

CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY

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

ALTA DEVICES, INC.
Application No. 10-SM027

December 15, 2010

Prepared By: *Cheryl Ide*

SUMMARY

Applicant – Alta Devices, Inc.

Location – Sunnyvale, Santa Clara County

Industry – Solar: Thin Film Solar Cell Photovoltaic

Project – Equipment for a Newly Leased Solar Photovoltaic Manufacturing Facility

Value of Qualified Property – \$40,845,000

Estimated Sales and Use Tax Exclusion Amount² – \$3,716,895

Estimated Net Benefits - \$1,870,175

Application Score –

Fiscal Benefits Points:	1,352
<u>Environmental Benefits Points:</u>	<u>151</u>
Net Benefits Score:	1,503
<u>Additional Benefits Points:</u>	<u>25</u>
Total Score:	1,528

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%.

THE APPLICANT

Alta Devices, Inc. (“Alta”) is a C-corporation, founded in 2007 and located in Sunnyvale, California. Alta designs and manufactures thin solar cell film.

The major shareholders (10.0% or greater) of Alta Devices, Inc. are:

Kleiner Perkins Caufield Byers
 August Capital
 Cross Link Capital

The corporate officers of Alta Devices, Inc. are:

Chris Norris, CEO
 Joe Foster, VP Business Development
 Ray Milano, VP Technology
 Nasreen Chopra, VP Capital Equipment

THE PROJECT

Alta is developing a pilot line to begin small scale production of solar modules. Alta has leased a new facility that will allow it to start the pilot and demonstration line with a 10 megawatt (MW) capability. Ultimately, Alta intends to expand into a 40 MW line at the Facility.

The Alta solar modules are composed of thin film solar cells which are deployable for mobile energy generation rooftops and other applications. Alta represents that the high energy density film is being developed with 30% more energy efficiency than its competitors, and can be encapsulated in either flexible or rigid formats.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

MOCVD	\$ 6,265,000
ELO	760,000
Water Reuse	1,545,000
Back Cell	6,500,000
Front Cell	7,905,000
Encapsulation	1,825,000
Wafer Reuse	1,590,000
Laminator	175,000
Black Via	400,000
Isolation	900,000

Qualified Property Purchases Continued:

Separation, Test and Sort	1,000,000
(410tank+175lam+50oven+150install)	635,000
EL/VOC, parts	350,000

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Matrix C&F	400,000
R2R Sputter	450,000
Laser Tool	350,000
Re-use Hardware	650,000
Metrology Tools	350,000
Reliability Tools	250,000
R2R Tester, Laminator, Wet Benches	750,000
PC/Laptop	80,000
ELO	1,500,000
Black Via	400,000
Separation, Test and Sort	500,000
Matrix Formation	1,000,000
EL/LLVOC Test	150,000
ARC Deposition	2,100,000
350 Ton Chiller	400,000
20,000 cfm Scrubbers (2)	120,000
20,000 cfm Air Handler Units (4)	320,000
500 cfm Clean Dry Air Units (2)	400,000
10,000 cfm Heat Exhaust Fan	40,000
15,000 cfm general Exhaust Fan	45,000
Process Cooling Water System	260,000
De-ionized Water System	120,000
Specialty Gas Cabinets (4)	120,000
Chemical Self Contained Bunkers (3)	90,000
AWN System	150,000
Total	<u>\$40,845,000</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

Alta plans to start construction of its pilot line in January 2011 and complete equipment installation by December 2013.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated at \$40,845,000 and the total net benefits are valued at \$1,870,175 for the Project. The Project received a Total Score of 1,528 which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 151 which exceeds the 100 point threshold.

- A. **Fiscal Benefits (1,352 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 \$5,025,666 resulting in a Fiscal Benefits score of 1,352 points for the Project.

- B. **Environmental Benefits (151 points)**. The Project results in \$561,404 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 151 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 (25 of 200 points)**. Applicants may earn up to 200 additional points for their Total Score. The applicant submitted information and received 25 additional points.
 1. **Permanent Jobs (10 of 40 points)**. The Applicant's Project will support a total of 202 jobs at the Facility. CAEATFA estimates that approximately 23 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 10 points for the Project.

 2. **Construction Jobs (0 of 20 points)**. The Applicant's Project will support a total of 120 construction jobs at the Facility. CAEATFA estimates that approximately 14 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 (15 of 40 points).** The Applicant's total value of out-of-state non-greenhouse gas pollution benefits are valued at \$113,919 resulting in a Non-CA Environmental Benefits Score of 15 points for the Project.

STATUS OF PERMIT/OTHER REQUIRED APPROVALS

Alta is currently in the process of obtaining necessary permits pending the submittal of permit drawings. Alta anticipates permits will be issued by January 31, 2011.

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 \$5,000 and will pay CAEATFA an Administrative Fee of up to \$163,380.

RECOMMENDATION

Staff recommends approval of Resolution No. 10-SM027 for Alta Devices, Inc.'s purchase of Qualified Property in an amount not to exceed \$40,845,000 anticipated to result in an approximate sales and use tax exclusion value of \$3,716,895.

³ California Code of Regulations Title 4, Division 13, Section 10036

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

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Alta Devices, 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 \$40,845,000 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 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.