

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

***Request to Approve a Time Extension for the
Initial Term of the Master Regulatory Agreement¹***

**Circular Polymers LLC
Application No. 17-SM049**

Tuesday, June 16, 2020

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – Circular Polymers LLC

Location – Lincoln, Placer County

Industry – Advanced Carpet Recycling

Project – Expansion of an Advanced Carpet Recycling and Manufacturing Facility (Advanced Manufacturing)

Total Amount Qualified Property Approved– \$7,548,500

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$635,584

Amount of Time Requested –

- Three years, until June 20, 2023, for the Initial Term of the Master Regulatory Agreement (Six years from the date of initial CAEATFA Board approval)

Staff Recommendation – Approval

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 at the time of initial approval, which was 8.42%.

REQUEST

On June 20, 2017, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Circular Polymers LLC (“Circular” or the “Applicant”) for the purchase of up to \$7,548,500 in Qualified Property to add additional recycling units to a pre-existing carpet recycling operation in Lincoln (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 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.

As of December 31, 2019, Circular has used the STE to purchase \$2,838,080.73 of Qualified Property (38% of the total Qualified Property approved). The Applicant is requesting to extend the Agreement initial term by three years to accommodate delays in securing funding and delays as a result of the current COVID-19 pandemic.

The Applicant states that the declining national rate of recycling has slowed its ability to secure funding for the Project. The Applicant also states that a year-long process in receiving loans through CalRecycle’s Recycling Market Development Zone Program delayed the start of the Project. Although the declining national recycling rate has slowed Circular’s ability to secure funding, the declining rate has not, according to Circular, had a negative impact on the financial viability of the Project. Circular points out that the main reason for the national recycling rate’s decline was the fall in exportation of materials to foreign countries for processing. The Applicant explains that, to address this trend, infrastructure in the United States needs to be built in order to process raw material feedstocks, which is what the Project intends to accomplish.

Despite the difficulty in securing funding, Circular has been able to fund two other expansions to their operations and has seen an increase of five times its processing rate in December 2019 from its 2017 rate. Although the Applicant expects further complications in securing funding due to the COVID-19 pandemic and related financial crisis, it is confident that it can find funding and complete the Project within three years. While Covid-19 has impacted the raw material supply chain, it is Circular Polymers’ belief that as the State economy rebounds the supply chain will move to normalization enabling Circular Polymers to begin 24 hour operations. Circular Polymers has already secured the sales commitments to support the increased output. Circular intends to expand the capacity of its plant and offer further options for output (such as more pelletization options) and intends to complete one expansion in 2021 and the final expansion of the Project in 2022.

THE APPLICANT

Founded in 2017, Circular Polymers LLC (“Circular” or “the Applicant”) seeks to make use of technological advancements in the field of carpet recycling.

The major shareholders (10.0% or greater) of Circular Polymers LLC are:
Circular Investments LLC 100%

The corporate officers of Circular Polymers LLC are:
David Bender, Chief Executive Office
Jeff Kupets, Chief Financial Officer

The major shareholders (10.0% or greater) of Circular Investments LLC are:

Connie Fiore
David Bender
Jeffrey Kupets
Broadview Group International

THE PROJECT

Circular is adding recycling units to a pre-existing carpet recycling operation in Lincoln, California. The Applicant has partnered with California Landfill Elimination and Recycling (CLEAR) at their Lincoln facility where they have been processing 2,000 pounds-per-hour of carpet. By entering into a joint-venture with CLEAR, Circular expects to reach an 8,000 pound-per-hour capacity by the time their proposed expansion is complete. All equipment purchased for the Project will be owned and operated by the Applicant.

The Rotary Impact Separator (RIS) units utilized in Circular’s carpet recycling process are a proprietary patent-pending model designed by the Broadview Group International. Circular represents that these units make use of nearly all components of the recycled carpet while using less power than other units on the market today. An RIS unit uses roughly half as much horsepower as comparable units, according to Circular’s research.

The Applicant represents that they use a dry process of carpet recycling, eliminating the need for excessive water use. Furthermore, no chemicals are emitted during the process. The products of this method include nylon, PET, polypropylene, and calcium carbonate in the form of reusable fibers and pellets that can be reused in other processes of manufacturing.

AGREEMENT INITIAL TERM EXTENSION REQUEST

Circular Polymers LLC has requested that the initial term of the Agreement be extended from June 20, 2017 to June 20, 2023 in order to accommodate delays in securing funding and as a result of the current COVID-19 pandemic.

Staff Evaluation

According to the Applicant, the delay in the Project and full use of the STE award is due to issues securing adequate funding. Circular attributes the delays in securing funding to a slowdown in the national recycling market. Although faced with a struggling market and funding shortages, Circular believes that they are still able to provide a product to a growing customer base, which is supported by the Applicant’s increased processing rate over the last two years since the Project began. Circular has demonstrated its ability to secure funding during difficult market conditions, implement a sizeable portion of the Project, and grow its business by increasing output to meet sales commitments. Circular expects to secure the necessary funding to complete the additional expansions of the Project within the next few years, but recognizes a need to request an additional three year term in order to account for whatever delays the COVID-19 crisis might create.

Based on this information, Staff believes 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.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,³ the Applicant has paid an additional fee of \$500 because extending the initial term requires a modification to the Applicant's Master Regulatory Agreement.

RECOMMENDATION

Staff recommends that the Board approve Circular Polymers LLC's request to extend the initial term of the Agreement by three years to June 20, 2023 as it is in the public interest and advances the purpose of the program.

Attachments

- Attachment A: Circular Polymers LLC's letters requesting waiver (April 19, 2020 and May 13, 2020)
- Attachment B: Circular Polymers LLC's staff summary at the time of

³ California Code of Regulations Title 4, Division 13, Section 10036.

**RESOLUTION APPROVING A TIME EXTENSION FOR
CIRCULAR POLYMERS LLC’S INITIAL TERM FOR
THE MASTER REGULATORY AGREEMENT**

June 16, 2020

WHEREAS, on June 20, 2017 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 \$7,548,500 of Qualified Property for **Circular Polymers LLC** (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 by June 20, 2020, due to unexpected delays in the Project timeline, extending the term by three years to June 20, 2023; 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 June 20, 2023.

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

Attachment A: Circular Polymer LLC's Letters Requesting Waiver (April 19, 2020 and May 13, 2020)

Circular Polymers LLC
P.O. Box 353
Wilmette IL 60091
224-623-5333



APRIL 19, 2020

Xee Moua

Office of the State Treasurer | CAEATFA

915 Capitol Mall Room 538

Sacramento, CA 95814

Dear Xee Moua,

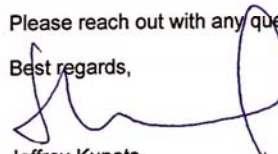
Thank you for your assistance with Circular Polymers CAEATFA extension request. We had originally planned to request a two-year extension but in light of the ongoing Covid 19 crisis Circular Polymers requests a three-year extension of our participation in the CAEATFA Sales Tax Exclusion program.

The reconfigured schedule of completion will resume at the end of 2020 and conclude in the first half 2023. The initial reason for the extension request is because of the increased length of time that was required to secure enough funding to build up necessary infrastructure in the recycling industry. While we have been successful (December 2020 annualized processing rate was equivalent to five times the plant's 2017 rate) the overall national recycling rate is flat to declining. We have been successful securing funding for our projects albeit at a slower rate than anticipated. We are negotiating additional funding to further build out the plant. Our continued success and demonstrated growth assures our ability to further grow our plant and to be able to process even more material. Our state of the art, industry leading technology has led to sales partnerships with companies such as Eastman Chemical and resulted in innovation awards from The Association of Plastics Recyclers, The Plastics Industry Association, The Carpet America Recovery Effort, and The California Product Stewardship Council.

As of January 2020, Circular Polymers has spent \$2,838,081 with a target of \$7,548,500. The scope of the project remains the same as that when Circular Polymers initially applied to CAEATFA. Our increase in hiring of FTE's remains on target. Circular Polymers will continue to build out infrastructure as an Advanced Manufacturer with demonstrated results of new industry standards in recycled carpet including over 90% yields of output and diversion from landfills.

Please reach out with any questions or for further clarifications.

Best regards,


Jeffrey Kupets

Circular Polymers LLC
P.O. Box 353
Wilmette IL 60091
224-623-5333



MAY 13, 2020

Matthew Jumps

STE Program Analyst

Office of the State Treasurer | CAEATFA

915 Capitol Mall Room 538

Sacramento, CA 95814

Dear Matthew Jumps,

Thank you for your questions regarding our request for the extension of our participation in the CAEATFA program. I have copied the bullet points from your email and answer them individually.

- Can Circular Polymers provide an anticipated timeline for resolving the projects funding issues?

We funded the initial expansion through the RMDZ loan program with Cal-Recycle, the California State Agency. We applied for funding simultaneously to the filing of the CAEATFA application in the Spring of 2017. It took until December of 2017 to be approved and until April 1, 2018 for funds to be released. That delay cost us almost one year. We completed the first expansion in December of 2018. This left us just 18 months to complete the other phases as originally outlined. We understood at the time of the filing of our CAEATFA application that the maximum was three years. Given the opportunity we would have asked for an initial longer term to allow for the contingencies that we ultimately encountered. Over the next year we funded two additional expansions that allowed for greater rates of processing and vertical integration of output. Our goal going forward will be to further increase the output of the plant and to increase the types of output that we can offer customers. We have a proven system and are currently in negotiations to secure funding for further expansions which would, if given the time, further utilize the approved amount of our Sales Tax Exclusion. We believe that an additional two years is realistic for execution, however, the Covid-19 crisis forces us to build in an additional year due to the immediate uncertainty.

- How did Circular Polymers come up with the three-year timeline to complete purchases under the STE award? If possible, can Circular Polymers detail how COVID-19 factored into the three-year timeline? CAEATFA is interested in understanding how our partners and STE awardees are being effected by this pandemic.

Given the amount of time required to achieve our current progress, we believed that it would take an additional two years to complete the plant as we had planned. Uncertainty surrounding Covid -19, has forced us to add an additional year to our timeline. While we had made significant progress towards securing the necessary funding to complete our planned expansion, the Covid-19 crisis has wreaked

havoc upon both the credit markets as well as the venture capital industry. While we believe that further funding is forthcoming, there are a lot of moving pieces involved and we understand that potential partners may take longer to assess opportunities than they ordinarily would. Circular Polymers is facing many of the same stressors that other businesses are experiencing in this crisis. Nonetheless, we see our future expansion tied to the growth of chemical recycling which continues even during this difficult time. Carpet remains an excellent feedstock for chemical recycling and we are at the forefront of that as exhibited through our partnering with Eastman Chemical to supply that industry.

- Can Circular Polymers provide a specific timeline for when it plans to purchase the equipment?

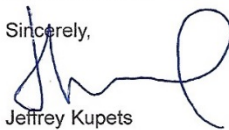
Circular Polymers intends to expand the capacity of the plant and the array of offerings of our output (such as offering more pelletization options). We intend to complete one expansion in 2021 and the other in 2022.

- Does Circular Polymers believe that the flat or declining national recycling rate is going to continue to have an impact on the financial viability of the project? Is the financial viability of the project at all based on an expectation that the rate increases?

The national rate of recycling has not impacted the financial viability of our project and will not in the future. A declining overall rate, coupled with the onset of Covid-19 may have slowed the pace of funding but our proven track record and cutting-edge technology has ensured our viability. Our success has been based on offering quality products at competitive prices. Carpet recycling in California has increased year over year in the face of the difficulties experienced by other feedstocks. The overall recycling rate declined in the U.S. principally because foreign countries were no longer willing to take the material for processing. The key to increasing the recycling rate (not just the rate of collection of raw materials) is to build infrastructure to process the feedstocks. That is exactly what this project does. The previous extension request letter cited that our December 2020 annualized processing rate is five times the plant's 2017 rate – this was a typographical error and we meant to say that our **actual December 2019 rate was five times our 2017 rate**. I expect our December 2020 rate to be even higher. As we grow our raw material collections, we will operate 24 hours a day increasing from the current two shifts and have already secured the sales commitments to support the increased output.

If there are further questions, we would be happy to respond. Thank you for your consideration.

Sincerely,



Jeffrey Kupets

Attachment B: Circular Polymers LLC’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)⁴

**Circular Polymers LLC
Application No. 17-SM049**

Tuesday, June 20, 2017

Prepared By: *Melanie Holman, Analyst*

SUMMARY

Applicant – Circular Polymers LLC

Location – Lincoln, Placer County

Industry – Advanced Carpet Recycling

Project – Expansion of an Advanced Carpet Recycling and Manufacturing Facility (Advanced Manufacturing)

Value of Qualified Property – \$7,548,500

Estimated Sales and Use Tax Exclusion Amount⁵ – \$635,584

Application Score –

Fiscal Benefits Points:	1,853
<u>Environmental Benefits Points:</u>	<u>110</u>
Net Benefits Score:	1,963

<u>Additional Benefits Points:</u>	<u>140</u>
Total Score:	2,103

Staff Recommendation – Approval

⁴ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

⁵ This amount is calculated based on the average statewide sales tax rate of 8.42%.

THE APPLICANT

Founded in 2017, Circular Polymers LLC (“Circular” or “the Applicant”) seeks to make use of technological advancements in the field of carpet recycling.

Circular intends to apply for a California Competes tax credit as well as the Employment Training Panel.

The major shareholders (10.0% or greater) of Circular Polymers LLC are:

Circular Investments LLC 100%
David Bender 47%
Jeffrey Kupets 28.67%
JCWK Family Trust 14.33%
Mark Babich 10%

The corporate officers of Circular Polymers LLC are:

David Bender, Chief Executive Office
Jeff Kupets, Chief Financial Officer

THE PROJECT

Circular proposes to add additional recycling units to a pre-existing carpet recycling operation in Lincoln, California (the “Project”). The Applicant has partnered with California Landfill Elimination and Recycling (CLEAR) at their Lincoln facility where they have been processing 2,000 pounds-per-hour of carpet. By entering into a joint-venture with CLEAR, Circular expects to reach an 8,000 pound-per-hour capacity by the time their proposed expansion is complete. All equipment purchased for the Project will be owned and operated by the Applicant.

The Rotary Impact Separator (RIS) units utilized in Circular’s carpet recycling process are a proprietary patent-pending model designed by the Broadview Group International. Circular represents that these units make use of nearly all components of the recycled carpet while using less power than other units on the market today. An RIS unit uses roughly half as much horsepower as comparable units, according to Circular’s research.

The Applicant represents that they use a dry process of carpet recycling, eliminating the need for excessive water use. Furthermore, no chemicals are emitted during the process. The products of this method include nylon, PET, polypropylene, and calcium carbonate in the form of reusable fibers and pellets that can be reused in other processes of manufacturing.



Figure 1: Rotary Impact Separator

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Proprietary RIS Units	\$2,062,500
Carpet Sizing Equipment	655,570
Conveyance Equipment	1,093,736
Collection Equipment	432,139
Baling Equipment	418,315
Quality Control Equipment	536,240
Pelletizing Equipment	1,300,000
Fiber Opener	1,050,000
Total	<u>\$7,548,500</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

The Applicant has stated that initial purchases associated with the expansion are projected to be complete by the end of 2017. Final purchases are projected to be complete by the end of 2018.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$7,548,500 and the total net benefits are valued at \$541,886 for the Project. The Project received a Total Score of 2,103 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 110 points, which exceeds the 20 point threshold.

- A. **Fiscal Benefits (1,853 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 \$1,177,470 resulting in a Fiscal Benefits score of 1,853 points for the Project.
- B. **Environmental Benefits (110 points).** The Project will result in an Environmental Benefits Score of 110. The Applicant received points in the following categories:

1. **Environmental Sustainability Plan (20 of 20 points).** The Applicant will implement an environmental sustainability plan for its Project that it represents will result in decreased energy use over time through tracking and updating methods.
 2. **Energy Consumption (30 of 30 points).** The Applicant represents that its manufacturing process will result in a 51% reduction in energy consumption relative to the industry standard manufacturing process.
 3. **Water Use (30 of 30 points).** The Applicant represents that its manufacturing process will result in a 95% reduction in water use relative to the industry standard manufacturing process.
 4. **Solid Waste (30 of 30 points).** The Applicant represents that its manufacturing process will result in an 83% reduction in solid waste produced relative to the industry standard manufacturing process.
- C. **Additional Benefits (140 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 140 additional points.
1. **Permanent Jobs (55 of 75 points).** The Applicant represents that the Project will support a total of 55 permanent jobs at its Facility. CAEATFA estimates that approximately four 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 55 points for the Project.
 2. **Construction Jobs (35 of 75 points).** The Applicant represents that the Project will support a total of 23 construction jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Construction Jobs Score of 35 points for the Project.
 3. **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 the Rotary Impact Separator technology.
 4. **Workforce Partnerships (25 points).** The Applicant has a partnership with Golden Sierra Job Training Agency for the purpose of training the workers at their facility and for the purposes of assisting in the training of potential future workers.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Circular represents that they currently possess all necessary permits to operate the Project. The expansion discussed herein will only require additional permits for the installation of new

equipment as well as approval from the local fire department, can be procured with a two-week notice.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$3,774 and will pay CAEATFA an Administrative Fee up to \$30,194.

RECOMMENDATION

Staff recommends approval of Resolution No. 17-SM049 for Circular Polymers LLC's purchase of Qualified Property in an amount not to exceed \$7,548,500 anticipated to result in an approximate sales and use tax exclusion value of \$635,584.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH CIRCULAR POLYMERS LLC**

June 20, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Circular Polymers LLC** (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 \$7,548,500 over a period of three (3) 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.