

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

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

**MIASOLÉ
Application No. 11-SM002**

Tuesday, January 25, 2011

Prepared By: *Cheryl Ide*

SUMMARY

Applicant – MiaSolé

Location – Sunnyvale, Santa Clara County

Industry – Solar: CIGS Thin-Film Solar Photovoltaic (“PV”) Cells and Modules

Project – Expansion of Solar PV Cell and Panel Manufacturing Facility

Value of Qualified Property – \$26,092,000

Estimated Sales and Use Tax Exclusion Amount² – \$2,374,372

Estimated Net Benefits – \$2,236,206

Application Score³ –

Fiscal Benefits Points:	574
<u>Environmental Benefits Points:</u>	<u>1,367</u>
Net Benefits Score:	1,942

<u>Additional Benefits Points:</u>	<u>0</u>
Total Score:	1,942

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

MiaSolé (“MiaSolé” or “Applicant”) is a C-corporation founded in 2001 in California and located in Sunnyvale, California. MiaSolé develops and manufactures CIGS thin-film solar PV cells and modules.

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

Kleiner Perkins Caufield & Byers
VantagePoint Venture Partners

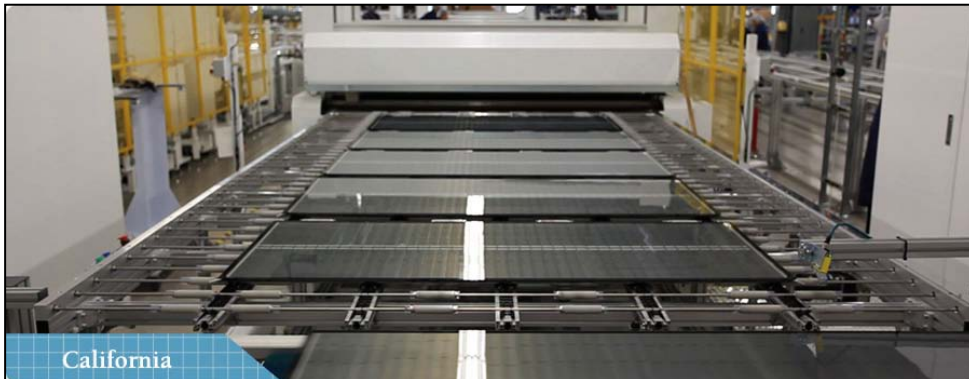
The corporate officers of MiaSolé are:

Joseph Laia, Chief Executive Officer
Merle McClendon, Chief Financial Officer
Stephen Barry, VP Corporate Development
Paul Shufflebotham, VP Front End Engineering
David Smith, VP Back End Engineering
Atiye Bayman, VP Process Technology
Greg Kelly, VP Sales
Jason Corneille, VP Product Engineering
Kevin Eassa, VP Operations

THE PROJECT

MiaSolé designs and manufactures CIGS thin-film solar PV modules that are designed specifically for large scale rooftop and ground mount installation projects for utilities, independent power providers and industrial scale deployment. The Applicant also designs and manufactures its own deposition equipment and has designed and built a fully automated module manufacturing line in an existing facility located in Sunnyvale, California (“Fab 1”). The capital equipment (“roll coaters”) listed in this Application will be used in the expansion of the Fab 1 facility.

MiaSolé currently has production roll coaters, the primary tool utilized for the deposition of the CIGS thin-films, operating at commercial capacity at its headquarters and at the Fab 1 facility. The Applicant represents that all roll coaters have demonstrated the ability to reliably produce CIGS thin-film solar cells with mean efficiencies greater than 10 percent.



Solar Modules on Conveyor Line for Lamination

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Solar Cell Manufacturing Tools (2)	\$10,920,000
Solar Cell Manufacturing Maintenance Equipment	1,160,000
Cell Interconnect Application, Cut and Tester Tool (2)	4,140,000
Current Bypass Strip Assembly Tool	700,000
Module Vision Inspection Tool	1,400,000
Module Cell Lay-Up Machines (2)	500,000
Module Laminators (3)	2,250,000
Diode Assembly Station	402,000
Cell Interconnect Manufacturing Equipment (2)	800,000
Junction Box Installation/Inspection Station	900,000
Reverse Bias Tester	150,000
Junction Box Potting Cure Station	50,000
Lid Snap Tool	100,000
Label Applicator	80,000
Thermal Analyzer	60,000
Weld Head	80,000
Edge Seal Material Dispenser (2)	<u>2,400,000</u>
Total	<u>\$26,092,000</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

MiaSolé will start to purchase and install the majority of the Qualified Property during the first quarter of 2011, with production scheduled to commence during the second half of 2011.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated at \$26,092,000 and the total net benefits are valued at \$2,236,206 for the Project. The Project received a Total Score of 1,942,

which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 1,367, which exceeds the 100 point threshold.

- A. **Fiscal Benefits (574 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 \$1,363,913 and results in a Fiscal Benefits score of 574 points for the Project.

- B. **Environmental Benefits (1,367 points)**. The Project results in \$3,246,664 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 1,367 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 (0 of 200 points)**. Applicants may earn up to 200 additional points for their Total Score. The Applicant did not meet the required threshold for these points and thus received zero additional points.
 - 1. **Permanent Jobs (0 of 40 points)**. The Applicant's Project will support a total of 40 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. 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 16 construction jobs at its Facility. CAEATFA estimates that approximately 1 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.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

MiaSolé will start to purchase and install the majority of the Qualified Property during the first quarter of 2011, with production scheduled to commence during the second half of 2011. The required permit applications will be submitted by MiaSolé to the building department at the City of Sunnyvale for review. The Applicant represents that it has previously received similar construction permits from the City within two weeks of submission.

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 \$5,000 and will pay CAEATFA an Administrative Fee of up to \$104,368.

RECOMMENDATION

Staff recommends approval of Resolution No. 11-SM002 for MiaSolé's purchase of Qualified Property in an amount not to exceed \$26,092,000 anticipated to result in an approximate sales and use tax exclusion value of \$2,374,372.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE
CONVEYANCE AGREEMENT WITH MIASOLÉ**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **MiaSolé** (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 \$26,092,000 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).

Agenda Item - 4.A.2
Resolution No. 11-SM002
Application No. 11-SM002

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.