CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Request to Approve Project for SB 71 Sales and Use Tax Exclusion[1]

THE SOLARIA CORPORATION
Application No. 10-SM007

Wednesday, November 17, 2010

Prepared By: *Heather Williams*

SUMMARY

Applicant – The Solaria Corporation

Location – Fremont, Alameda County

Industry – Solar: Silicon PV

Project – Automation of current silicon PV cell manufacturing process

Value of Qualified Property – $7,800,000

Estimated Sales and Use Tax Exclusion Amount[2] – $709,800

Application Score –

Fiscal Benefits Points:	2,204
Environmental Benefits Points:	1,176
Net Benefits Score:	3,380
Additional Benefits Points:	80
Total Score:	**3,460**

Staff Recommendation – Approval

THE APPLICANT

The Solaria Corporation ("Solaria") was incorporated in 1993 as Lightchip, Inc. and was reincorporated on May 5, 2006 as Solaria in Delaware. Solaria is headquartered in Fremont, California. Solaria designs, develops and manufactures solar silicon photovoltaic (PV) panels.

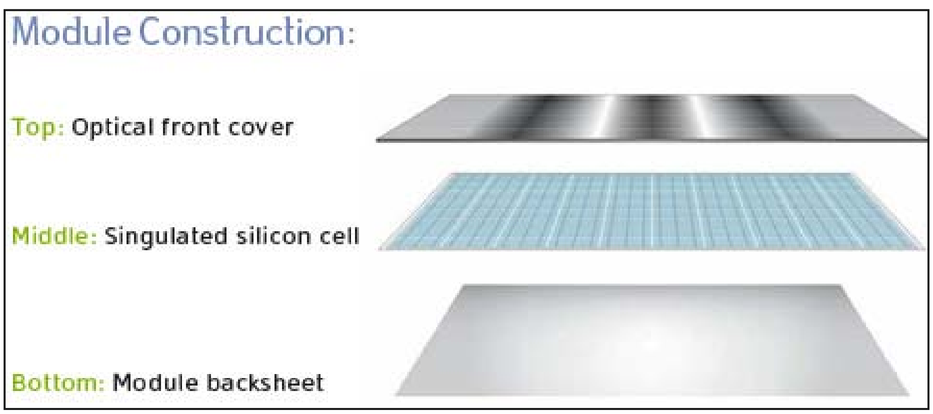
[1] All capitalized terms not defined in this document are defined in the Program's statue and regulations.
[2] This amount is calculated based off of the average statewide sales tax rate of 9.1%.

Solaria's uniqueness comes from a patented process that reduces the amount of silicon PV cells per panel by at least 50% while maintaining the same Watt peak output (Wp). This allows Solaria modules to cost less without compromising performance or reliability.

The major shareholders (10.0% or greater) of Solaria are:	The officers of Solaria are:
Sigma Partners NGEN Partners CMEA Capital Q-Cells SE	Daniel Shugar – CEO Suvi Sharma – President Kevin Gibson – CTO

THE PROJECT

Solaria's low-concentration solar technology has reduced its raw material costs, but not its labor costs, to an acceptable level. The current manufacturing process is very labor intensive. As a result, the manufacturing capacity is very limited, and they cannot effectively compete against standard energy providers. Solaria is pursuing a full automation of its manufacturing process, to reduce labor hours per module and increase the manufacturing capacity. They plan to increase from one manufacturing shift at the end of 2010 to three manufacturing shifts to take full advantage of the new automation equipment and to substantially increase the number of modules they produce. The modules closely match the form, fit and function of conventional silicon-based modules but currently use 50% less silicon per module and within a year will use 66% less silicon per module, than the amount of silicon used in conventional silicon modules.



Solaria Module Construction

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

PV Scribe (saw) and singulation upgrade (4 units)	$ 400,000
Pasan tester upgrade	100,000
Glass scanner	350,000
Automated stringing	450,000
Automated layup with 2 PV assembly builder automation stations	1,600,000
PV Laser scribe (3 unites)	1,500,000
PV Singulation	400,000
PV assembly automation stations (2 add-on units)	800,000
Automated layup with 4 PV assembly builder automation stations	2,200,000
Total	**$7,800,000**

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the conveyance/reconveyance agreement a finalized project equipment list will be prepared detailing the value of the Project equipment conveyed and reconveyed and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variations 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 from 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

Solaria plans to upgrade its current line in December 2010; install two automation stations in February 2011; install two additional automation stations in December 2011; and finish installation in May 2012 with four more automation stations.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated at $7,800,000 and the total net benefits are valued at $1,689,268 for the Project. The Project received a Total Score of 3,460 which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 1,176 which exceeds the 100 point threshold.

A. **Fiscal Benefits (2,204 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Company's sales taxes, personal income taxes, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to $1,564,665 resulting in a Fiscal Benefits Score of 2,204 points for the Project.

B. **Environmental Benefits (1,176 points).** The Project results in $834,403 of total pollution benefits over the life of the Facility resulting in and Environmental Benefits Score of 1,176 points for the Project. These benefits derive from the capacity of solar PV modules to generate electricity from alternative sources thereby reducing the need for traditionally generated electricity.

C. **Additional Benefits (80 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received 80 additional points.

1) **Permanent Jobs (40 of 40 points).** The Applicant's Project will support a total of 180 permanent jobs at their Facility. CAEATFA estimates that approximately 17 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Permanent Jobs Score of 40 points for the Project.

2) **Non-CA Environmental Benefits (40 of 40 points).** The Applicant's total value of out-of-state non-greenhouse gas pollution benefits are valued at $191,886 resulting in a Non-CA Environmental Benefits Score of 40 points for the Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Solaria has obtained all necessary permits required for its Project.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA regulations,[3] the Applicant has paid CAEATFA an Application Fee of $3,900 and will pay CAEATFA an Administrative Fee of up to $31,200.

[3] California Code of Regulations Title 4, Division 13, Article 2, Section 10036

RECOMMENDATION

Staff recommends approval of Resolution No. 10-SM007 for The Solaria Corporation's purchase of Qualified Property in an amount not to exceed $7,800,000 anticipated to result in an approximate sales and use tax exclusion value of $709,800.

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE CONVEYANCE AGREEMENT WITH THE SOLARIA CORPORATION.

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") has received the application of **The Solaria Corporation.** (the "Applicant"), for financial assistance in the form of a conveyance/reconveyance of title agreement (the "Agreement") regarding tangible personal property 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 transferring title of Project equipment with an cost not to exceed $7,800,000 over a period of three years; and

WHEREAS, the Agreement will provide that the Applicant will, prior to any use of the Qualified Property, transfer title at no cost to the Authority from time to time as purchases of Qualified Property are made and the Authority will then transfer title back to the Applicant without having taken possession of the Qualified Property; 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, 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(g)(2).

Section 2. The requested conveyance agreement constitutes "financial assistance" within the meaning of Public Resources Code Section 26003(e)(2).

Section 3. The Applicant is a "participating party" within the meaning of Public Resources Code Section 26003(f).

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.

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 conveyance 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, practically 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.