

CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY

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

SOITEC SOLAR INDUSTRIES LLC
Application No. 12-SM004

Tuesday, May 15, 2012

Prepared By: Cheryl Ide

SUMMARY

Applicant – Soitec Solar Industries LLC

Location – San Diego (San Diego County)

Industry – Concentrated Photovoltaic Solar Modules

Project – New Manufacturing Facility with a 200 MegaWatt Production Capacity

Value of Qualified Property – \$104,381,342

Estimated Sales and Use Tax Exclusion Amount² – \$8,454,889

Estimated Net Benefits - \$5,554,765

Application Score³ -

Fiscal Benefits Points:	1,219
<u>Environmental Benefits Points:</u>	<u>438</u>
Net Benefits Score:	1,657

<u>Additional Benefits Points:</u>	<u>0</u>
Total Score:	1,657

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

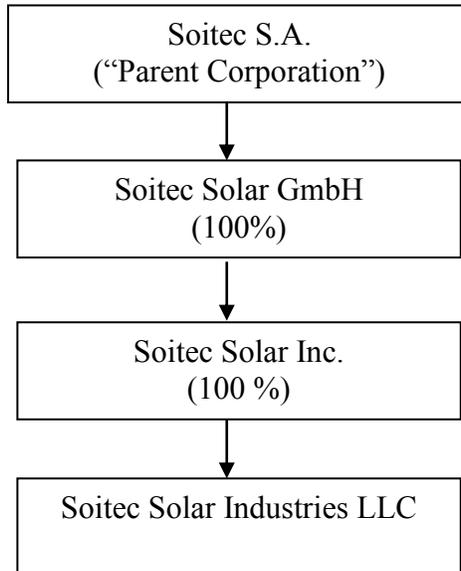
² This amount is calculated based upon the average statewide sales and use tax rate of 8.1%.

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

THE APPLICANT

Soitech Solar Industries LLC (“Soitec” or “Applicant”) was organized in 2009 as an Arizona limited liability company, and was converted to a Delaware limited liability company in 2012. Soitec is headquartered in Peabody, Massachusetts with offices in San Diego, California. Soitec manufactures concentrated photovoltaic (“CPV”) solar modules in San Diego, California.

Chain of ownership of Soitec Solar Industries LLC is as follows:



The corporate officers of the Parent Corporation are:

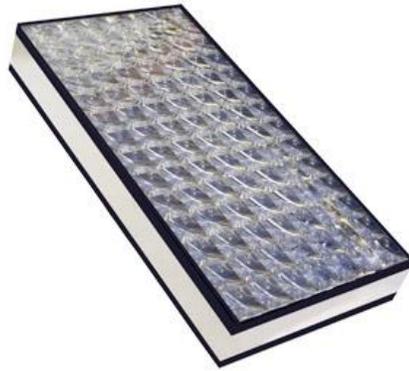
- André-Jacques Auberton-Hervé, Chief Executive Officer
- Paul Boudre, Chief Operating Officer
- Olivier Brice, Chief Financial Officer

THE PROJECT

Soitec manufactures and sells CPV modules and plans to retrofit a 200 MegaWatt (“MW”) capacity manufacturing facility in San Diego, California. The Applicant’s Concentrix™ technology uses multi-junction solar cells comprised of three different types of stacked solar cells that are mounted on a base plate of a module. Modules are then fitted to a two-axis tracking system to ensure that concentrated sunlight remains focused on the solar cells with a high degree of precision throughout the day, delivering constant power output. The Applicant represents the precision and quality of the modules can yield efficiencies of 30% on average.



**Multi-Junction
Solar Cells**



**Concentrator
Modules**



**Tracking
System**

Soitec has formed a joint venture with Reflexite Energy Solutions Inc– Reflexite Soitec Optical Technology, LLC (“Reflexite”). Reflexite has also applied to the Program and will produce the optical lens component of the CPV modules. In addition, Reflexite will own the machinery and equipment used to produce the lenses. All other machinery and equipment at the San Diego facility to produce the finished CPV modules will be owned and operated by Soitec. Both the lenses and completed modules will be manufactured within the San Diego facility.

Soitec, with the lenses manufactured by Reflexite, intends to manufacture solar modules that will supply utility-scale CPV power plants in Southern California and throughout the U.S. Southwest. Specifically, the modules required for Soitec’s five Power Purchase Agreements with San Diego Gas & Electric will represent a total of 155 MW of power (out of the 200 MW) and will be manufactured at the new San Diego facility.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Wafer Mapper	\$1,828,750
Wafer Laser Saw	7,632,000
Substrate Preparations	3,780,000
Adhesive Dispenser	948,000
Pick And Place Machine (Diode, SC, WBP)	1,745,000
Die Bonder	4,618,000
Transport And Handling	1,060,000
Heat Treatment Equipment	877,200
Wire Bonder	1,488,000
Optical Inspection	2,872,000
Glass Preparation	2,899,980
Pick And Place Equipment	7,980,000

**Agenda Item – 4.A.2
Resolution No. 12-SM004
Application No. 12-SM004**

UV Oven	851,200
Wire Bond	7,820,572
Plasmapolymer Layer	4,569,955
Handling Bottom Plate	2,651,526
Bottom Plate Visual Inspection Equipment	695,014
Frame Welding Equipment	4,545,201
Frame Cleaning Equipment	1,259,594
Bottom Plate Station Equipment	7,735,601
Electrical Station Equipment	3,570,277
Lens Plate Equipment	7,735,601
Module Testing Equipment	4,800,833
Product Handling And Testing Equipment	1,559,000
Quality Control Equipment	6,015,040
Facility Infrastructure	<u>12,843,000</u>
Total	<u>\$104,381,342</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

The Soitec Facility is currently under construction. Testing and commissioning are scheduled to occur during the third quarter of 2012 with commercial production anticipated to begin during the fourth quarter of 2012.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$104,381,342 and the total net benefits are valued at an estimated \$5,554,765 for the Project. The Project received a Total Score of 1,657 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 438 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (1,219 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 firm’s employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to an estimated \$10,302,813 resulting in a Fiscal Benefits Score of 1,219 points for the Project.

- B. Environmental Benefits (438 points).** The Project will result in an estimated \$3,706,841 of total pollution benefits over the lifetime of the Qualified Property resulting in an Environmental Benefits Score of 438 points for the Project. These benefits derive from the capacity of solar photovoltaic modules to generate electricity from alternative sources, thereby reducing the need for traditionally generated electricity.
- C. Additional Benefits (0 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received zero additional points.
- 1. Permanent Jobs (0 of 40 points).** The Applicant’s Project will support a total of 274 permanent jobs at its Facility. CAEATFA estimates that 30 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 does not meet the required threshold.
 - 2. Construction Jobs (0 of 20 points).** The Applicant’s Project will support a total of 125 construction jobs at its Facility. CAEATFA estimates that approximately 14 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 does not meet the required threshold.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Soitec represents that all permits for the Project required by the City of San Diego, to date, are in place to execute and operate the 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,⁴ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee up to \$350,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 12-SM004 for Soitech Solar Industries LLC's purchase of Qualified Property in an amount not to exceed \$104,381,342 anticipated to result in an approximate sales and use tax exclusion value of \$8,454,889.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE
CONVEYANCE AGREEMENT WITH SOITEC SOLAR INDUSTRIES LLC**

May 15, 2012

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Soitec Solar Industries LLC** (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 \$104,381,342 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).

Agenda Item – 4.A.2
Resolution No. 12-SM004
Application No. 12-SM004

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.