

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

Request to Approve Project for SB 71 Sales and Use Tax Exclusion (STE)¹

**AMONIX, INC.
Application No. 11.SM007**

Wednesday, May 18, 2011

Prepared By: *Cheryl Ide*

SUMMARY

Applicant – Amonix, Inc.

Location – Seal Beach (Orange County) and Milpitas (Santa Clara County)

Industry – Solar: Photovoltaic (“PV”) Manufacturing

Project – Expansion of Current PV Facilities

Value of Qualified Property – \$2,278,900

Estimated Sales and Use Tax Exclusion Amount² – \$207,380

Estimated Net Benefits – \$595,304

Application Score³ –

Fiscal Benefits Points:	2,690
<u>Environmental Benefits Points:</u>	<u>1,181</u>
Net Benefits Score:	3,871

<u>Additional Benefits Points:</u>	<u>60</u>
Total Score:	3,931

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 9.1%.

³ Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Amonix, Inc (“Amonix” or the “Applicant”) was incorporated in 1992 in Delaware and is headquartered in Seal Beach, California. Amonix designs, engineers and manufactures Concentrated Photovoltaic (CPV) power generation equipment and oversees its field deployment. The Applicant focuses its efforts on solar cell finishing processes, the manufacture of packaging, receiver plates, assembly of the MegaModule, and component integration.

The major shareholders (10.0% or greater) of Amonix are:

Kleiner Perkins Caufield and Byers
MissionPoint Capital

The corporate officers of Amonix are:

Guy C. Blanchard, Senior Vice President of Sales & Corporate Development
Michael Fitzgerald, Vice President of Finance & Administration
Vahan Garboushian, Founder, Chairman of the Board & Chief Technology Officer
Kenneth E. Kostock, Vice President of Field Operations
Patrick C. McCullough, Chief Financial Officer
Carla Pihowich, Vice President of Marketing
Keshav Prasad, International Vice President & General Manager
Brian Robertson, Chief Executive Officer
Paul Russell, Senior Vice President of Engineering
Azmat Siddiqi, Vice President of Quality

THE PROJECT

Amonix is currently manufacturing its seventh generation of solar power generator systems. Amonix represents its 7700 system produces approximately 60 kilowatts of power per system. In response to rapid growth in utility scale solar installations, Amonix has developed a capacity expansion and technology improvement plan. The Applicant has formulated a multi-tiered manufacturing strategy that includes design at its Seal Beach Facility and fabricating its solar cell package (part of the overall system) at its Milpitas Facility.

The Amonix Seal Beach Facility will focus on product design and continuous improvement of product efficiency. The Facility will be used to evaluate new components and provide process improvement support to the manufacturing line.

The Milpitas Facility is part of Amonix’s planned expansion of its production capacity. It includes an expansion of a packaging line that began at the end of 2010. The second phase of this expansion includes installation of one or more fully automated manufacturing lines. Once at

full capacity, the Applicant represents that the Milpitas Facility will produce systems capable of generating 90 MegaWatts per year, with plans of continual capacity expansion throughout 2012.



Amonix 7700 MegaModule

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

K&S Wirebonder	\$115,000
Aysmtek RTV/Solder Dispense	505,000
Laser Marking	86,000
Semiconductor Clean Room	115,000
In-Line Washer	100,000
Automatic 6-inch Disco Saw	252,000
Metal Evaporator	270,000
Plasma Enhanced Chemical Vapor Deposition Equipment	180,000
Hydraulic Test Bench	18,000
Mechanical Load Tester	36,000
Solder Joint Tester	54,000
Ovens	27,000
Design and Test Equipment	36,000
Daystar 4 Systems	18,000
String and Power Diagnostics	45,000
Hydraulic Diagnostic and Pressure Centers	18,000
Normal Incidence Pyrheliometers	16,000
Tracking Accuracy Meters	48,600
Meteorological Stations	18,000
Strain Gauge Sensor Suite	18,000
Data Loggers	24,300
Ground Resistance Tester	4,500
MegaModule Alignment Equipment	45,000
Plasma Asher	27,000

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Test Equipment	103,500
Reliability Equipment	<u>99,000</u>
Total	<u>\$2,278,900</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 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

Amonix is actively placing purchase orders for its facilities in Seal Beach and Milpitas. Amonix plans to be placing in service an additional package line in the first and second quarter of 2011 and will be placing in service various pieces of the design and testing equipment for the Seal Beach Facility throughout the year.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated at \$2,278,900 and the total net benefits are valued at \$802,684 for the Project. The Project received a Total Score of 3,931 which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 1,181 which exceeds the 100 point threshold.

- A. Fiscal Benefits (2,690 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 Applicant's employees, taxes paid on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to \$557,789 resulting in a Fiscal Benefits score of 2,690 points for the Project.

- B. Environmental Benefits (1,181 points).** The Project results in \$244,895 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 1,181 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 (60 of 200 points). Applicants may earn up to 200 additional points for their Total Score. The applicant submitted information and received 60 additional points.

- 1. Permanent Jobs (20 of 40 points).** The Applicant’s Project will support a total of 142 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 approved STE resulting in a Permanent Jobs Score of 20 points for the Project.
- 2. Construction Jobs (0 of 20 points).** The Applicant’s Project will support a total of 11 construction jobs at the Facility. CAEATFA estimates that approximately none of these jobs will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs created does not meet the required threshold.
- 3. 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 \$49,693 resulting in a Non-CA Environmental Benefits Score of 40 points for the Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Seal Beach and Milpitas Facilities are both currently occupied and fully permitted.

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,⁴ the Applicant has paid CAEATFA an Application Fee of \$1,139.45 and will pay CAEATFA an Administrative Fee of up to \$9,116.

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

RECOMMENDATION

Staff recommends approval of Resolution No. 11-SM007 for Amonix, Inc.'s purchase of Qualified Property in an amount not to exceed \$2,278,900 anticipated to result in an approximate sales and use tax exclusion value of \$207,380.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE
CONVEYANCE AGREEMENT WITH AMONIX, INC.**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of Amonix, Inc. (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 estimated cost not to exceed \$2,278,900 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 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(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).

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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, 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.