

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

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

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

Tuesday, May 16, 2023

Prepared By: *Jeannie Yu, Program Analyst*

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 –

- Requesting a three-year extension, until June 20, 2026, for the Initial Term of the Regulatory Agreement (a total of nine years from the date of initial CAEATFA Board approval of June 20, 2017)

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program's statutes 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”) award to Circular Polymers LLC (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 Regulatory Agreement (“Agreement”) initial term provided the Applicant with three years from the date of Board Approval to utilize its STE award.³ On June 16, 2020, the CAEATFA Board approved the Applicant for a three-year extension of the initial term of the Agreement from its original termination date of June 20, 2020 to accommodate delays in securing funding.

As of April 2023, the Applicant has used the STE award to purchase approximately \$4.3 million of Qualified Property (58% of the total Qualified Property approved). The Applicant is requesting to extend the Agreement initial term by an additional three years to accommodate the lingering effects of the COVID-19 pandemic and to secure additional funding for the Project.

The Applicant states COVID-19’s impact on the economy had increased the time needed to acquire a majority stake of the company by business partner, Ascend Performance Materials Operations, LLC. This in turn caused investment plans to be put on hold until the due diligence period of the acquisition was completed. In addition to the delays in securing funding, COVID-19 had also impacted the company by reducing product market demands, constraining feed stock and reliability risk of sources, and bringing uncertainty to employee retention.

According to the Applicant, the acquisition of a majority stake by Ascend Performance Materials Operations, LLC was completed in November 2022, and the Applicant has developed a new timeline based on updated equipment and infrastructure lead times quoted by suppliers. The Applicant states it has seen increased lead times for equipment acquisition reaching 12-18 months and 18-20 month lead times for infrastructure buildout, thus a three-year extension will allow for the Project to be completed.

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 STE Program.⁴

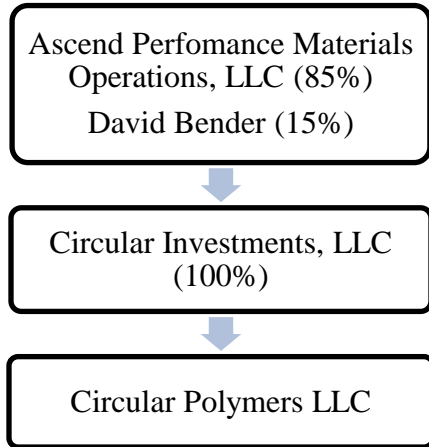
³ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

⁴ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(B)

THE APPLICANT

Founded in 2017, Circular Polymers LLC seeks to make use of technological advancements in the field of carpet recycling.

The major shareholders (10.0% or greater) of the Applicant are:



The company officers are:

Circular Polymers LLC/Circular Investments, LLC:

David Bender – CEO/Manager

Ascend Performance Materials Operations, LLC:

Finlay Morrison – SVP and Chief Integrated Supply Chain Officer

Rizwan Amanullah – SVP and Chief Financial Officer

Isaac Khalil – SVP and Chief Commercial Officer

THE PROJECT

The Applicant proposes to add additional 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, the Applicant 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 the Applicant's carpet recycling process are a proprietary patent-pending model designed by the Broadview Group International. The Applicant states 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 the Applicant'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

The Applicant has requested that the initial term of the Agreement be extended from June 20, 2023 to June 20, 2026, in order to accommodate the lingering effects of the COVID-19 pandemic and to secure additional funding for the Project.

Staff Evaluation

According to the Applicant, the major delay in the full use of the STE award was due to the extended closing of its financial collaboration with Ascend Performance Materials Operations, LLC, however, the deal has been finalized as of November 2022. With the economy slowly recovering from the impacts of the pandemic, the Applicant states it has seen an increased demand of its products and anticipates further expansion may be necessary to support other activities such as R&D efforts for higher purity products to grow the Applicant's market share. According to the Applicant, the scope of the Project remains the same and the schedule has been reconfigured for project activities to resume in the first half of 2023 and conclude in the first half of 2026.

Based on this information, Staff believes extending the initial term of the Agreement will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the STE 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 STE Program regulations,⁵ the Applicant has paid an additional fee of \$2,000 because extending the initial term qualifies as a modification to the Applicant's Agreement.

RECOMMENDATION

Staff recommends that the Board approve the Applicant's request to extend the initial term of the Agreement by three years to June 20, 2026, as it is in the public interest and advances the purposes of the STE Program.

Attachments

- Attachment A: Circular Polymer LLC's letter requesting waiver (April 3, 2023)
- Attachment B: Circular Polymer LLC's staff summary at the time of approval

⁵ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(B)

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

May 16, 2023

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 Polymer LLC** (the “Applicant”); and

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program 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 (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant previously had requested a waiver of the requirement to purchase all of the Qualified Property within three (3) years due to unexpected delays in the Project timeline, extending the term by three (3) years to June 20, 2023; and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property by June 20, 2023, due to unexpected delays in the Project timeline, extending the term by three (3) years to June 20, 2026; 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 Program to extend the Applicant’s initial term of the Regulatory Agreement to June 20, 2026.

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

Attachment A: Circular Polymer LLC's Letter Requesting Waiver (April 3, 2023)



Headquarters:
1010 Travis Street, Houston, TX 77002
Facility:
3390 Venture Drive, Lincoln, CA 95648
Phone: 1-833-466-3878
circularpolymers.com

April 3, 2023

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. Circular Polymers is requesting a three-year extension of our participation in the CAEATFA Sales Tax Exclusion program considering the lingering effects of COVID-19 and the acquisition of majority stake in our company by Ascend Performance Materials. The acquisition was completed November 2022 with discussions beginning in early 2021. During the due diligence process, most major capital spending was put on hold until after the completion of the deal.

The reconfigured schedule of completion will resume in the first half of 2023 and conclude in the first half of 2026. As mentioned in our previous extension request, the delay in schedule of completion was due to the increased length of time required to secure funding to build out the necessary infrastructure in the recycling industry. Through the investment by Ascend Performance Materials, Circular Polymers can secure the funding needed to further grow our plant through output and types of recycled products available to the market. Our state of the art, industry-leading technology has enabled our strategic partnerships with key market players in the polymers space to value up post-consumer recycled plastics and led to recognition by 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 2023, Circular Polymers has spent \$4,346,287 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 by Ascend 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,

A handwritten signature in black ink, appearing to read 'Jeffrey Kupets'.

Jeffrey Kupets

Attachment B: Circular Polymer LLC’s Staff Summary at the Time of Approval

The original award staff summary can be found [on the CAEATFA website](#).

Agenda Item – 4.A.9
Resolution No. 17-SM049
Application No. 17-SM049

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)¹

**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 Amount² – \$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

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%.

**Agenda Item – 4.C.1
Resolution No. 17-SM049-01**

**Agenda Item – 4.A.9
Resolution No. 17-SM049
Application No. 17-SM049**

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	<u>1,050,000</u>
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.

Agenda Item – 4.C.1
Resolution No. 17-SM049-01

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Resolution No. 17-SM049
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- 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.

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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,³ 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.

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

Agenda Item – 4.C.1
Resolution No. 17-SM049-01

Agenda Item – 4.A.9
Resolution No. 17-SM049
Application No. 17-SM049

**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.

Agenda Item – 4.C.1
Resolution No. 17-SM049-01

Agenda Item – 4.A.9
Resolution No. 17-SM049
Application No. 17-SM049

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.