy facility in Rialto, California, that is to produce renewable electricity, renewable natural gas, and fertilizer from feedstocks of pre-processed food, organic waste, and wastewater biosolids. RBF is proposing to partially fund the Project using proceeds from issuance of green bonds. Green bonds are designated bonds intended to fund projects that contribute to environmental sustainability.

Herein, Harris Group provides an independent opinion as to whether the Project qualifies for green bonds using Green Bond Principles as defined by ICMA.

## **GREEN BOND PRINCIPLES**

The Green Bond Principles (“GBPs”) were developed by ICMA and are voluntary guidelines that recommend transparency and disclosure and promote integrity in the green bond market by clarifying the approach for issuance of a green bond. The GBP consist of four components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

These components were written assuming that bond proceeds may be part of a larger bond issuance designed to finance multiple project as opposed to being issued to specific projects at the time of issuance. The Project represents a single, specific project with known environmental benefits, which simplifies the confirmation of the four core components.

A description of each of the four components and our assessment of the Project with respect to each component follows below.

## Use of Proceeds

The GBPs state that an issuer of a green bond must use the funds raised to finance a project that will provide clear environmental benefits. The most common project categories include:

- ❑ Renewable energy
- ❑ Energy efficiency
- ❑ Pollution prevention and control
- ❑ Environmentally sustainable management of living natural resources and land use
- ❑ Terrestrial and aquatic biodiversity conservation
- ❑ Clean transportation
- ❑ Sustainable water and wastewater management
- ❑ Climate change adaptation
- ❑ Eco-efficient and/or circular economy adapted products, production technologies, and processes
- ❑ Green buildings

### *Independent Assessment of the Project with respect to Use of Proceeds*

Proceeds raised through the green bond issue will be exclusively used to finance the development, construction, and startup of the Project. It is Harris Group’s opinion that, with respect Use of Proceeds, the Project meets the GBPs because it provides clear environmental benefits (the list is not exhaustive):

- ❑ Greenhouse Gas Emissions Reductions: It is estimated that the Project will offset approximately 223,930 metric tons of CO<sub>2</sub> equivalents per year (“MT CO<sub>2</sub>e/yr”) from offsetting natural gas use with renewable natural gas, keeping organics from the landfill, offsetting electricity use with renewable electricity use, reduction in transportation, and offsetting conventional fertilizer production with onsite fertilizer recycling. The emissions reductions are summarized in table 1.
- ❑

<b>Table 1 Greenhouse Gas Emissions Reductions</b>	
<b><u>Description</u></b>	<b><u>Reduction (MT CO<sub>2</sub>e/yr)</u></b>
Renewable Natural Gas	42,856
Keeping Organics from Landfill	158,268
Renewable Electricity	11,222
Transportation	8,467
Fertilizer	<u>3,117</u>
<b>Total:</b>	<b>223,930</b>

- ❑ **Renewable Energy:** The Project will produce renewable electricity (approximately 16,300 MWh/yr exported to the grid) and renewable natural gas (approximately 500,000 MMBtu/yr injected into pipeline) by digesting food waste, a renewable resource.
- ❑ **Energy Efficiency:** In addition to energy efficient design, the Project will utilize waste heat from the reciprocating engine generator to dry biosolids and digested solids. By doing so, the Project will save an estimated 137,000 MMBtu/yr.
- ❑ **Pollution Prevention and Control:** By processing food waste and biosolids at the Project, it will help avoid the transportation of hundreds of thousands of ton-miles per year, eliminating emissions associated with operating trucks.
- ❑ **Sustainable Water and Wastewater Management:** The Project will re-use non-potable wastewater from the adjacent Rialto Wastewater Treatment Plant, thus reducing the potential of using 44.7 million gallons of potable water per year.

In addition, the Project will provide other environmental benefits, including reducing of greenhouse gases and recycling of nutrients from waste that would otherwise be landfilled.

The Project also supports environmental policy objectives of the State of California to regulate organic waste management practices, including Assembly Bill 1826, Senate Bill 1383, and Assembly Bill 1584.

### **Process for Project Evaluation and Selection**

The GBPs state that an issuer of a green bond should clearly communicate to investors the environmental sustainability objectives, the process by which the issuer determines how the projects fit within the eligible green project categories identified, and the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the project.

#### *Independent Assessment of the Project with respect to Process for Project Evaluation and Selection*

Harris Group assumes that, in the process of issuing Green Bonds, the issuer will communicate to investors the environmental sustainability objectives, the process by which the issuer determines how the projects fit within the eligible green project categories

### **Management of Proceeds**

The GBPs state that the green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary, and that the issuer declares how unallocated funds will be handled.

#### *Independent Assessment of the Project with respect to Management of Proceeds*

RBF will track the use and allocation of the funds from green bonds in a manner as to ensure that such funds finance only eligible disbursements related to the Project.

## Reporting

The GBPs state that as long as the green bonds are outstanding and until such time as all of the net proceeds have been allocated to an eligible green project, the bond issuer should prepare an annual report providing an overview of the project financed through the proceeds raised from green bond issuance, including the amount of the green bonds allocated to the eligible green project, amount and use of the unallocated proceeds, and environmental impact reporting using quantitative and/or qualitative performance indicators, where feasible.

### Independent Assessment of the Project with respect to Reporting

RBF will publish a summary report annually that will contain a description of the Project financed with green bonds, amount of green bonds allocated to the Project, and expected environmental impacts of the Project. At a minimum, RBF proposes to include the following in its reports:

- ❑ Renewable electricity produced
- ❑ Renewable natural gas produced
- ❑ Tons of organics diverted from landfill

## CONCLUSION

RBF is proposing to partially fund the Project using proceeds from issuance of green bonds. RBF engaged Harris Group to provide an independent opinion as to whether the Project qualifies for green bonds using the GBPs as defined by ICMA. It is our opinion that the Project aligns to the four components of the GBPs, which address use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

The Company's directors have sole responsibility for ensuring that the GBP criteria are met. Our statement represents an independent opinion and is intended to inform RBF and green bond investors of the Project as to whether the proposed use of green bond proceeds provide a clear environmental benefit and that the Company's internal controls, including project evaluation and selection, management of proceeds, and reporting, are in accordance with the GBPs.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Steve Brunner', written in black ink on a white background.

Steve Brunner  
Project Manager, Consulting Services

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