RULE 26.5. TRANSFER OF EMISSION REDUCTION CREDITS
(ERCs) (Adopted and Effective: 10/22/97)

(a) REQUIREMENTS TO TRANSFER EMISSION REDUCTION CREDITS;
TRANSACTION DOCUMENTATION

ERCs may be transferred in whole or in part by written conveyance or by operation of law
from one person to another. A copy of the written conveyance describing the transaction must
be filed with the District and must contain all of the following:

(1) Identification of the transferor(s) and transferee(s);

(2) Agreement of the transferor(s) and transferee(s) to comply with all applicable
conditions of the ERC certificate and all applicable requirements of District Rules and
Regulations;

(3) Agreement of transferor(s) and transferee(s) to comply with all conditions and
recordkeeping requirements included in the ERC and associated permits that may be
necessary to ensure the enforceability of the ERC;

(4) The quantity of the ERC transferred;

(5) The cost, in dollars per ton, of ERCs transferred; and

(6) Signatures of the transferor(s) and transferee(s).

(b) NOTICE OF CHANGES WHICH COULD EFFECT EMISSION
REDUCTION CREDIT VALIDITY

A buyer of an ERC should be aware that changes in state or federal law or regulations
may affect the validity of an ERC or limit its use or value in whole or in part. If the Air
Pollution Control Officer is aware of a potential buyer of such an ERC, the Air Pollution
Control Officer may inform the potential buyer before a transfer is made of current or potential
changes in laws or regulations that may affect the validity of the ERC.

(c) ISSUANCE OF NEW CERTIFICATE UPON TRANSFER

The Air Pollution Control Officer shall issue a new ERC certificate in the name of the
new owner(s) for the quantity of ERC being transferred. If a portion of an ERC certificate is
transferred, a new ERC certificate shall also be issued to the owner(s) for the remaining part of
the ERCs. Before the transfer can be considered to be complete, the old owner shall surrender
to the Air Pollution Control Officer the certificate for the ERC that is to be transferred to the
new owner.
(d) ENFORCEABILITY OF TRANSFERRED EMISSION REDUCTION CREDITS AGAINST THIRD PARTIES

Health and Safety Code Section 40711(b) is applicable to the enforceability of transferred ERCs against third parties.

(e) ADVISORY OPINION ON CLASS B EMISSION REDUCTION CREDITS

Any person considering the transfer of a Class B ERC may apply to the Air Pollution Control Officer for an advisory opinion as to whether the Class B ERC may be eligible for reclassification to Class A status. The Air Pollution Control Officer shall not be precluded from departing from the advisory opinion at the time the person applies to reclassify the ERC to Class A status if additional material facts are discovered or the original material facts supplied by the applicant were incorrect or incomplete.