

## ANIMAL WASTE FERTILIZER CONVERSION COST SHARE PROGRAM SUMMARY

The N.C. Foundation for Soil & Water Conservation (the “*Foundation*”) is pleased to announce the impending launch of the Fertilizer Conversion Cost Share Program, which will be prospectively funded by a \$4,000,000.00 grant from the North Carolina Department of Agriculture and Consumer Resources which the Foundation is in the process of securing. The Foundation is distributing this program summary to key stakeholders and interested parties to gauge potential interest in the Program and begin collecting eligibility information from interested prospective Applicants through a Phase I Screening Application.

- Once launched, the Program may provide a grant to eligible North Carolina individuals and public or private for-profit, charitable, or tax-exempt entities that own or operate anaerobic lagoons or other liquid animal waste management systems (including the proposed fertilizer processing equipment, whether on- or off-farm) in North Carolina that treat animal waste from operations related to raising, sheltering, feeding, or processing cattle, sheep, swine, goats, farmed cervids, or bison generating sludge suitable for conversion into fertilizer products (including intermediaries and soil additives).
- The grant may be used to **cover up to fifty percent (50.00%) or Nine Hundred Sixty Thousand Dollars (\$960,000.00)**, whichever is lower, of the site engineering, permitting, acquisition, design, or installation of equipment, facilities, and associated structures installed by a prospective Applicant for the production, collection, and transportation of fertilizer products (including intermediaries and soil additives) from the suitable sludge generated by eligible feedstock operations.
  - Actual grant amounts will be determined by the Foundation in its sole and absolute discretion.
  - Prospective Applicants must cover the portion of the costs of the fertilizer equipment that is not covered by the Foundation’s grant through cash or in-kind property matching, which must equate to **at least fifty percent (50.00%) of the total costs** of the site engineering, permitting, acquisition, design, or installation of the fertilizer equipment.

Prospective Applicants who wish to apply for a Fertilizer Conversion Cost Share Program Grant must follow the application process set by the Foundation and applicable law by completing and submitting:

- (1) a **Phase I Screening Application**, which includes:
  - a. legal information about the Applicant, descriptions of the Applicant’s feedstock operations or sludge sources, descriptions of the proposed project site(s), information about the prospective Applicant’s permits, and other descriptive information about the prospective Applicant’s proposed project that would be partially funded by the Program Grant.

Applicants should carefully read the eligibility requirements attached as Exhibit A to the Phase I Screening Application to ensure they and their proposed project are eligible for participation in the Fertilizer Conversion Cost Share Program.

- (2) if the Foundation approves a prospective Applicant's Phase I Screening Application based on the eligibility criteria, detailed **Phase II Full Application**, which includes:
- a. detailed information about Applicant's proposed project in a full draft Project Proposal, including:
    - i. a Design Proposal with preliminary plans and specifications (including site layout, design, character, capacity, and appearance of the fertilizer equipment);
    - ii. a proposed Project Schedule setting forth the proposed construction completion date and operational date of the fertilizer equipment (and other important milestones relating to financing, permitting, procuring, constructing, and commissioning the fertilizer equipment);
    - iii. a Construction Quote from a licensed North Carolina contractor estimating the total costs of engineering, designing, permitting, and installing the fertilizer equipment;
    - iv. a detailed Budget Worksheet breaking down the total estimated costs by line item; and
    - v. a Business Plan setting forth any information requested by the Foundation, including an operating cost projection, a summary of Applicant's goals and Applicant's business operations, the specific types of fertilizers the fertilizer equipment will produce, a market analysis and identification of potential purchasers, a summary of marketing strategies, identification of potential or contracted fertilizer purchasers, and any other information requested by the Foundation.
  - b. commitments from lenders for financing the full up-front costs of the site engineering, permitting, acquisition, design, or installation of the fertilizer equipment;
  - c. a description and third-party valuation of any in-kind tangible assets used towards its portion of the total cost that is not covered by the Program Grant;
  - d. to the extent Applicant leases, rather than owns, the property on which the fertilizer equipment or its feedstock operations are located, a consent of each applicable landlord;

Applicant should carefully read the full Phase II Application, together with the Program Agreement discussed below, to ensure they provide all requested information and align their proposed project with the eligibility requirements of the Fertilizer Conversion Cost Share Program. Upon receiving completed and acceptable Phase II Applications, the Foundation will review such applications on a schedule determined by the Foundation, and will select eligible Applicants who most align with the Fertilizer Conversion Cost Share Program's goals. *The Foundation will provide guidance at a later date to prospective Applicants further explaining its factors and criteria in selecting Grantees, but it reserves the right to change those factors or consider factors it has not made public as desired. The*



*Foundation reserves the right to request one or more interviews with an Applicant at any point in the application process, including following submission of the Phase II Application. Participation in those interview(s) will form part of the basis for the Foundation's evaluation of an Applicant's application and suitability to enter into the Program Agreement.*

Applicants who are accepted as Grantees will enter into a **Fertilizer Conversion Cost Share Program Agreement** with the Foundation, setting forth:

- (1) the terms and conditions of participation in the Program;
- (2) if such terms and conditions are met, payment of the proposed Program Grant in two portions:
  - a. eighty five percent (85.00%) upon completion of the fertilizer equipment (which completion must be reviewed and certified by the Foundation before any payment is made); and
  - b. fifteen percent (15.00%) upon the one (1) year anniversary of the first day of production of fertilizer products using the completed fertilizer equipment (which production cannot begin until completion of the fertilizer equipment has been certified by the Foundation and which one (1) year period must be certified in a required report to the Foundation and reviewed and approved by the Foundation before final payment is made).
- (3) other representations, warranties, covenants that Applicant will make, including:
  - a. covenants to maintain any tangible property making up a portion of Applicant's in-kind match for a five (5) year period following the effective date;
  - b. maintenance of books and records related to all costs and expenses and operations of the fertilizer equipment, annual reports to be made to the Foundation for a five (5) year period following the beginning of production, or longer if necessary; and
  - c. other requirements.

Applicant should carefully read the full Program Agreement to ensure they provide all requested information and fully understand the Fertilizer Conversion Cost Share Program requirements.

This document is intended only as a high-level summary, not a complete list of all requirements, so the terms and provisions of the **Phase I Screening Application**, the **Phase II Full Application**, and the **Fertilizer Conversion Program Grant Agreement** will control, and any summary herein which is contrary to any provision of those documents is superseded by them.

If an Applicant has further specific questions, they should refer those questions by email to Amanda Sand, Executive Director of the Foundation, at [asand@ncsoilwater.org](mailto:asand@ncsoilwater.org).

The Foundation will be offering an informational webinar and question and answer session in the coming weeks to allow potential Applicants an opportunity to hear further detail and ask questions about the Fertilizer Conversion Cost Share Program and the application process, including the factors and criteria that will be used to rank potential Applicants. If a potential



Applicant would like to participate in that webinar, please email Ms. Sand at the email address set forth above.