

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

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

**Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.
Application No. 20-SM027**

Tuesday, February 20, 2024

Prepared By: *Katrina Walters-White, Program Analyst*

SUMMARY

Applicant – Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.

Location – Sunnyvale, Santa Clara County

Industry – Advanced Robotic Surgical Systems and Tools

Project – Upgrade and Expansion of Existing Advanced Robotic Surgical Systems and
Instruments and Accessories Manufacturing Facility (Advanced Manufacturing)

Total Amount Qualified Property Approved – \$82,500,000

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$6,897,000

Amount of Time Requested –

- Requesting a one (1)-year extension, until March 17, 2025, for the Initial Term of the Regulatory Agreement (a total of five (5) years from the date of initial CAEATFA Board approval of March 17, 2020).

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 8.36%.

REQUEST

On March 17, 2020, the CAEATFA Board approved a Sales and Use Tax Exclusion (“STE”) award for Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc. (the “Applicant”) for the purchase of up to \$82,500,000 in Qualified Property to upgrade and expand its existing advanced robotic surgical systems, instruments, and accessories manufacturing facility (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 January 17, 2023, the CAEATFA Board approved the Applicant for a one (1)-year extension of the initial term of the Agreement from its original termination date of March 17, 2023, to accommodate delays resulting from the prolonged COVID-19 pandemic and changing economic conditions.

As of November 14, 2023, the Applicant has used the STE award to purchase approximately \$44,066,000 of Qualified Property (53% of the total Qualified Property approved). The Applicant is requesting to extend the Agreement initial term by an additional one (1) year to accommodate longer than anticipated contract negotiations.

According to the Applicant, the timeline for material purchases with its contractors and subcontractors has taken longer than anticipated. The build-out and renovation of multiple buildings was pushed out due to contract negotiations with its contractor. The build-out is now expected to be completed by the fourth quarter of 2024.

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

THE APPLICANT

Intuitive Surgical, Inc. (“ISI”) and its subsidiary, Intuitive Surgical Operations, Inc. (“ISO”) are requesting a sales and use tax exclusion together as Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc. (“Intuitive” or the “Applicant”) to design, manufacture, market and distribute advanced robotic surgical systems and tools used to perform gynecological, urological, general, cardiothoracic, and head and neck surgeries. Located in Sunnyvale at its centralized global headquarters, the Applicant is comprised of two Delaware corporations that are publicly traded under the symbol ISRG. According to the Applicant, ISI was founded in 1995, however for various business reasons, including limitation of liability, ISO was formed. While ISI primarily oversees marketing, selling and administrative activities, and ISO oversees R&D and manufacturing personnel and assets activities, the two entities share overlapping manufacturing and production responsibilities as it operates as one consolidated business.

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)

Intuitive’s products include the *da Vinci Xi*, *da Vinci X*, and *da Vinci SP*, which primarily consist of a patient cart, surgeon console, and vision cart. Intuitive’s *da Vinci* systems enable surgeons to perform surgeries such as prostatectomies, hysterectomies, hernia repair, cholecystectomies, nephrectomies, and bariatric surgery—in a less invasive manner.

According to the Applicant, in November 2019 the FDA approved its most recent instruments, the SynchroSeal and E-100 Generator, which use advanced bipolar energy to seal and transect tissue then cool it down quickly, which allows surgeons to seal and move at a faster pace.

On February 19, 2019, the CAEATFA Board granted Intuitive an STE award for the purchase of up to \$96,875,430 in Qualified Property for an estimated STE value of \$8,098,786 to upgrade and expand its existing design and manufacturing facility located in Sunnyvale. As of the end of 2019, the Applicant has reported approximately \$20.6 million in Qualified Property purchases (21% of the total Qualified Property Amount Approved).

The corporate officers of Intuitive are:

- Gary S. Guthart, Ph.D., Chief Executive Officer
- Myriam J. Curet, M.D., EVP and Chief Medical Officer
- David J. Rosa, President
- Jamie Samath, Chief Financial Officer
- Gary Loeb, General Counsel and Chief Compliance Officer

THE PROJECT

Intuitive requested a sales and use tax exclusion to further upgrade and expand its existing design and manufacturing facility located in Sunnyvale (the “Project”). The Applicant explains the Project will include an additional 400,000 square feet of facility space and upgrades and additional production, research, design, testing, and prototyping equipment over the next three years.

A portion of the Applicant’s Project will relate to its Ion product line, known as the Ion Endoluminal System, which is a robotic-assisted platform for performing minimally invasive biopsy of the lung. The system cart includes software, a controller, and a planning laptop with software to convert patient CT scans into 3D airway trees for planning navigation prior to operation. The system also includes an ultra-thin catheter capable of 180-degree articulation in any direction and has a 3.5mm outer diameter. According to the Applicant, the catheter has fiber optic shape sensors along its length to provide real-time shape information for easier navigation. The system also includes a probe to provide real-time fluoroscopic, radial endobronchial ultrasound, virtual, and live view in a single display, and a biopsy needle that can pass through the tight-radius bends within the catheter and deploy straight open exiting the end of the catheter.

Intuitive states its manufacturing process utilizes extensive research and information technology into the science of medicine and surgery. For example, the Applicant applies machine learning to improve the software ability to plan biopsy paths through the lung segment structures. Intuitive explains its production team also use highly precise tools that utilize algorithms within microprocessors to carefully build and customize its devices. Highly sensitive tools are used that measure and track the exact amount of torque used at every moment of product assembly.

Additionally, Intuitive anticipates this Project will results in approximately 30% less energy consumption compared to its previous manufacturing process through the installation of rooftop solar and LED lighting in its new facilities.

AGREEMENT INITIAL TERM EXTENSION REQUEST

The Applicant has requested that the initial term of the Agreement be extended from March 17, 2024, to March 17, 2025, in order to accommodate longer than anticipated contract negotiations.

Staff Evaluation

As stated in its request, the Applicant encountered delays with negotiating a contract with its third-party construction contractor. However, the Applicant states it was able to secure final redesign contracts with its general contractor in January 2023, and has begun production. The Applicant has been working closely with the contractors to ensure that the agreed upon timeline is met and anticipates the project completion by the fourth quarter of 2024. Additionally, the Applicant is expected to have direct purchases of equipment to outfit the buildings during 2024.

Based on this information, Staff believes extending the initial term of the Agreement will allow for the Project to be completed, and therefore, in the public interest and advances the purposes of the STE Program.

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 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.

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

RECOMMENDATION

Staff recommends that the Board approve the Applicant’s request to extend the initial term of the Agreement by one (1) year to March 17, 2025, as it is in the public interest and advances the purposes of the STE Program.

Attachments

- Attachment A: Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.’s letter requesting waiver (November 14, 2023)
- Attachment B: Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.’s staff summary at the time of approval

**RESOLUTION APPROVING A TIME EXTENSION FOR
INTUITIVE SURGICAL, INC. AND ITS SUBSIDIARY, INTUITIVE SURGICAL
OPERATIONS, INC.’S INITIAL TERM FOR
THE REGULATORY AGREEMENT**

February 20, 2024

WHEREAS, on March 17, 2020, 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 \$82,500,000 of Qualified Property for **Intuitive Surgical, Inc. and its subsidiary, Intuitive Surgical Operations, Inc.** (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 one (1) year to March 17, 2024; and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property by March 17, 2024, due to unexpected delays in the Project timeline, extending the term by one (1) year to March 17, 2025; 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 March 17, 2025.

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

**Attachment A: Intuitive Surgical, Inc’s Letter
Requesting Waiver (November 14,2023)**



November 14, 2023

CAEATFA
Attn: Xee Moua, Program Analyst
915 Capitol Mall Room 587
Sacramento, CA 95814

RE: CAEATFA STE Master Regulatory Agreement (“MRA”) Extension Request – Intuitive Surgical, Inc. (20-SM027)

Dear CAEATFA Board Members & Staff,

Intuitive Surgical, Inc. (“Intuitive”) respectfully requests a 12-month extension, until March 17, 2025, on its CAEATFA STE MRA in order to procure its’ remaining CAEATFA STE qualified property. After securing final permits for the expansion of its Sunnyvale campus, Intuitive signed the final redesign contracts with its general contractor in January of 2023 and has since been moving ahead with the build-out. However, the material spend with the contractors and subcontractors has not been at the pace originally estimated.

Despite the longer than anticipated timeline for material and equipment purchases, Intuitive’s total spend is still expected to exceed the remaining Qualified Property spend for this CAEATFA award. With the build-out now expected to reach completion by Q4 of 2024, Intuitive is excited to wrap up this phase of its expanded California operations.

Please reach out to us with any questions. Thank you in advance for your time and careful consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Alex Tran".

Alex Tran
Consultant Representative

cc: CAEATFA@sto.ca.gov
xee.moua@treasurer.ca.gov
alex.tran@CALincentives.com
sarah.hoyt@CALincentives.com

**Attachment B: Intuitive Surgical Inc’s Staff Summary
at the Time of Approval**

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

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Resolution No. 20-SM027
Application No. 20-SM027

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

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

**Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.
Application No. 20-SM027**

Tuesday, March 17, 2020

Prepared By: *Ashley Emery, Program Manager*

SUMMARY

Applicant – Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.

Location – Sunnyvale, Santa Clara County

Industry – Advanced Robotic Surgical Systems and Tools

Project – Upgrade and Expansion of Existing Advanced Robotic Surgical Systems and Instruments and Accessories Manufacturing Facility (Advanced Manufacturing)

Value of Qualified Property – \$82,500,000

Estimated Sales and Use Tax Exclusion Amount² – \$6,897,000

Competitive Criteria Score – 70

Application Score –

Fiscal Benefits Points:	2,960
<u>Environmental Benefits Points:</u>	<u>50</u>
Net Benefits Score:	3,010

<u>Additional Benefits Points:</u>	<u>105</u>
Total Score:	3,115

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 8.36%.

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Resolution No. 20-SM027-02**

**Agenda Item – 4.F.15
Resolution No. 20-SM027
Application No. 20-SM027**

THE APPLICANT

Intuitive Surgical, Inc. (“ISI”) and its subsidiary, Intuitive Surgical Operations, Inc. (“ISO”) are requesting a sales and use tax exclusion together as Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc. (“Intuitive” or the “Applicant”) to design, manufacture, market and distribute advanced robotic surgical systems and tools used to perform gynecological, urological, general, cardiothoracic, and head and neck surgeries. Located in Sunnyvale at its centralized global headquarters, the Applicant is comprised of two Delaware corporations that are publicly traded under the symbol ISRG. According to the Applicant, ISI was founded in 1995, however for various business reasons, including limitation of liability, ISO was formed. While ISI primarily oversees marketing, selling and administrative activities, and ISO oversees R&D and manufacturing personnel and assets activities, the two entities share overlapping manufacturing and production responsibilities as it operates as one consolidated business.

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The corporate officers of Intuitive are:

- Gary S. Guthart, President and Chief Executive Officer
- Salvatore J. Brogna, EVP and Chief Operating Officer
- Myriam J. Curet, M.D., EVP and Chief Medical Officer
- David J. Rosa, EVP and Chief Commercial Officer
- Kara Andersen Reiter, SVP, General Counsel, and Chief Compliance Officer
- Marshall L. Mohr, SVP and Chief Financial Officer

THE PROJECT

Intuitive is requesting a sales and use tax exclusion to further upgrade and expand its existing design and manufacturing facility located in Sunnyvale (the “Project”). The Applicant explains the Project will include an additional 400,000 square feet of facility space and upgrades and additional production, research, design, testing, and prototyping equipment over the next three years.

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A portion of the Applicant's Project will relate to its Ion product line, known as the Ion Endoluminal System, which is a robotic-assisted platform for performing minimally invasive biopsy of the lung. The system cart includes software, a controller, and a planning laptop with software to convert patient CT scans into 3D airway trees for planning navigation prior to operation. The system also includes an ultra-thin catheter capable of 180-degree articulation in any direction and has a 3.5mm outer diameter. According to the Applicant, the catheter has fiber optic shape sensors along its length to provide real-time shape information for easier navigation. The system also includes a probe to provide real-time fluoroscopic, radial endobronchial ultrasound, virtual, and live view in a single display, and a biopsy needle that can pass through the tight-radius bends within the catheter and deploy straight open exiting the end of the catheter.



Figure 1: Intuitive's Ion Endoluminal System Cart

Intuitive states its manufacturing process utilizes extensive research and information technology into the science of medicine and surgery. For example, the Applicant applies machine learning to improve the software ability to plan biopsy paths through the lung segment structures. Intuitive explains its production team also use highly precise tools that utilize algorithms within microprocessors to carefully build and customize its devices. Highly sensitive tools are used that measure and track the exact amount of torque used at every moment of product assembly.

Additionally, Intuitive anticipates this Project will result in approximately 30% less energy consumption compared to its previous manufacturing process through the installation of rooftop solar and LED lighting in its new facilities

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ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Manufacturing/Production Machinery, Equipment & Materials	\$18,500,000
Facility Buildout, Upgrades & Infrastructure Improvements	32,150,000
Logistics, Transport, Storage Systems & Related Property	1,650,000
Computers, Information Technology & Related Property	4,100,000
Design, Engineering, Research and Development Property	16,500,000
Tooling Equipment & Materials	1,150,000
Production/Design Tools, Spare & Repair Parts	900,000
Quality Control, Testing & Prototyping	4,850,000
Lab Instruments & Devices	<u>2,700,000</u>
Total	<u>\$82,500,000</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 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 states it will begin Qualified Property purchases in Q2 2020 and construction is expected to commence in Q4 2020. The Applicant anticipates to complete the Project in 2023.

COMPETITIVE CRITERIA SCORE

In the event that CAEATFA receives Applications in excess of the statutory \$100 million cap for that calendar year, the order in which the Applications shall be considered in the same month will be ranked based on five Competitive Criteria.

The Applicant received 70 Competitive Criteria points as follows:

- 1. Environmental Benefits (0 points).** The Applicant's Project did not earn any Total Pollution Benefits points (i.e. did not have environmental benefits that could be monetized and scored pursuant to the Program's regulations³), therefore no points are awarded.
- 2. Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 2.5 %. When compared

³ California Code of Regulations Title 4, Division 13, Section 10033(c)(4)

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to the statewide average annual unemployment rate, which was 4.1% in 2019, the dataset used in the Application, the Project location earned the Applicant an Unemployment Score of zero points.

3. **Job Creation (55 of 75 points)**. The Applicant represents that the Project will support a total of 1,979 production-related jobs at its Facility. CAEATFA estimates that approximately 54 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 55 points.
4. **California Headquarters (15 points)**. The Applicant has a California Corporate Headquarters, therefore 15 points are awarded.
5. **Natural Disaster Relief (0 points)**. The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in the state of emergency proclamation made by the California State Governor within two years of the time of application, therefore zero points are awarded.

PROJECT EVALUATION

NET BENEFITS

The Project received a Total Score of 3,115 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 50 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,960 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 \$20,416,918, resulting in a Fiscal Benefits score of 2,960 points for the Project.
- B. **Environmental Benefits (50 points)**. The Project earned an Environmental Benefits Score of 50. 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 seeks to reduce waste and GHG emissions.
 2. **Energy Consumption (30 of 30 points)**. The Applicant represents that the Project will result in a 30% reduction in energy consumption compared to the Applicant's previous manufacturing process through the use of LED lighting and rooftop solar.

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C. **Additional Benefits (105 points)**. Applicants may earn additional points for their Total Score. The Applicant submitted information and received 105 additional points.

1. **Production Jobs (55 of 75 points)**. The Applicant represents that the Project will support a total of 1,979 production-related jobs at its Facility. CAEATFA estimates that approximately 54 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 55 points.
2. **Construction Jobs (0 of 75 points)**. The Applicant represents that the Project will support a total of 85 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 STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
3. **Unemployment (0 of 50 points)**. The Applicant’s Project is located in Santa Clara County, which has an average annual unemployment rate of 2.5 %. When compared to the statewide average annual unemployment rate, which was 4.1% in 2019, the dataset used in the Application, the Project location earned the Applicant an Unemployment Score of zero points.
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 the production process existing advanced robotic surgical systems and related instruments and accessories that is the subject of this Application.
5. **Workforce Partnerships (25 points)**. The Applicant has partnerships with Santa Clara University, San Jose State University, Stanford University, UCLA, and UCSD for the purpose of training the workers at the Facility and/or for the purposes of assisting in the training of potential future workers.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, all necessary building, installation, and operational permits have been secured with the City of Sunnyvale and County of Santa Clara.

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

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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,⁴ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$330,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 20-SM027 for Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.'s purchase of Qualified Property in an amount not to exceed \$82,500,000, anticipated to result in an approximate sales and use tax exclusion value of \$6,897,000.

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

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**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH INTUITIVE SURGICAL, INC. AND ITS
SUBSIDIARY, INTUITIVE SURGICAL OPERATIONS, INC.**

March 17, 2020

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.** (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 \$82,500,000 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.

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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.