

STATE OF CALIFORNIA

DEPARTMENT OF CORRECTIONS AND REHABILITATION

PRISON INDUSTRY BOARD

PUBLIC HEARING

JUNE 7, 2017

CALIFORNIA PRISON INDUSTRY AUTHORITY

CONFERENCE CENTER

2125 19TH STREET

SACRAMENTO, CALIFORNIA

REPORTED BY:

ESTHER F. SCHWARTZ
CSR NO. 1564

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ATTENDEES

BOARD MEMBER CO-CHAIRS:

JEFF McGUIRE
MICHELE STEEB

STAFF:

CHARLES L. PATTILLO, EXECUTIVE OFFICER
SCOTT PERKINS
RAYMOND MEEK
GARY BUSH
RANDY FISHER
MILO FITCH
KEVIN COLE
ZILLE KHAN
ALTHEA COSTALES
THY VUONG
MELISSA SCHANE

COUNSEL:

JEFF SLY

PUBLIC MEMBERS:

LOU RAMONDETTA

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1 ten days prior to this meeting, notification was
2 posted on the California Prison Industry Authority
3 website. Additionally, notice was mailed to
4 potential vendors located in the geographic areas of
5 the proposed enterprise, persons who have requested
6 notification of Prison Industry Board meetings,
7 persons who have requested notification of public
8 hearings, California Legislators, California Central
9 Labor Councils, and the Executive Secretary and
10 Treasurer of the California Labor Federation.

11 MS. STEEB: Thank you.

12 For those of you not familiar with CALPIA, I
13 can give you some background information before we
14 hear today's item.

15 CALPIA, or the California Prison Authority, is
16 a self-funded state agency that employs offenders in
17 the production of goods and services. These goods
18 and services are sold only to other California state
19 agencies. The Prison Industry Board, of which I and
20 Mr. McGuire are here to represent, oversees all
21 CALPIA operations and is authorized to conduct
22 public hearings under Penal Code Section 2808(i).

23 The purpose of this public hearing today is to
24 receive testimony from organizations or individuals
25 who may be affected by the item that will be

1 presented today.

2 Before we begin hearing about today's item, it
3 may be helpful for you all to know how the hearing
4 will proceed and to establish ground rules.

5 First, CALPIA, represented by the General
6 Manager Charles Pattillo, will present the agenda
7 item. Then we will open it to the public to hear
8 statements of support or concern.

9 For those members of the public who will be
10 presenting statements of support or concern, we ask
11 that when you come to the podium please identify
12 yourself and your affiliation, please be specific
13 with regard to your concerns, please provide with us
14 written information if you've not done so already.

15 As you present, we, the committee members, may
16 ask you additional questions to clarify your
17 comments. If you are a vendor, the following
18 information would be helpful for the Prison Industry
19 Board: The products and/or services provided by
20 your company to governmental agencies during the
21 last three years; the dollar amount of those sales;
22 the percent of your company's total business that
23 those sales represent; the purchasing agency or
24 agencies; and the number of individuals employed,
25 including the number of former offenders, if any.

1 Thank you. And now to begin, Chuck Pattillo,
2 General Manager, will present our agenda item.

3 MR. PATTILLO: Thank you, Board Members,
4 Ms. Steeb and Mr. McGuire. My name is Chuck
5 Pattillo. I am the General Manager of the Prison
6 Industry Authority and also the Executive Officer of
7 the Prison Industry Board.

8 The matter we're discussing today is CALPIA's
9 proposal to expand our existing e-waste in the state
10 of California. As Mr. McGuire is very involved in
11 this aspect with Department of General Services,
12 we've been working with DGS and the California
13 Technology for a couple years to get ourselves
14 established as an e-waste handler, recycler and
15 refurbisher.

16 We have spent the last 24 months developing
17 this as an educational program, including setting
18 our e-waste collection site at East Sacramento, and
19 Our On-Time Delivery center will employ between five
20 and ten inmates and one staff member on a constant
21 basis to take inflow from state agencies.

22 The second part of that e-waste program is our
23 Joint Venture partner down at Merit in Stockton. I
24 think both of you have seen that before, where we
25 have a nonprofit private company, Merit, Inc., that

1 takes in e-waste from us and from other folks. Our
2 e-waste specifically, they take in under an
3 agreement where for every four computers we send
4 them to recycle, they give us one back as a
5 refurbished item. Then we have the option of
6 selling it or donating it to a nonprofit. In cases
7 where we have nonprofits, they may need multiple.
8 State agencies ask for some. Our big one is schools
9 that are possibly underfunded in the computer area.
10 We've done a lot of work with schools here.

11 The last part of the potential distribution of
12 these computers is for folks who don't have any
13 computers right now. They take an eight-hour course
14 through a couple schools out there that are
15 nonprofit, as well as charter schools, and they
16 become eligible to receive one of these computers.
17 It's not considered a gift of state funds because it
18 is surplus and junk when it goes out the doors. We
19 are actually dealing with e-waste junk. The whole
20 focus on this was not only were we looking for a
21 rehabilitation program, but we are looking to be
22 online with the Governor's CalRecycle, and our
23 initiative of defining the future.

24 One of the strategies that CalRecycle and the
25 Governor's Office - the Department of General

1 Services - has been focusing on is moving organics
2 out of the landfill, expanding the recycling and
3 manufacturing infrastructure, exploring new models
4 for state and local funding for materials-management
5 programs, promoting state procurement of
6 post-consumer recycle-content products, which this
7 would be a part of and then promoting producer
8 responsibility.

9 Currently, we are operating in East Sacramento
10 and also in Stockton with Merit. We're looking to
11 replicate that in Southern California. Our facility
12 would look very similar to what we have in Northern
13 California. There would be two collections sites -
14 one at California Institution for Men, Chino, where
15 we would employ between five and ten men, inmate and
16 one staff member, and then over at DJJ Ventura, to
17 back up Chino. We're actually using this as a
18 backup and not a site. Our second site would be at
19 DJJ Ventura, and the purpose of that is to replicate
20 our second Joint Venture that would mirror what we
21 do in Stockton.

22 We have several vendors who have contacted us.
23 We actually have one vendor here today who's been
24 working with our Joint Venture group to see if we
25 can replicate what seems to be working very darn

1 well in Northern California. The Department of
2 General Services has been very helpful in
3 identifying what the products are that we can
4 recycle and what we can't recycle and what they
5 really don't want to handle.

6 Currently, we are handling about 20 percent of
7 the total e-waste volume in the state of California.
8 And after July 1st, we believe that will be close to
9 about 90 percent. The reason for that difference is
10 because we have a lot of agencies out there that
11 don't know we do this. So what we have is five or six
12 MOUs with large organizations where we take their
13 e-waste. That's really where people have been
14 learning about it.

15 The three benefits for our proposal are: To
16 strengthen the State's efforts in tracking and
17 recycling obsolete IT equipment in a responsible
18 manner statewide, but at no added/extra cost; meet
19 the rehabilitative needs of both adult and youth
20 offenders by providing them with marketable job
21 training skills in e-waste recycling and computer
22 refurbishing; and meet the other needs of
23 under-served school districts with these surplus
24 computers or nonprofits as the case may be.

25 The big thing that was attractive to us and

1 very attractive to DGS is our program doesn't
2 increase the carbon footprint from vehicles. We're
3 only picking up using our existing trucking company
4 line which I know you're aware of, but for the
5 public, we run 80 trucks and 183 truck trailers from
6 the Oregon border to the Mexican border. Our
7 program for e-waste pickup won't have any extra
8 runs. If you have waste and we happen to be driving
9 by, we will pick it up. We very rarely will go
10 further than two miles on freeway runs to pick
11 something up. There are cases. In Sacramento, we
12 actually do run a bobtail because there's a lot of
13 business here in Sacramento, and we don't like
14 running big trucks downtown. That's the nature of
15 that.

16 Our current e-waste program began back in 2013
17 with CDCR. As I mentioned, we have several MOUs in
18 place right now. We are OSHA, the Occupational
19 Health and Safety Management System, 18001:2007,
20 certified. We are R2:2013, Responsible Recycling
21 Code of Practices, certified, and ISO 14001:2015,
22 the Environmental Management System.

23 So the training we are teaching right now:
24 Currently, we're running with female offenders in
25 East Sacramento. At DJJ it will be juvenile

1 offenders over 18 years old. And at Chino, it will
2 be men. The basic skills we've been teaching are
3 forklift operations, computer testing and
4 refurbishment, data management, and customer
5 relations.

6 Certification for the skills includes
7 Certiport, fundamentals of computer technology;
8 LearnThat, computer hardware. Other certifications
9 include our Customer Service Specialist, Overton
10 forklift training and certification, Worker
11 Occupational Safety and Health, International
12 Organization for Standardization, ISO. We are an
13 ISO-certified agency. Offender-participants can
14 also receive certificates of proficiency from CALPIA
15 when appropriate. We anticipate when up and
16 running, this will qualify for one month off your
17 sentence for each nine months completed.

18 The benefits of expanding the program
19 statewide is to maximize reutilization of state
20 technology assets. We're finding that a lot of the
21 assets we're receiving are -- I'll give you an
22 example -- server cases. Some other state agency
23 needed them. We are turning into a conduit for just
24 basically trading assets between state agencies,
25 which is fine; it wouldn't be done otherwise.

1 Reducing the amount of e-waste that is stored. We
2 find there are a lot of state agencies out there
3 that have built up large amounts of e-waste because
4 it's either too problematic for them to dispose of
5 it or they don't want to pay somebody to dispose of
6 it. As I mentioned, we're not charging anything to
7 pick up any of this. They would actually be a
8 reduced cost for a lot of state agencies now paying
9 for the service.

10 We talked about reducing the carbon footprint
11 by using our existing truck line, and this supports
12 the State's goal of 75-percent recycling by 2020.
13 And then we're looking to build on public safety
14 improvements and rehabilitative programs that we
15 have. We know it's going to be overall, at its
16 height, less than 50 people employed in this, but
17 that means 50 people every year that are getting
18 trained in a service. Believe me, this is a market
19 based on stats. It will be growing in the next five
20 to ten years even greater than it is now.

21 California Technology is part of our program
22 we've been running so far in expansion. One of
23 their systems has been in securing Internet access
24 for folks who are low income, who may get provided
25 these computers through Comcast for \$7 a month,

1 which is a pretty good deal if you don't have
2 Internet.

3 We currently only work with vendors who have
4 achieved R2 certification. We will not work with
5 anybody who has not received all the similar
6 certifications we have received. However, we will
7 work with collectors. To be a collector you don't
8 need any certifications. Actually, Ms. Steeb and I
9 talked about this the other day. You don't need to
10 have an R2 certification. In fact, you can be a
11 collector. One of the big ones is the Boy Scouts
12 collecting e-waste. So we will work with folks like
13 that that, who to be collectors, for whatever
14 reason.

15 Between January 1, 2015 and February 15, 2017,
16 DGS reported that there was 143,000 separate line
17 items or items collected and approved to be
18 recycled. For the same period we did 50,000 items.
19 So we did about one to three for them, so that you
20 can see where the growth is coming.

21 Fiscally, we anticipate no impact. We are
22 running this as part of our On-Time Delivery system,
23 our trucking company. So we are using a lot of the
24 existing assets that are already there. A lot of
25 the work that's done in East Sacramento is done with

1 staff who are assigned to something else. When they
2 have a couple hours, they go over there, so we
3 didn't have to staff this up very heavily.

4 We talked about the minimal transportation
5 costs, e-waste disposal deliveries. When equipment
6 comes in, we sort it three different ways. There is
7 stuff we can't break down any further, that we can
8 take to a recycler and get cash that goes back into
9 the system.

10 The second one: There are items that nobody
11 wants; that they need further teardown before we
12 take it. We are not doing teardown. We have an
13 agreement with the federal penitentiary in Atwater,
14 and they take that intake from us. They've been
15 doing that for a couple years at no cost; they take
16 it as a benefit for them. And, of course, a third
17 part is the computers that are refurbishable are
18 being sent over to Merit to be refurbished. Before
19 they are there, consistent with state law, the hard
20 drives are removed and destroyed. The systems are
21 supposed to be wiped before they come in. Sometimes
22 that doesn't happen, and we take care of that. We
23 have staff on hand so no inmates are getting near
24 any confidential information.

25 The annual cost for the entire program, taking

1 what we're spending now and expansion that we
2 anticipate, will be \$316,000 a year to run the
3 program, offset in the first year by \$190,000 from
4 commodity sales, various parts that we've resold
5 internally. We believe within about three years
6 this will be a break-even program. That is our
7 actual goal, just to make this break even, more of a
8 service. Not only a service to the state of
9 California, but a service to DGS. Because working
10 with them, they could give a lot more stuff to us on
11 a lot easier basis. We are working with them to
12 develop the roll-out of this.

13 We talk about some of the uses for the
14 refurbished computers. Right now we're seeing a lot
15 of computers going to county jails. We have a long
16 list of folks at--county jails don't have a lot of
17 money to set up technology programs, so we've been
18 doing that for them. There's a couple nonprofits
19 here in Sacramento, including La Familia, which we
20 set up a technology lab for them. Using refurbished
21 computers, we've also set them up at Sutter Mills.

22 Private sector impact. Materials and supplies
23 needed for the program will be sourced from local
24 vendors, just like we do now. We try to do as much
25 small business as we can.

1 But potential impact: There is potential
2 impact in the private-sector businesses that are
3 currently paying to pick up the e-waste from state
4 agencies. This will be no-pay for us or pay for
5 them. So it will be a cost-saving to the state
6 agency. We haven't been able to quantify that
7 because the spectrum of cost is so wide. DGS wasn't
8 able to help us either. This isn't a piece of data
9 they collect. For items that are truly waste, that
10 cannot be refurbished, CALPIA currently forms a
11 request for receiving best price for disposable
12 items.

13 The future benefit to the private sector is a
14 group of offenders coming out who are trained, who
15 can go right into this business. We've actually got
16 one right now who is looking to set up their own
17 e-waste, recycling and refurbishing based on what
18 they've learned with us. They've been out for
19 awhile and they're working for a private company.
20 That is something to look forward to.

21 That concludes my overview. As I said, it's
22 very simple, and we've been aware of this for about
23 two years, since we've been working on this. So I
24 will answer any questions.

25 MS. STEEB: I don't have any questions.

1 MR. MCGUIRE: I don't have any questions.
2 I just know from representing General Services we're
3 very excited about the expansion of this program and
4 working in partnership.

5 MR. PATTILLO: Thank you, Mr. McGuire.
6 You've been a lot of help.

7 MS. STEEB: We now move to public comment
8 period and are ready to hear testimony from the
9 public.

10 Do you have any speaker cards?

11 MS. VUONG: We have not received any
12 speaker-request forms.

13 MR. PATTILLO: Introduce yourself.

14 MR. RAMONDETTA: My name is Lou Ramondetta.
15 I'm the president of Surplus Service. We're a
16 collector based in Fremont. We cover predominantly
17 Northern California and the Bay Area, but we also do
18 stuff in Southern California. So I have some
19 concerns about the program from a
20 private-sector-business perspective that I want to
21 voice.

22 Sounds like this is already something that is
23 pretty far down the road. It sounds like GSA
24 supports it. I don't know if my comments are going
25 to make a difference, but I'm still going to make

1 them.

2 From a reentry perspective and territory
3 perspective, I just want to make you aware that I
4 recently was at a Fair Choice Summit. I spoke on
5 behalf of employers trying to support and represent
6 and take advantage of candidates coming out of
7 reentry programs because we think that's something
8 very valuable. We've done it and we see value in
9 it.

10 I was also interviewed last week on KCBS in
11 support of the program, so I think it's a good
12 program. Our company is certified by CalRecycle.
13 We're a certified green business. We are a
14 women-owned business. We just became a B Corp.

15 I don't know if you are familiar with B Corps,
16 but it's somewhere in-between a regular corporation
17 and a nonprofit. What it basically allows us to do
18 are things that don't necessarily impact our bottom
19 line. So we can essentially do things that are good
20 for the community. We do a lot of community
21 outreach. We do a lot of meetings with various
22 Legislators. In fact, I sit on the board for the
23 Boy Scouts of America. We support their
24 Sustainability Merit Badge. We do a lot of that
25 kind of stuff. When you're a corporation, the

1 problem you can run into is if that doesn't have a
2 direct impact, your stockholders can complain. And
3 you are liable for that, because ultimately you have
4 a fiduciary responsibility to them. We, being a B
5 Corp, it allows us to go ahead and do that.

6 We're also -- last year we were California's
7 Business of the Year, Small Business of the Year. I
8 don't know if you guys are familiar with Acterra.
9 Acterra is kind of the Sierra Club of our industry.
10 They had us as a finalist for being the most
11 sustainable business in the Bay Area. We've been
12 written up by Stop Waste. We've recently had a team
13 of people from the SBDC, Small Business Development
14 Council, come to our facility and actually film our
15 facility and what we do. That video is currently on
16 their website. So a lot of outreach stuff that we
17 do.

18 From the perspective of this program, I think
19 my concern is that there are hundreds of recyclers
20 and collectors out there right now who can do what
21 you're planning to have done via the PIA; and that's
22 a concern for me because it means that business is
23 leaving the private sector and essentially going
24 into the public sector -- I'm sorry, government
25 sector.

1 The market for recyclers and for collectors
2 has gotten extremely challenging over the last few
3 years. If you look at the claims - and this is
4 information directly from the CalRecycl website,
5 claims by recyclers; when I say "claims," that's
6 what they're turning in from a recycle perspective
7 -- that's gone down dramatically over the last few
8 years, since 2012, and continues to go down this
9 year. It is down about 25 percent overall per year,
10 which is a lot. That puts a lot of pressure on
11 small businesses like us to be able to compete.

12 From a consolidation perspective, what we're
13 seeing as a small business happening in the industry
14 is that you're ending up getting a handful of large
15 recycling companies and large collectors. I would
16 call them mega-collectors, mega-recycling companies
17 that are essentially doing all the work. And it's
18 basically cut out small businesses like us. And
19 small businesses like us do a lot more community
20 outreach and a lot more programs that benefit the
21 community and the industry as a whole for the
22 long-term. So that's what we're seeing happening in
23 the industry. We are not happy with it.

24 My concern is that this program would do that
25 same thing. It would tend to have things become

1 governmentized versus privatized and take that
2 business opportunity away from small businesses like
3 us. Essentially, it sounds like what you're saying
4 you want to do is make this a private enterprise,
5 centralizing it underneath a government entity,
6 which -- it's essentially like a monopoly. If we
7 ever did that from a business perspective, we'd be
8 prosecuted under the Sherman Antitrust Act. But for
9 some reason it seems to be okay to do this for the
10 GSA or for PIA.

11 There may be some benefits that I'm not
12 understanding for small business, and I'm certainly
13 open to hearing that because we love to take
14 advantage and participate in that. We just want to
15 make sure that it's fair for big business, small
16 business and for the PIA.

17 We understand the need or the desire for the
18 State of California to make sure that e-waste is
19 being properly handled and properly -- in other
20 words, it's not being shipped overseas. And I
21 understand that is a big concern. I don't know if
22 this is the best way to do it. Because what you're
23 basically saying is -- what CALPIA and CalRecycle
24 are basically saying -- is that the people who they
25 have approved as collectors and/or recyclers

1 essentially aren't trustworthy enough and can't do
2 the job. So, therefore, we're going to take it and
3 turn it into a government entity and have the
4 government do it all. That is a concern to me.

5 The other concern is when stuff like this gets
6 put out to bid ,oftentimes small business isn't
7 really in a position to be able to participate.
8 Every bid I have seen that comes through the state
9 or the county, typically tends to be very
10 cumbersome, very involved, lots of paperwork. And
11 as a small business, we don't have people waiting
12 around, admin to fill out all this stuff. We do the
13 stuff ourselves. So what typically ends up
14 happening when these programs go out to bid is that,
15 I don't want to say big business, but bigger
16 businesses than we are typically get it, which is
17 why you're seeing a lot of the big recyclers and big
18 collectors become mega-collectors because they're
19 essentially taking a much bigger percentage. There
20 is probably a handful of, I think maybe, 10 or 15,
21 companies right now that are probably doing 80
22 percent of the recycling business in the state. The
23 rest of it is being divvied up with small companies
24 like us.

25 I will say we have gone to a lot of various

1 matchmaking sessions, is what they're called. We've
2 met with various agencies. We've met or we've gone
3 to State of California small-business events. We
4 tried, probably for five years, to see if we can get
5 business from the state. My understanding was
6 everything for the state went from the agencies to
7 GSA, and then GSA essentially put that stuff out to
8 bid. Basically the same pricing that we would end
9 up selling it for.

10 So up until now, we've never had one agency
11 call us back. We've never been able to do any
12 business whatsoever with the state. That to me
13 seems a little unfair because you should be trying
14 to encourage and take advantage of small businesses.
15 Generally, small businesses are the biggest growth
16 sector, and, generally, small businesses are the
17 ones who are hiring people.

18 I will say this. We recently traveled with
19 the PIA, and we went to a few facilities. We went
20 to San Quentin. We went to Tracy. We went to
21 Stockton because we would very much like to put a
22 program in place where we're doing this. We thought
23 about doing this two years ago. Unfortunately, all
24 the places that we went to didn't seem to have
25 space, so so far we have not been able to do that.

1 But we would definitely like to do that. It's just
2 that they didn't have the space to accommodate us.

3 That's my comments.

4 MR. PATTILLO: I wasn't clear on my
5 testimony. You've never taken any state assets,
6 have you, as a recycler?

7 MR. RAMONDETTA: No. My understanding was
8 that it all went to GSA and then it went out to the
9 auction. And we've talked to a lot of agencies.

10 MR. PATTILLO: The only thing we're taking
11 in is state assets. So when you talk about
12 competing with the private sector, we're not
13 competing because you are not even in it yet. We're
14 not taking nonstate assets from anywhere. So we
15 wouldn't be impacting private business that way.
16 All the stuff that's been going through DGS is just
17 going to be going through us now. And then we'll be
18 recycling out like that.

19 We do want to talk to you more about
20 refurbishing and whatnot, and I'm glad you're here.
21 I just want to be clear that we are not looking to
22 compete with private companies because we are only
23 dealing with our own state assets, that are
24 state-owned assets. We've been asked to manage our
25 internal assets. We've been doing it for two years.

1 MR. RAMONDETTA: My understanding is that
2 even though we haven't been able to get any business
3 with the State of California, that there are other
4 private businesses doing significant volume with the
5 State of California that may be impacted by this. I
6 don't know the answer to that. I think you
7 mentioned it in your testimony.

8 MR. PATTILLO: There are. Those same
9 people who were buying directly from DGS, they're
10 now contracting with us to buy our output. That's
11 how it's occurred.

12 MR. RAMONDETTA: I know for us we don't
13 really consider ourselves to be a recycler or
14 collector. The reason we've got the designation by
15 the State of California for being the Business of
16 the Year, Acterra for being the most sustainable
17 business, is about 85 percent of what comes into our
18 facility gets repaired and refurbished. My parents
19 were parents of the Depression. They saved
20 everything. And what we try to do is hopefully
21 avoid recycling wherever possible. And as I said,
22 about 85 percent of that gets refurbished, repaired
23 and reused. And we'd love to do that to your --

24 MR. PATTILLO: Your company looks like
25 another Joint Venture candidate for us also, so

1 we'll talk more about that. That's all I want to be
2 clear on, that we weren't out there competing on
3 private assets.

4 MS. STEEB: Thank you for your testimony.
5 Are there any other comments from members of
6 the public?

7 Okay. Let us note for the record that we did
8 receive public testimony.

9 That concludes our public hearing today. On
10 behalf of the Prison Industry Board, I want to thank
11 you all for attending and presenting on your
12 questions and concerns.

13 The testimony received today will be
14 considered by the full Prison Industry Board at its
15 next meeting, June 29th at 10:00 a.m. That meeting
16 will be held here in this location, the CALPIA
17 Conference Center and Showroom. Again, we welcome
18 you to attend the meeting as the Board hears that
19 action item.

20 Thank you. This meeting is adjourned as of
21 1:30 on the dot.

22 (Hearing concluded at 1:30 p.m.)

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

I, ESTHER F. SCHWARTZ, certify that I was the official Court Reporter for the proceedings named herein, and that as such reporter, I reported in shorthand writing those proceedings;

That I thereafter caused my shorthand writing to be reduced to printed format, and the pages numbered 3 through 26 herein constitute a complete, true and correct record of the proceedings.

IN WITNESS WHEREOF, I have subscribed this certificate at Sacramento, California, on this 15th day of August, 2017.

/s/ Esther F. Schwartz
CSR NO. 1564