

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

Request to Approve Project for SB 71 Sales and Use Tax Exclusion (STE)¹
SOLOPOWER INC.
Application No. 11-SM014

Monday, August 29, 2011

Prepared By: *Justin Berg, Student Assistant and Heather Williams, Analyst*

SUMMARY

Applicant – SoloPower Inc.

Location – San Jose, Santa Clara County

Industry – Solar: Photovoltaic (“PV”) Manufacturing

Project – Expansion of Existing PV Production Facility

Value of Qualified Property – \$8,411,240

Estimated Sales and Use Tax Exclusion Amount² – \$681,310

Estimated Net Benefits - \$313,197

Application Score -

Fiscal Benefits Points:	845
<u>Environmental Benefits Points:</u>	<u>615</u>
Net Benefits Score:	1,460
<u>Additional Benefits Points:</u>	<u>40</u>
Total Score:	1,500

Staff Recommendation – Approval

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

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

THE APPLICANT

SoloPower Inc. (“SoloPower” or “Applicant”) was incorporated in 2005 in Delaware and is headquartered in San Jose, California. SoloPower manufactures flexible copper indium gallium selenide (“CIGS”) solar modules. The Applicant focuses its efforts on mass-producing PV modules for applications on a global scale.

The Major Shareholders (10.0% or greater) of SoloPower Inc. are:

Hudson Clean Energy Partners (53.25%)
Crosslink Capital (16.74%)
Convexa AS (15.76%)

The corporate officers of SoloPower are:

Tim Harris, President & Chief Executive Officer
Ryan Benton, Chief Financial Officer
Mustafa Pinarbasi, Chief Technology Officer
Bruce Khouri, Chief Technology Officer
Al Boro, Senior Vice President
Ed Casey, Senior Vice President of Operations

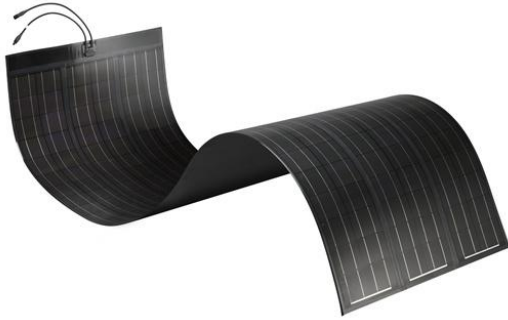
THE PROJECT

The Applicant represents that it has a competitive advantage in the large and growing market for distributed commercial and industrial rooftop power generation. SoloPower’s flexible products are manufactured using a proprietary roll-to-roll electrodeposition³ manufacturing process. SoloPower’s target market is the commercial and industrial rooftop market. The project CAEATFA is considering for financial assistance is specific to the Applicant’s San Jose facility.

SoloPower currently operates a 10MW nameplate roll-to-roll manufacturing line in San Jose, which has demonstrated its full manufacturing process including the proprietary roll-to-roll electrodeposition and crystallization process steps and tools. The Applicant intends to expand its manufacturing capacity by 8 lines (40MW each). Each line is made up of a “front-end” and “back-end” (total of 8 front-ends and 8 back-ends). The front-end involves starting with stainless steel rolls and depositing CIGS on the steel and converting it into solar cells. The back-end strings the cells together to make modules.

SoloPower will install 8 front-ends and 7 back-ends in Portland, Oregon and 1 back-end in San Jose. All of the cells will be produced in Oregon and a portion of them will be shipped to California to be assembled into modules. The final product will be shipped from both manufacturing facilities. Again, this Application is for the qualified property specific to the Applicant’s San Jose Facility.

³ Electrodeposition: the act of depositing a substance on an electrode by the action of electricity.



Photovoltaic Module



Module Installation

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Infrared Electro Luminescence (IR/EL) Tester	\$ 319,338
Automated Circuit Assembly Line	690,000
Smit Ovens Reactor Integration	1,743,584
Scanning Electron Microscope (SEM)	429,536
Energy Disbursive X-ray Spectroscopy (EDX)	300,650
20MW OC1 Backend Equipment (two cell singulation and testing systems, two string assembly systems, and two diode preparation systems)	<u>4,928,132</u>
Total	<u>\$8,411,240</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

SoloPower placed orders for equipment in the first and second quarters of 2011. Construction will be completed in both Portland and San Jose by the end of the first quarter in 2012. SoloPower intends to ramp up to full production by the end of the third quarter of 2012.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$8,411,240 and the total net benefits are valued at \$313,197 for the Project. The Project received a Total Score of 1,500 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 615 points, which exceeds the 100 point threshold.

- A. **Fiscal Benefits (845)**. 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 \$575,484, resulting in a Fiscal Benefits Score of 845 points for the Project.

- B. **Environmental Benefits (615)**. The Project will result in total pollution benefits over the life of the Facility valued at an estimated \$419,024, resulting in an Environmental Benefits Score of 615 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 (40 of 200 points)**. Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received 40 additional points.
 - 1. **Permanent Jobs (0 of 40 points)**. The Applicant’s Project will support a total of 30 permanent jobs at its Facility. CAEATFA estimates that approximately one 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 10 construction jobs at its Facility. CAEATFA estimates that 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 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 \$130,912 resulting in a Non-CA Environmental Benefits Score of 40 points for the project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The San Jose facility requires structural, mechanical, electrical construction, sprinkler, and plumbing permits. SoloPower expects to obtain these permits between August and December 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,⁴ the Applicant has paid CAEATFA an Application Fee of \$4,206 and will pay CAEATFA an Administrative Fee of up to \$33,644.96.

RECOMMENDATION

Staff recommends approval of Resolution No. 11-SM014 for SoloPower Inc.'s purchase of Qualified Property in an amount not to exceed \$8,411,240 anticipated to result in an approximate sales and use tax exclusion value of \$681,310.

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

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

August 29, 2011

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **SoloPower 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 \$8,411,240 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
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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.