



December 2018
Department of Resources Recycling and Recovery

Recycling Market Development Zone Revolving Loan Program

Application Guidelines and Instructions

TABLE OF CONTENTS

LOAN PROGRAM BACKGROUND	4
Statutory and Regulatory Authority.....	4
Timeline.....	5
Program Funding.....	5
Loan Applicant Type.....	6
Loan amount.....	6
Project Location.....	6
Schedule of Fees and Costs.....	6
Loan Term.....	6
Use of Loan Fund Disbursement.....	6
Collateral.....	7
Guarantee(s).....	7
Life Insurance.....	7
Matching Funds Requirement.....	8
Multiple Loan Policy.....	8
Permit and CEQA Requirements.....	9
Feedstock.....	9
ELIGIBLE PROJECT TYPES	10
1. Waste Prevention.....	10
2. Reuse.....	10
3. Recycling, Composting, and In-Vessel Digestion.....	10
INELIGIBLE PROJECT TYPES.....	10
PROJECT EXAMPLES.....	10
APPLICATION ACCESS	14
Application Access.....	14
Before You Prepare A Loan Application.....	14
APPLICATION	15
RMDZ Loan Application (CalRecycle 838-RMDZ).....	15
RMDZ Loan Application Checklist (CalRecycle 854-RMDZ).....	15
RMDZ Loan Guidelines and Instructions (CalRecycle 839-RMDZ).....	15
PROJECT FORMS AND DOCUMENTS	15
Project Narrative Proposal – RMDZ Projects (CalRecycle 826-RMDZ).....	15
Feedstock Certification (CalRecycle 859).....	15
Net Tons of Newly Diverted Waste Materials from Landfills (CalRecycle 834).....	16
Material Flow Chart (CalRecycle 857).....	16
Project Readiness and Permits (CalRecycle 829).....	16
General Checklist of Permits, Licenses, and Filings (CalRecycle 825).....	16
Budget Sources and Uses of Funds (CalRecycle 824).....	16
Budget Collateral Description and Valuation (CalRecycle 836).....	16
RMDZ Zone Administrator Certification (CalRecycle 879-RMDZ).....	17
FINANCIAL FORMS AND DOCUMENTS	18
Financial Narrative – Business (CalRecycle 853).....	18

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

Present Debt Obligations (CalRecycle 840)	18
Business Credit Check Authorization (CalRecycle 837)	18
Personal Financial Statement (CalRecycle 822)	18
Guarantor Personal Credit Check Authorization (CalRecycle 821)	18
APPLICATION SUBMITTAL	19
APPLICATION REVIEW	20
Loan Underwriting Requirements	20
Common Reasons for Loan Decline or Withdrawal	20
LOAN APPROVAL PROCESS	21
Loan Committee	21
CalRecycle Approval	21
DOCUMENTATION AND FUNDING	21
Loan Documents	21
Escrow Company (Loan document signing and fund disbursement)	22
BILLING AND PAYMENT	22
Billing and Payment Questions	22
ANNUAL REPORTING REQUIREMENTS	22
Project Reporting (Annual as of December 31)	22
Financial Reporting.....	23

LOAN PROGRAM BACKGROUND

The Loan Application Guidelines and Instructions provides loan applicants with instructions about how to complete a Department of Resources Recycling and Recovery (CalRecycle) Recycling Market Development Zone (RMDZ) Loan Application.

The RMDZ Loan Program Application is available on the Internet at the [RMDZ Forms and Documents page](#). Questions about the loan application should be directed to Loans@CalRecycle.ca.gov

The RMDZ Loan Program provides funds to businesses, not-for-profit organizations, and local government entities to support new or expanded recycling infrastructure in designated zones, to increase the use of waste materials generated in California and typically landfilled and promote market demand for recycled materials. The program provides direct, low-interest loans for the purchase of equipment and other related costs.

Recycling Market Development Zones (RMDZ) are California cities and counties that voluntarily participate in the RMDZ program, to help their local jurisdictions comply with the statutory mandate of AB 939 (50 percent waste diversion) and statutory target goal of AB 341 (75 percent recycling). The RMDZs have local Zone Administrators that can help you become aware of a variety of economic development incentives.

Statutory and Regulatory Authority

The RMDZ Loan Program was established by Senate Bill 2310 (Bergeson, Statutes of 1990, Chapter 1543), codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. Public Resources Code (PRC) Section 42023.1 (f) authorizes CalRecycle to approve RMDZ loans to eligible businesses and not-for-profit organizations located in designated zones.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

Timeline

Date	Activity
Continuous	Applications accepted (subject to the availability of funds)
First-come, first-served	Loan applications submitted
90-120 days after a complete application is received	Loan awards

Program Funding

The amount of available funds for new loans is shown on the [RMDZ loan program home page](#). For updates on available funds, send an email to Loans@CalRecycle.ca.gov

ELIGIBILITY CRITERIA

The RMDZ Eligibility Criteria was approved on December 20, 2018. Questions should be emailed to Loan Staff at Loans@CalRecycle.ca.gov

Loan Applicant Type

Eligible applicants include:

- Private, for-profit entities.
- Nonprofit organizations (except private schools).
- Local government entities
 - Cities, counties, and cities and counties
 - Regional or local sanitation agencies, waste agencies, and joint power authorities

Loan amount

The maximum loan amount is \$2,000,000 or 75 percent of total project cost, whichever is less.

Project Location

The project, or if a mobile operation, the primary business location must be located within a Recycling Market Development Zone.

Schedule of Fees and Costs

- Loan Application Fee: \$300, due at the time of loan application submittal.
- Loan Closing Points: 0.50 percent, due when loan funds are paid into escrow.
- Loan Interest Rate: 4.00 percent, fixed, on a simple interest basis.
- Prepayment Penalty: None.

Loan Term

The maximum loan term is 10 years when collateralized by assets other than real estate or 15 years when partially or wholly collateralized by real estate. Some loan terms may be less than 10 years to match the useful life of the equipment.

Use of Loan Fund Disbursement

Private entity and nonprofit organizations can use loan funds for:

- Machinery and equipment,
- Working capital,
- Real estate purchase (maximum of \$1,000,000),
- Real estate improvements,

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

- Refinancing of onerous debt that results in increased diversion, and
- Funds can also be used for financing loan-closing points.

(a) RMDZ loan recipients are required to agree that when purchasing products with loan funds in the 11 SABRC categories, the borrower agrees to purchase recycled-content products when available and fitness and quality are equal to that of non-recycled products.

(b) Loans made to finance the purchase of commercial real estate and/or to make necessary real-estate improvements will require the application of sustainable building practices. At least 25% of the loan funds approved for improvements to property would have to be applied toward those costs involving sustainable building products and services. This would apply only to the portion of the loan funds used for improvements. Examples include the use of recycled paints, carpets, cubicles, and rubberized asphalt. The installation of energy efficient lighting, heating and cooling systems, water conserving and shade producing landscape would be applicable. Borrowers are required to provide invoices showing the amount that 25% was purchased and the types of products and services purchased.

Local government entities can use loan funds for infrastructure and/or capital improvements in support of private, for profit entities, and nonprofit organizations engaged in value added processing or manufacturing using recycled materials.

The general practice is that loan funds cannot reimburse a business for expenses incurred before a loan application is submitted to CalRecycle.

Collateral

Collateral is required. Collateral may include equipment, inventory, accounts receivable, real estate. Ineligible collateral includes personal residences, personal vehicles, retirement accounts, foreign accounts, and liquid assets.

Guarantee(s)

Personal and/or business guarantees are generally required from owners of 20 percent or more and their related business entities. Other key personnel, including owners of less than 20 percent, may be asked to guarantee when necessary to support the viability of the loan.

Life Insurance

Assignment of life insurance may be required for key owner(s) when the key owner(s) are essential to the success of the business.

Matching Funds Requirement

- The RMDZ Loan Program has a matching funds requirement. The borrower must contribute at least 25 percent of the total project cost. The purposes of the match requirement are for the borrower to have financial risk in the project, which will incentivize the business to remain successful during the loan term, and to ensure that there is adequate equity in the loan collateral. In addition, the matching fund requirement must be in an amount sufficient to ensure that the business has sufficient working capital to pay operating expenses.
- Verification of matching funds paid into the project is normally done by providing copies of paid invoices and cancelled checks, especially for large expense items such as equipment and machinery.
- Matching funds can include, but are not limited, to cash, grants, or loans. The following may not be used as matching funds: collateral, personal property, intangible items, i.e., patents, IOUs.

Multiple Loan Policy

Businesses may apply for loans, subject to the following:

Maximum Borrowing Limits:

1. Single Borrower

A single borrower may receive more than one loan but, at any one time, may not have more than:

- a. \$3,000,000 total principal outstanding on all RMDZ loans;
- b. \$5,000,000 total principal outstanding on all GHG loans; or
- c. \$5,000,000 total principal outstanding on all CalRecycle loans.

2. Borrower and Related Entities

- a. A borrower and its financially dependent related entities together are subject to the single borrower maximum borrowing limits.
- b. A borrower and its financially independent related entities each are subject to the single borrower maximum borrowing limits.

Notes:

- The above Multiple Loan Policy establishes program eligibility. Separately, loan staff will conduct a credit evaluation of each applicant, which may further limit the recommended loan amount.
- Related entities have some common ownership. Independent related entities are not primarily dependent upon each other for services, products, or funds, while dependent related entities are primarily dependent upon each other for services, products, or funds.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

- For the same project, a business may apply for a RMDZ loan and a GHG loan on or about the same time, conditioned upon loan proceeds being used for separate and distinct expenses.
- For a project expansion or different project, a business may apply for a subsequent loan if at least six months has passed since the last loan was disbursed to the borrower, and all outstanding loans are in compliance with all terms and conditions.

Permit and CEQA Requirements

Permit requirements are as follows:

- Eligible projects do not qualify for a loan unless they are past the design phase of the project and are prepared for construction. Applicants must obtain all major applicable federal, state, and local permits prior to CalRecycle Loan Committee consideration of the application. Major permits may include: Air Permit, Water Quality Permit, Fire Permit, Solid Waste Facility Permit, Business License, and/or a Conditional Use Permit. Copies of approved major permits must be provided before the loan is funded.
- Applicants shall complete all California Environmental Quality Act (CEQA) requirements for their project before the loan request is presented to the loan committee.

Feedstock

Eligible feedstock is postconsumer or secondary recovered waste material that is generated in CA, and that is typically landfilled. However, the recovered waste material does not have to be currently landfilled if it is being used to manufacture a value-added feedstock or a finished product. One key criterion is whether a project results in expanded market demand for recycled materials.

ELIGIBLE PROJECT TYPES

1. Waste Prevention

Waste Prevention projects change the process by which products are made, resulting in a net reduction of feedstock used and/or waste generated. This can be accomplished by modifying equipment or processes, improving operations and maintenance, or changing materials in manufacturing. The project will result in less waste generated during the manufacturing process.

2. Reuse

Reuse projects will prolong the useful life of a product, delaying final disposal or recycling, and may involve the repair, repurposing, reconditioning, washing, or treatment of a worn or used product that makes the product useable again for its originally intended purpose or for a similar purpose.

3. Recycling, Composting, and In-Vessel Digestion

There are two types of recycling manufacturers: 1) Processing a feedstock into a finished product; 2) Producing a value-added feedstock for use by other manufacturers that produce a value-added or finished product.

INELIGIBLE PROJECT TYPES

Projects are ineligible for the following reasons:

- 1) Using any of the following material types: hazardous waste, metals and/or any specific materials that are banned from solid waste landfills locally or statewide;
- 2) Producing single use plastic bags or polystyrene food containers; and
- 3) Technologies that are transformation, i.e., incineration, pyrolysis, waste-to-energy, etc., gasification, biomass, etc.

PROJECT EXAMPLES

1. Waste Prevention

Eligible Projects

- Modifying equipment or processes to make products using less raw material or packaging.
- Purchasing a laser cutter to replace a water saw, to cut more parts from the same sized sheet of plastic.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

Ineligible Projects

- Buying recycled or reusable pallets, reusable containers or reusable filters that are not directly involved in the making of a product.

2. Reuse

Eligible Projects

- Separating salvageable items from deconstruction projects for resale.
- Collecting, distributing, and storing edible food for human consumption and/or animal feed.
- Collecting, cleaning, sterilizing and redistributing glass bottles.
- Washing reusable diapers that are used instead of disposable diapers.
- Collecting, sorting, repurposing, and/or repairing items for resale.
- Providing a textiles swap subscription service and assigning a points system for items donated (and therefore for a higher level of reuse).

Ineligible Projects

- Performing home appliance or automobile repairs.
- Dismantling automobiles or white goods.
- Collecting and refilling propane tanks.
- Washing uniforms that would not otherwise be disposed.

3. Recycling, Composting, In-Vessel Digestion, etc.

Eligible Projects

- Producing a recycled intermediate material from non-hazardous solid waste.
 - Cleaning and grinding any type of plastic to produce plastic pellets, flakes, or chips.
 - Processing recovered tires to produce crumb rubber.
 - Deconstructing mattresses and separating the residual wood, metal, and fiber to be made into new products.
 - Deconstructing waste carpet and sorting into residual materials (nylon/plastic/wool fiber, calcium carbonate, etc.) to make other products.
 - Recovering edible food and producing a new product, i.e., using recovered edible food to make prepared meals, such as soups, jams, baked goods, etc.
 - Producing pellets, flakes, or chips by separating, cleaning and grinding plastic casing/containers that previously contained electronic waste, paint, pesticides, plastic parts of solar panels, etc., which therefore are no longer considered hazardous waste.
 - Separating and cleaning casing from electrical cords and grinding the plastic to produce plastic pellets, flakes, or chips.
- Producing a recycled content finished product from non-hazardous solid waste and/or a recycled material.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

- Processing organic materials through a compost system to produce compost.
- Chipping and grinding organic materials to make mulch or decorative landscape materials.
- Converting feedstock such as food waste by using in-vessel digestion to produce renewable natural gas, liquid fuels, electricity, heat, soil amendments, and liquid fertilizers.
- Using paper to produce recycled content finished products such as copier paper, paper towels, table napkins, and facial tissue.
- Using cardboard and newspaper to produce recycled content finished products, such as bottle shells, boxes and wall insulation.
- Using carpet fibers to manufacture recycled content carpet underlayment.
- Using plastic pellets, flakes, or chips to manufacture recycled content plastic pallets, lumber (or other durable building materials), bottles, and food packaging (see Ineligible Project Types for specific exclusions).
- Using plastic waste that was created during the manufacturing process, then processing it back through the manufacturing process to make post-industrial recycled content finished product. (Note: This waste was previously being disposed.)
- Using glass to manufacture recycled content glass tiles, flooring, countertops, tableware, trophies and/or gift items.
- Using crumb rubber to manufacture recycled content weighted bases for traffic safety products, rubber mats, and/or hot asphalt mix.
- Grinding broken concrete and asphalt to manufacture recycled content rock products, gravel, sand, and road base.
- Using recycled content yarn made from recycled plastic to sew garments.
- Chipping, grinding and/or composting using tree mortality feedstock (including pine needles) to make mulch and compost. (Note: For this feedstock material to be eligible supporting documentation must be provided stating that the material would otherwise be disposed without the project).

Ineligible Projects

- Collecting and baling recyclables for shipment only.
- Any project recycling only metal.
- Using woodchips or any other feedstock in a gasification unit to produce biochar as a soil amendment.
- Production of single-use plastic bags with recycled feedstock.
- Production of polystyrene food containers using recycled content feedstock.
- Feedstock, finished product, or equipment for use in conversion technologies, such as biomass, transformation (e.g., pyrolysis), gasification.
- Development of a mobile phone application to encourage recycling.

- Using wax produce boxes to produce fire logs.
- Recycling hazardous waste or hazardous portions of electronic waste.

APPLICATION ACCESS

Application Access

The loan application is available on the RMDZ Forms and Documents Internet webpage at the [RMDZ Forms and Documents page](#).

Before You Prepare A Loan Application

You are encouraged to contact loan staff before you prepare a loan application, to discuss your project and financial ability to repay the loan. To request assistance, send an email to Loan Staff at Loans@CalRecycle.ca.gov.

APPLICATION

Below is a list of CalRecycle application forms and documents. Each form contains specific instructions.

RMDZ Loan Application (CalRecycle 838-RMDZ)

The purpose of the Loan Application is to gather information about the applicant and the project. This information will be shared with CalRecycle staff involved in the loan process and with the Zone Administrator. Applications will be treated in accordance with Public Records Act requirements. Certain information, subject to those requirements, may be publicly disclosed. An application may be submitted to request a Preliminary Loan Determination or a Full Loan Determination.

The application is to be submitted in three separate and distinct stages.

1. Preliminary Application with three years financial statements.
2. Project Forms and Documents.
3. Full Application with Financial Forms and Documents and \$300 application fee.

RMDZ Loan Application Checklist (CalRecycle 854-RMDZ)

The purpose of the Loan Application Checklist is to ensure the loan applicant submits all required forms and documents to submit a complete loan application package. The Checklist is to be attached to the Loan Application.

RMDZ Loan Guidelines and Instructions (CalRecycle 839-RMDZ)

The purpose of the RMDZ Loan Application Guidelines and Instructions is to provide loan applicants with instructions about how to complete a Department of Resources Recycling and Recovery (CalRecycle) Recycling Market Development Zone (RMDZ) loan application.

PROJECT FORMS AND DOCUMENTS

Project Narrative Proposal – RMDZ Projects (CalRecycle 826-RMDZ)

The purpose of the Project Narrative Proposal – RMDZ Projects is to fully describe all aspects of your project. Each section of the Project Narrative Proposal must have a response. Ensure your narrative responses are concise, detailed, and most importantly, address each of the sections. Make sure the information in the Project Narrative Proposal is consistent with the Budget Sources and Uses of Funds (CalRecycle 824).

Feedstock Certification (CalRecycle 859)

The purpose of the Feedstock Certification form is to verify and document that the California generated feedstock/waste materials you will use are newly diverted or have already been from landfills. It is the applicant's responsibility to ensure the Feedstock Certification form is accurate and complete for each processor, contractor or hauler who will provide feedstock/waste material to your business. The form must be signed by the

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

processor, contractor, hauler, or other party that provides feedstock/waste materials to your business. The Feedstock Certification form and the required supporting documentation must be attached to the Project Narrative Proposal. CalRecycle staff will use this information to determine that feedstock amounts are sufficient and agreements are in place to support your project.

Net Tons of Newly Diverted Waste Materials from Landfills (CalRecycle 834)

The purpose of this document is to provide the annual net tons of California generated waste materials that will be newly or has already been diverted away from landfilling and toward more beneficial uses as a result of your project. Be sure to use the net tons newly diverted, not the gross tons. All projects must show a measurable increase in new net tons diverted.

Material Flow Chart (CalRecycle 857)

The purpose of this document is to show a “flow chart” depicting the current flow of feedstock waste materials to a landfill and depicting the feedstock waste materials going to your recycling manufacturing facility, instead of being delivered to a landfill. See instructions in CalRecycle 857.

Project Readiness and Permits (CalRecycle 829)

The purpose of this form is to assess whether your project will be able to obtain all necessary permits before presentation of the loan to the CalRecycle loan committee.

General Checklist of Permits, Licenses, and Filings (CalRecycle 825)

The purpose of this form is to ensure the applicant has obtained all applicable permits, licenses, and filings before the loan is presented to the CalRecycle loan committee. CalRecycle staff will use this information to determine your permitting, construction, and start-up status. Copies of all major permits must be provided at time of loan application.

Budget Sources and Uses of Funds (CalRecycle 824)

The purpose of this form is to show all costs and funding sources for your project.

If you also intend to apply for a grant or other financing, those other funds must be used for project components different from those to be funded by the RMDZ loan. Include an explanation about how funding with grants and other financing will work together in the Project Narrative Proposal.

Budget Collateral Description and Valuation (CalRecycle 836)

The purpose of this form is to list all equipment and machinery to be purchased with loan funds and used as collateral and all other proposed collateral, to determine that the loan will be adequately collateralized. For equipment and machinery to be purchased with loan proceeds, and offered as loan collateral, equipment brochures, technical specifications, and quotes or purchase invoices must be attached to this form.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

RMDZ Zone Administrator Certification (CalRecycle 879-RMDZ)

The purpose of this form is to make the local RMDZ Zone Administrator (ZA) aware of the project and for the ZA to confirm that the project is located in the applicable zone and agree that the waste diversion and job increase projections are reasonable. ZAs can offer local technical assistance to help site or expand the business.

FINANCIAL FORMS AND DOCUMENTS

Financial Narrative – Business (CalRecycle 853)

The purpose of this form is for the applicant to explain its ability to financially qualify for the loan and to explain its financial statements.

Present Debt Obligations (CalRecycle 840)

The purpose of this form is for the applicant and guarantors to list all debt obligations, including those reported to credit reporting agencies and off-balance sheet obligations. This information is needed to help determine the ability to repay and identify the collateral held on secured loans. For equipment, machinery, and business assets to be offered or taken as loan collateral, attach copies of each secured lender's Note, Security Agreement, and Loan Agreement.

Business Credit Check Authorization (CalRecycle 837)

The purpose of this form is for the applicant business and business guarantors to authorize CalRecycle to obtain business credit reports and check credit references.

Personal Financial Statement (CalRecycle 822)

The purpose of this form is to determine the guarantor's personal ability to make loan payments, when business cash flow is not sufficient to do so. If the guarantor's personal assets are titled in the name of a trust, the trust must also guarantee the loan.

Guarantor Personal Credit Check Authorization (CalRecycle 821)

The purpose of this form is for personal guarantors to authorize CalRecycle to obtain credit reports and check credit references.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

APPLICATION SUBMITTAL

Applications can be submitted at any time and are processed on a first-come, first-served basis, subject to availability of program funds.

The application can be submitted in person or by mail to the addresses below. Overnight courier services are encouraged to ensure that CalRecycle receives the loan application. Also send a scanned copy of the courier's tracking document by email to Loans@CalRecycle.ca.gov

Physical Address (hand delivery and overnight couriers):
Department of Resources Recycling and Recovery (CalRecycle)
Loans Unit
1001 I Street, Mail-Stop #9
Sacramento, CA 95814

Mailing Address (U.S. Postal Service)
Department of Resources Recycling and Recovery (CalRecycle)
Loans Unit (Mail-Stop #9)
P.O. Box 4025
Sacramento, CA 95812-4025

- ✓ Ensure that the original Loan Application (CalRecycle 838-RMDZ) is submitted and signed using blue ink.
- ✓ If submitting an application for a full loan determination, a check to pay the \$300 application fee must be attached to the Loan Application.
- ✓ Photocopies of all other application forms and borrower documents are acceptable.

APPLICATION REVIEW

Loan Underwriting Requirements

CalRecycle loan staff underwrite and analyze loan applications based on the commercial loan industry standard Five C's of Credit. The Five C's are:

1. **Character:** Business owner's work and educational experience to operate a manufacturing facility.
2. **Capacity:** Capacity of the borrower is the first source of loan repayment. Historical and projected financial capacity of the business to demonstrate the ability to repay and collateralize the loan.
3. **Capital:** Capital of the guarantors is the second source of loan repayment, when the business is not able to make loan payments. The Capital of the business owners to inject additional funds into the business and/or make loan payments when the business is not able to.
4. **Collateral:** Collateral is the third source of loan repayment. The business and owners must provide adequate collateral to fully cover the loan amount that is discounted after depreciation valuation basis.
5. **Conditions:** The borrower must have all approved permits before the loan request is presented to loan committee for consideration. During the term of a loan, the borrower must maintain compliance with permits, provide financial statements on that comply with Generally Accepted Accounting Principles (GAAP) accrual basis and tax returns that demonstrate the continued ability to pay, maintain business insurance naming CalRecycle as loss payee, and other terms and conditions stated in the loan documents.

Common Reasons for Loan Decline or Withdrawal

1. **Location:** The project has not sited in a RMDZ in California.
2. **Secretary of State:** The business corporation or limited liability company is not properly registered with the California Secretary of State.
3. **Customers:** The business has not provided a list of major customers that are willing to purchase their recycled-content products, and/or the product specifications to not meet the customers approved products specifications.
4. **Feedstock:** The loan applicant must have full control of the feedstock using waste materials generated in California.
5. **Manufacturing Process:** The loan applicant must adequately describe their manufacturing process, and not contract out portions of the value-added manufacturing process.
6. **Recycled-Content End Products:** The loan applicant must manufacture recycled-content end products.
7. **Permits have not been obtained and/or CEQA requirements have not been met.**
8. **Loan application is incomplete.**
9. **Loan applicant historical and projected financial statements do not reflect the ability to repay and collateralize the loan.**

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

10. Guarantor(s) financial statements do not reflect the ability to repay the loan on a secondary basis.
11. Loan applicant is not able to provide sufficient collateral to repay the loan on a tertiary basis.
12. Credit history is not positive, shows negatively reported accounts.

LOAN APPROVAL PROCESS

Loan Committee

The CalRecycle loan committee, comprised of outside experts in financial analysis and credit evaluation, will determine if the applicant has demonstrated the financial ability to repay and collateralize the loan and its overall creditworthiness. The applicant is encouraged to participate in the loan committee teleconference meeting. The loan committee will vote to recommend approval, approval with modifications, or denial of the financial aspect of the loan request. This is not to be construed as full loan approval, which can only be done by CalRecycle's Director or Deputy Director.

CalRecycle Approval

Loans recommended for approval by loan committee will be forwarded to CalRecycle's Director or Deputy Director for final approval consideration.

When approved, CalRecycle's loans are subject to the following conditions:

1. The return by the Applicant of a signed Loan Commitment Letter within thirty (30) days of the date of the Commitment Letter.
2. All terms and conditions contained in the Loan Agreement and other loan documents to be prepared by loan program staff in accordance with applicable regulations and such other terms and conditions as duly authorized staff in their sole discretion deem necessary or advisable.
3. The Applicant's signing of loan documents and the disbursement of loan funds to escrow within the 90-day loan commitment period. The loan commitment may be extended, for cause, for an additional 90 days. Extension of the loan commitment beyond the second 90-day period shall occur only if agreed to by both CalRecycle and the Applicant.

DOCUMENTATION AND FUNDING

Loan Documents

Following CalRecycle's conditional approval of a loan, loan staff will prepare loan documents. One of the loan documents is a Loan Agreement. The Loan Agreement contains provisions (e.g. project implementation requirements to maintain project eligibility and annual reporting) that the borrower must comply with during the entire term of the loan.

Recycling Market Development Zone
Revolving Loan Program
Application Guidelines and Instructions
CalRecycle 839-RMDZ (Rev. 12/18)

Escrow Company (Loan document signing and fund disbursement)

The use of an escrow company for the signing of loan documents and disbursement of loan funds is a requirement. The escrow company will disburse loan funds directly to vendors in increments, after receiving CalRecycle's approval to do so. Changes to approved project expenditures must be approved in advance by CalRecycle.

BILLING AND PAYMENT

- Loan billing statements are prepared on a monthly basis by loan staff and mailed to the borrower
- Payments are due on the first (1st) day of each month. Payments may be made by: 1) Check made payable to CalRecycle, which must include the borrower name and loan number; or 2) Using your bank's Bill Pay service, which will help ensure that payments are made in a timely manner. CalRecycle is not able to establish automatic payments and automatically withdraw the loan payment from your bank account.
- Payments must be mailed to CalRecycle, Mail Stop #19A, Post Office Box 2711, Sacramento, CA 95812. This is a secured post office box for payments only.
- Payments received on the second (2nd) day of the month or afterwards are considered late and will accrue additional interest. Thus, payments should be mailed in advance to ensure receipt on or before the first of each month.
- For payments not received by the 11th day of the month, a late fee of 6 percent of the payment amount will be assessed. It is the borrower's responsibility to verify payments were received by CalRecycle (by reviewing the bank statement).
- Payments are applied first to accrued and unpaid interest, second to principal, and third to other fees such as late charges.
- Loan interest is calculated on a simple interest 30/360 basis. Payments received consistently on the payment due date (first day of each month) will ensure adherence to the loan amortization schedule.

Billing and Payment Questions

Billing and payment questions should be sent by email Loans@CalRecycle.ca.gov
Responses will be provided by Loan Staff.

ANNUAL REPORTING REQUIREMENTS**Project Reporting (Annual as of December 31)**

All borrowers are required to report annually as of December 31 on net tons of waste materials diverted and number of jobs. Annually, loan staff will send the borrower a survey reporting form to facilitate consistent reporting. Failure to report in a timely manner and with accurate information may result in a loan default. All project reporting records and documents will be maintained by CalRecycle during the 10 or 15-year term of the loan and five years after the loan is paid off.

Financial Reporting

All borrowers are required to report annually on compliance with all loan terms and conditions, including providing current financial statements and other required documents. Failure to report in a timely manner and with accurate information may result in a loan default.

AUDIT/RECORDS ACCESS

CalRecycle and State oversight agencies have the right to audit a loan. Borrowers must maintain all loan records for possible audit for a minimum of three years after the final loan disbursement or until completion of a pending audit or resolution of any dispute and must allow designated State representative's access to these records for audit purposes.