

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

*Consideration of Space Exploration Technologies Corporation’s Request to Approve a Time
Extension for the Three Year Term of the Master Regulatory Agreement¹*

**Space Exploration Technologies Corporation
Application No. 15-SM014**

Tuesday, June 19, 2018

Prepared By: *Xee Moua, Analyst*

SUMMARY

Applicant – Space Exploration Technologies Corporation

Location – Hawthorne, Los Angeles County

Industry – Aerospace Engineering

Project – Expansion of an Existing Spaceship and Advanced Rockets Manufacturing Facility
(Advanced Manufacturing)

Value of Qualified Property – \$360,169,639

Estimated Sales and Use Tax Exclusion Amount² – \$30,326,284

Amount of Time Requested –

- Three years, two months, and 11 days until December 31, 2021, for the Term of the Master Regulatory Agreement (six years, two months, and 11 days from the date of initial CAEATFA Board approval)

REQUEST

In October 2015, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Space Explorations Technologies Corporation (“SpaceX” or the “Applicant”) for the purchase of \$360,169,639 of Qualified Property to upgrade and expand existing design, production, and assembly infrastructure for spacecraft and advanced rockets at its Hawthorne facility (the “Project”). The Master Regulatory Agreement (“Agreement”) initial term provided the Applicant with three years from the date of Board Approval to utilize its STE award. The initial term of the

¹ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.42%.

Agreement can be extended by the Board upon a finding that an extension is in the public interest and advances the purposes of the Program.³

As of December 31, 2017, SpaceX has used the STE to purchase \$84,484,209 of Qualified Property (23% of the total Qualified Property approved). SpaceX is requesting to extend the Agreement initial term by three years, two months, and 11 days to accommodate Project delays due to an anomaly in a static fire rocket test launch that occurred at Cape Canaveral Florida in September 2016. During static fire tests, the rocket is restrained on the launch pad while the engines are ignited to test the engine's performance prior to launch. According to the Applicant, the anomaly caused the rocket to explode, damaging numerous facilities and requiring significant capital expenditure to rebuild. As a result, financial resources were diverted to rebuilding at Cape Canaveral. SpaceX represents that it has taken precautions to avoid such an incident from recurring, and has tested dozens of static test fires and launches of its rockets without difficulty since the incident.

As of early 2018, SpaceX has resumed making purchases for the Project and expects to purchase \$72 million in Qualified Property in 2018 and between \$100-150 million by the end of 2021. SpaceX states that there are a couple of factors that contribute to its inability to completely utilize the award beyond the delay in the timetable caused by the static fire test, including the inability to apply a portion of the award as anticipated to facility upgrades due to the mechanics of the sales tax award when employing contractors, and overestimating the cost of equipment needed to make its Qualified Products.

About the Applicant

SpaceX is a Delaware corporation, founded in 2002 by Elon Musk with the goal of revolutionizing space transportation. To that end, SpaceX designs, manufactures, and launches advanced rockets and spacecraft. SpaceX is contracted by the United States Government, private entities, and foreign agencies to provide space launch services transporting cargo and, in the future, human crew. SpaceX is headquartered in Hawthorne, California, and also has its design, production, and assembly facilities in California.

Project Description

SpaceX requested a sales and use tax exclusion to upgrade and expand existing design, production, and assembly infrastructure for spacecraft and advanced rockets at its Hawthorne facility. Specifically, SpaceX is developing two advanced rockets (Falcon 9 and Falcon Heavy) and two spacecraft (Dragon Cargo and Dragon Crew). Falcon 9 is a two-stage rocket designed for transporting satellites and Dragon spacecraft. The rocket is unique in that it includes a simple two stage configuration that minimizes the number of separation events. Falcon Heavy is similar to Falcon 9, but has the capability to carry a significantly greater payload. Falcon Heavy is still in development and, when ready, is anticipated to be the most powerful operational launch vehicle in the world. The Applicant represents that the Falcon Heavy will be able to lift more than twice the payload of its closest competition for a fraction of the cost. The Applicant further

³ The provision of the regulations allowing CAEATFA to waive the requirement that all purchases of Qualified Property be made within three years of Application approval is in Regulation Section 10035(b)(1)(A).

represents that this technology, unrivaled since the Saturn V moon rocket last flown in 1973, will restore the possibility of flying missions with crew to Mars. To support these capabilities, SpaceX has developed a cargo carrying spacecraft, known as Dragon Cargo. The Applicant is also developing Dragon Crew, which will be capable of carrying humans to orbiting destinations such as the International Space Station.

In order to meet its ambitious goals, SpaceX is investing in highly sophisticated equipment and technology. For example, the Applicant will use 3D printers to manufacture component parts, for both rockets and spacecraft, capable of withstanding the pressures of launch and space travel. Additional technologies include Computer Numerically Controlled machining equipment, for added precision, and advanced material composites for increased strength and durability. SpaceX states that these investments will allow it to improve beyond industry standards in the creation of reusable advanced rockets, larger rockets capable of carrying greater payloads, transportation of human crew, and use of new engines that use methane for fuel.

Figure 1. Falcon 9 and Falcon Heavy Rockets

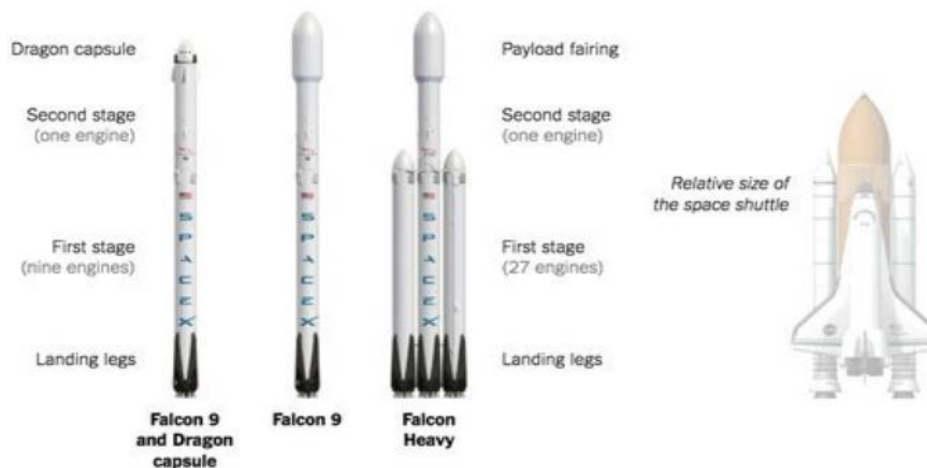


Figure 2. Dragon Cargo and Dragon Crew



Agreement Term Extension Request

SpaceX has requested that the initial term of the Agreement be extended from October 20, 2018 to December 31, 2021 to accommodate Project timeline delays as a result of an anomaly during a static fire test that led to significant facility damage, diverting company resources to rebuild.

Staff Evaluation

SpaceX has indicated that although their Project experienced delays, it has devised a plan to finish the Project. SpaceX has assured Staff that it has taken several precautions to avoid test launch issues and has since been able to launch dozens of rockets from multiple locations without complications. According to SpaceX, although the static fire delayed the Project by 16 months, re-ramping operations to capacity will require time and the Applicant believes that a three year extension would be adequate to address issues that may arise. SpaceX reported that it has purchased \$42 million in Qualified Property from January through May 2018, and will commit to purchasing \$30 million by December 2018 and approximately \$100-\$150 million through 2021. SpaceX states that forecasting Project expenses was a challenging task as the Qualified Property estimates were not asserted in discussions with the vendors. As a result of this experience, SpaceX represents it will plan more effectively moving forward to avoid underutilization of awards. Furthermore, SpaceX also states that the financial diversion did not affect its ability to ultimately produce the number of jobs and products represented in its Application. Staff was able to verify that SpaceX has launched a minimum of 11 rockets as of June 4, 2018, exceeding its Qualified Product projection in its initial Application. Based on this information, Staff believes that extending the term of the Agreement will allow for the Project to be completed, and is therefore in the public interest and advances the purpose of the program.

Fees

In accordance with CAEATFA Regulations,⁴ the Applicant will pay an Additional Administrative Fee of \$500 because extending the initial term requires a modification to the Applicant’s Master Regulatory Agreement.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

RECOMMENDATION

Staff recommends that the Board approve Space Exploration Technologies Corporation’s request to extend the initial term of the Agreement by three years, two months and 11 days to December 31, 2021 as it is in the public interest and advances the purpose of the Program.

⁴ California Code of Regulations Title 4, Division 13, Section 10036

Attachments

Attachment A: Space Exploration Technologies Corporation's letter requesting waiver (May 17, 2018)

Attachment B: Space Exploration Technologies Corporation's staff summary at the time of approval

**RESOLUTION APPROVING A TIME EXTENSION FOR
SPACE EXPLORATION TECHNOLOGIES CORPORATION’S INITIAL TERM FOR
THE MASTER REGULATORY AGREEMENT**

June 19, 2018

WHEREAS, on October 20, 2015 the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved a Sales Tax Exclusion (“STE”) in the amount of \$360,169,639 of Qualified Property for **Space Exploration Technologies Corporation** (the “Applicant”); and

WHEREAS, within three years of the approval by the Authority, the Applicant must make all purchases of the total amount of Qualified Property listed in the approval resolution (Regulations Section 10035(b)(1)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three years of Application approval (Regulations Section 10035(b)(1)(A)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three years, due to unexpected delays in the Project timeline, extending the term by three years, two months, and 11 days; and

WHEREAS, granting the waiver will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

NOW THEREFORE BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Authority finds that it is in the public interest and advances the purposes of the Authority to extend the initial term of the Agreement to December 31, 2021.

Section 2. This resolution shall take effect immediately upon its passage.

**Attachment A: Space Exploration Technologies Corporation’s Letter Requesting Waiver
(May 17, 2018)**



May 17, 2018

Ms. Deana Carrillo
Executive Director
CAEATFA
801 Capitol Mall, Room 220
Sacramento, CA 95814

RE: Request for Extension of CAEATFA Sales Tax Exclusion Award
Space Exploration Technologies Corp.
Application Number 15-SM016

Dear Ms. Carrillo:

On October 20, 2015 the CAEATFA Board, with support from CAEATFA staff, unanimously voted to approve Space Exploration Technologies Corp.’s (“SpaceX”) request for CAEATFA Sales Tax Exclusion award in the amount of \$360,169,639 to purchase qualified property related to an upgrade and expansion of its facilities in Hawthorn, California, to design, produce, and assemble infrastructure for spacecraft and advanced rockets. With the use of the qualified property, SpaceX anticipated creating 4,200 jobs. As of December 31, 2017 SpaceX has utilized \$84,484,210, which is about 23 percent of total amount, but has hired employees in accordance with its application. Since SpaceX has yet to utilize the full award amount, SpaceX respectfully requests its CAEATFA Sales Tax Exclusion Award, which expires October 20, 2018, be extended through December 31, 2021.

SpaceX anticipates using approximately an additional \$100M or more of the award beyond the expiration date to continue purchasing qualified property as outlined in its application. It is anticipated that SpaceX will purchase \$50M in 2019 and \$50M in 2020, with additional amounts in 2021. As discussed in greater detail below, an extension of time is necessary because there were unanticipated delays in purchasing qualified property in California due to a diversion of capital funds from SpaceX’s California upgrade and expansion project to Florida.

SpaceX was unable to purchase qualified property in the amounts anticipated in its application through the date of this letter. The purchases were curtailed for two central

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phone 310.383.6000 fax 310.383.6001
spacex.com

reasons: First, SpaceX's CAEATFA application requested included purchases that the award could not be applied to. In its application, SpaceX requested approximately \$85M of the \$360M requested amount to apply to qualified purchases associated with Facility Upgrades. Although SpaceX made significant Facility Upgrades in excess of \$50M since receiving its award in November October 2015, the vast majority of these Facility Upgrades were lump-sum contracts that CAEATFA Sales Tax Exclusion did not apply to since the contractor purchased the qualified property as opposed to SpaceX. As of December 31, 2017, SpaceX has purchased \$4,209,956 of qualified property related to Facility Upgrades. At the time of application, SpaceX reasonably believed it would purchase the qualified property associated with Facility Upgrades as opposed to the contractors and thus be able to utilize the award. Second, SpaceX experienced an anomaly in a static fire test launch of Falcon 9 on September 1, 2016. As a result of the anomaly, SpaceX's launch facilities in Cape Canaveral Florida were damaged and required significant capital expenditures to rebuild. During the period of rebuild, SpaceX's planned qualified property purchases for the Hawthorne plant were delayed since the funding was diverted to Florida to rebuild launch facilities. It is important to note that although capital expenditures were diverted from California to Florida, SpaceX continued to hire employees in accordance with its CAEATFA application. As of 2018, spending has resumed in California. Because of this diversion of funds, an extension of time to purchase qualified property is necessary.

SpaceX forecasts that it will purchase approximately \$30M to \$35M of qualified property in 2018 before its award expires in October. This brings SpaceX utilization of the award to approximately \$115M of \$360M approved. SpaceX anticipates purchasing an additional \$100M or more of qualified property described in its application during 2019, 2020, and 2021 and continue to hire more employees to operate the qualified property to design, manufacture, produce, and assemble spacecraft and advanced rockets.

SpaceX anticipates that with an extended timeline to purchase qualified property through December 31, 2021 SpaceX will be able to purchase the additional qualified property amount noted above and continue to create the amount of jobs and qualified products represented in the application. As noted above, the delay in purchasing qualified property during the award period was due to a diversion of funds to Florida to rebuild launch facilities that were damaged during a static test fire. Since the anomaly that caused the damage, SpaceX has taken numerous precautions to avoid such an incident from occurring again and it is important to note that since the anomaly, SpaceX has had dozens of successful static test fires and launches. Further, spending on capital projects in California, which include those described in the application, has fully resumed.

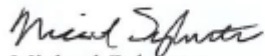
In conjunction with its request to extend the period to make qualified purchases under its award, SpaceX is applying for a second CAEATFA Sales Tax Exclusion Award. As detailed in its application, SpaceX is applying for additional financial assistance from CAEATFA to expand its current facilities in Hawthorne and additional facilities located in Southern California (Port of Los Angeles and Irvine). In addition to expanding its



California facilities, SpaceX will be designing, manufacturing, producing, and/or assembling two new products: a new advanced rocket known as BFR and satellites. SpaceX anticipates using both awards to continue designing, manufacturing, producing, and/or assembling advanced rockets, spacecraft, and satellites in California and hiring additional California employees as outlined in its applications. It is important to note that SpaceX has learned from its first application that certain anticipated spend could be delayed or otherwise not occur within the three year award period. As such, SpaceX's second application for CAEATFA Sales Tax Exclusion only takes into account purchases of qualified property that have a high likelihood of being purchased and utilized within the first 24 months of the date of the award thus ensuring a greater probability of utilizing the full award amount timely.

We greatly appreciate CAEATFA's support. Thank you for your consideration of our request.

Sincerely,


Michael Sylvester
Sr. Director, Tax
SpaceX

cc: Christopher Sharpe, PwC



SPACEX

Attachment B: Space Exploration Technologies Corporation’s Staff Summary at the Time of Approval

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Request to Approve Project for Sales and Use Tax Exclusion (STE)⁵

**Space Exploration Technologies Corporation
Application No. 15-SM014**

Tuesday, October 20, 2015

Prepared By: *James Shimp, Analyst*

SUMMARY

Applicant – Space Exploration Technologies Corporation

Location – Hawthorne, Los Angeles County

Industry – Aerospace Engineering

Project – Expansion of an Existing Spaceship and Advanced Rockets Manufacturing Facility
(Advanced Manufacturing)

Value of Qualified Property – \$360,169,639

Estimated Sales and Use Tax Exclusion Amount⁶ – \$30,326,284

Application Score –

Fiscal Benefits Points:	1,337
<u>Environmental Benefits Points:</u>	<u>45</u>
Net Benefits Score:	1,382

<u>Additional Benefits Points:</u>	<u>119</u>
Total Score:	1,501

Staff Recommendation – Approval

⁵ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

⁶ This amount is calculated based on the average statewide sales tax rate of 8.42%.

THE APPLICANT

Space Exploration Technologies Corporation (“SpaceX” or “Applicant”) is a Delaware corporation, founded in 2002 by Elon Musk with the goal of revolutionizing space transportation. To that end, SpaceX designs, manufactures, and launches advanced rockets and spacecraft. SpaceX is contracted by the United States Government, private entities, and foreign agencies to provide space launch services transporting cargo and, in the future, human crew. SpaceX is headquartered in Hawthorne, California, and also has its design, production, and assembly facilities in California.

The major shareholders (10.0% or greater) of Space Exploration Technologies Corporation are:

Elon Musk Revocable Trust

The corporate officers of Space Exploration Technologies Corporation are:

Elon Musk, Chairman and CEO
Gwynne Shotwell, President
Bret Johnsen, CFO
Tim Hughes, Asst. Secretary
Kimbal Musk, Secretary

THE PROJECT

SpaceX is requesting a sales and use tax exclusion to upgrade and expand existing design, production, and assembly infrastructure for spacecraft and advanced rockets at its Hawthorne facility (the “Project”). Specifically, SpaceX is developing two advanced rockets (Falcon 9 and Falcon Heavy) and two spacecraft (Dragon Cargo and Dragon Crew). Falcon 9 is a two-stage rocket designed for transporting satellites and Dragon spacecraft. The rocket is unique in that it includes a simple two stage configuration that minimizes the number of separation events. Falcon Heavy is similar to Falcon 9, but has the capability to carry a significantly greater payload. Falcon Heavy is still in development and, when ready, is anticipated to be the most powerful operational launch vehicle in the world. The Applicant represents that the Falcon Heavy will be able to lift more than twice the payload of its closest competition for a fraction of the cost. The Applicant further represents that this technology, unrivaled since the Saturn V moon rocket last flown in 1973, will restore the possibility of flying missions with crew to Mars. To support these capabilities, SpaceX has developed a cargo carrying spacecraft, known as Dragon Cargo. The Applicant is also developing Dragon Crew, which will be capable of carrying humans to orbiting destinations such as the International Space Station.

In order to meet its ambitious goals, SpaceX is investing in highly sophisticated equipment and technology. For example, the Applicant will use 3D printers to manufacture component parts, for both rockets and spacecraft, capable of withstanding the pressures of launch and space travel. Additional technologies include Computer Numerically Controlled machining equipment, for added precision, and advanced material composites for increased strength and durability. SpaceX states that these investments will allow it to improve beyond industry standards in the creation of

reusable advanced rockets, larger rockets capable of carrying greater payloads, transportation of human crew, and use of new engines that use methane for fuel.



Figure 1: Dragon Spacecraft

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

3D Printers	\$ 4,909,800
Advanced Fiber Placement System (AFP)	10,409,000
Avionics Machinery and Equipment	22,667,516
Composite Machinery and Equipment	19,510,550
Computers and Software	20,598,589
Facility Upgrades	85,407,617
Lathes, Tables, and Stands	17,407,029
Linear Flow Improvements	3,172,000
Machinery and Equipment to Manufacture Specialized Tooling	7,019,572
Multi-Use Machinery and Equipment	30,871,289
Production Machinery and Equipment	7,815,330
Propulsion Machinery and Equipment	13,009,000
Quality Assurance Machinery and Equipment	9,766,915
Robots, Robotics, Automation Machinery and Equipment	21,249,258
Shakers	4,423,800
Shipping System	6,722,218

Solar Panels and Backup Power	15,000,000
Specialized Tools	39,007,197
Tanks, Racks, and Storage	5,837,436
Transportation related Machinery and Equipment	8,640,803
Welding Equipment	<u>6,724,721</u>
Total	<u>\$360,169,639</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components (of the Project) over original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.

TIMELINE

SpaceX is currently in the process of upgrading its facilities and equipment purchases have already begun. It plans on purchasing and installing additional property over the next three years.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$360,169,639. The Project received a Total Score of 1,501 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 45 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (1,337 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to \$40,537,040 resulting in a Fiscal Benefits score of 1,337 points for the Project.
- B. Environmental Benefits (45 points).** The Project will result in an Environmental Benefits Score of 45. The Applicant received points in the following categories:
 - 1. Environmental Sustainability Plan (20 of 20 points).** The Applicant represents that they will implement an environmental sustainability plan for the Project that will monitor and reduce electrical consumption, utilizing alternative energy sources when possible. SpaceX also monitors its hazardous waste, solid waste, and air pollution, with an aim to reduce overall environmental impact for the Project.

2. **Energy Consumption (5 of 30 points)**. The Applicant represents that their manufacturing process will result in a 5% reduction in energy consumption relative to the industry standard manufacturing process.
3. **Solid Waste (15 of 30 points)**. The Applicant represents that their manufacturing process will result in a 15% reduction in solid waste produced relative to the industry standard manufacturing process.
4. **Air Pollutants (5 of 30 points)**. The Applicant represents that their manufacturing process will result in a 5% reduction in air pollutants produced relative to the industry standard manufacturing process.

C. **Additional Benefits (119 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 119 additional points.

1. **Permanent Jobs (45 of 75 points)**. The Applicant's Project is anticipated to support a total of 4,150 permanent jobs at its Facility. CAEATFA estimates that approximately 180 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Permanent Jobs Score of 45 points for the Project.
2. **Construction Jobs (0 of 75 points)**. The Applicant's Project is anticipated to support a total of 50 construction jobs at its Facility. CAEATFA estimates that approximately 2 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.
3. **Unemployment (9 of 50 points)**. The Applicant's Project is located in Los Angeles County which has an average annual unemployment rate of 8.2%. This is above 110% of the statewide average annual unemployment rate which is currently 7.5% resulting in an Unemployment Score of 9 points for this Project.
4. **Research and Development Facilities (25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to advanced rocket and spacecraft manufacturing.
5. **Industry Cluster (40 points)**. The aerospace industry associated with this Application has been identified by the Los Angeles County Economic Development Corporation as an industry cluster of the region of the Project's location.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Space X has obtained all relevant permits, such as building and equipment installation, necessary for the continuing work on the Project.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations, the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee up to \$350,000⁷.

RECOMMENDATION

Staff recommends approval of Resolution No. 15-SM014 for Space Exploration Technologies Corporation's purchase of Qualified Property in an amount not to exceed \$360,169,639 anticipated to result in an approximate sales and use tax exclusion value of \$30,326,284.

⁷ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH SPACE EXPLORATION TECHNOLOGIES
CORPORATION**

October 20, 2015

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Space Exploration Technologies Corporation** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized in an Advanced Manufacturing process or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement to acquire Project equipment with an estimated cost not to exceed \$360,169,639 over a period of three years; and

WHEREAS, the Applicant believes that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority to execute the necessary documents to effectuate the Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested master regulatory agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director, Deputy Executive Director, or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant's Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to consummate the Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property listed in the semi-annual reports pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement, as defined in CAEATFA Regulations Section 10035(a), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.