

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

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

**REFLEXITE SOITEC OPTICAL TECHNOLOGY LLC
Application No. 12-SM007**

May 15, 2012

Prepared By: *Cheryl Ide*

SUMMARY

Applicant – Reflexite Soitec Optical Technology 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 – \$24,500,000

Estimated Sales and Use Tax Exclusion Amount² – \$1,984,500

Estimated Net Benefits - \$77,975

Application Score³ -

Fiscal Benefits Points:	859
<u>Environmental Benefits Points:</u>	<u>180</u>
Net Benefits Score:	1,039
<u>Additional Benefits Points:</u>	<u>0</u>
Total Score:	1,039

Staff Recommendation – Approval

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

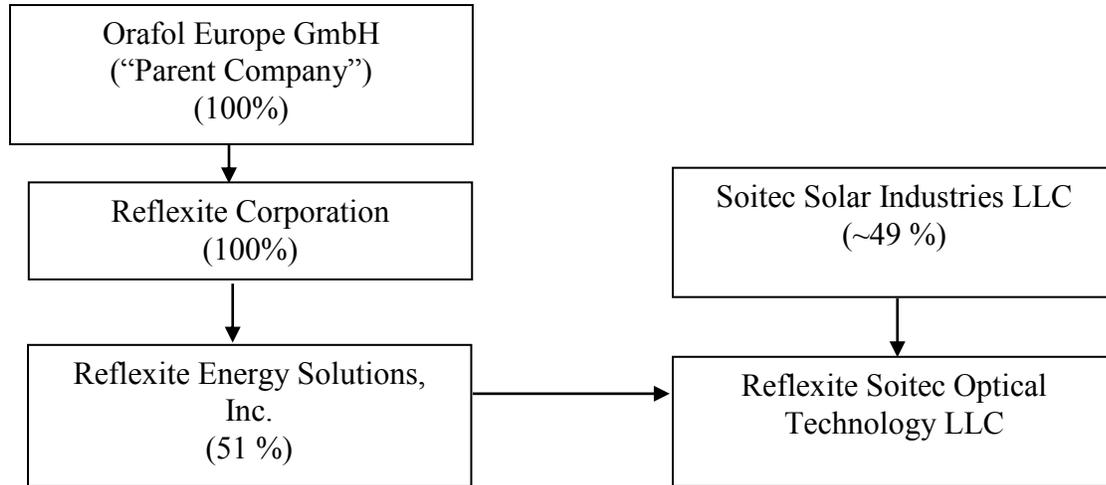
² This amount is calculated based upon the average statewide sales and use tax rate of 8.1%.

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

THE APPLICANT

Reflexite Soitec Optical Technology LLC (“Reflexite” or “Applicant”) was registered in 2011 in Delaware and is headquartered in San Diego, California. Reflexite will manufacture the optical lens component for Soitec Solar Industries, LLC (“Soitec”) concentrated photovoltaic (“CPV”) solar modules (see Agenda item 4.A.2).

Chain of ownership of Reflexite Soitec Optical Technology LLC is as follows:



The major shareholders (10.0% or greater) of the Parent Company are:

Hr. Kluas Schmidbaur

The corporate officers of the Parent Company are:

Dr. Holger Loclair, co-Managing Director of Orafol Europe GmbH
 Hr. Klaus Schmidbaur – co-Managing Director of Orafol Europe GmbH

The corporate officers of Soitec Solar Industries LLC’s parent corporation, Soitec S.A., are:

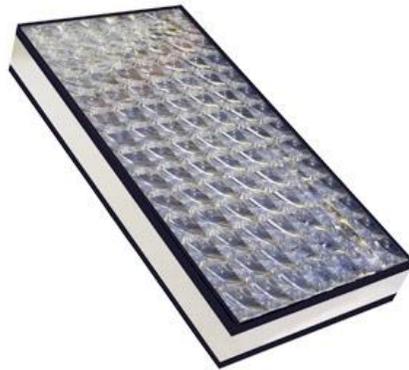
André-Jacques Auberton-Hervé, Chief Executive Officer
 Paul Boudre, Chief Operating Officer
 Olivier Brice, Chief Financial Officer
 Carlos Mazure, Chief Technology Officer

THE PROJECT

Soitec and Reflexite Corporation have formed a joint venture, Relexite Soitec Optical Technology LLC, to produce the optical lens component of the of the Soitec CPV panels. Soitec manufactures and sells CPV modules and plans to build a 200 MegaWatt (“MW”) capacity manufacturing facility in San Diego, California.



**Multi-Junction
Solar Cells**



**Concentrator
Modules**



**Tracking
System**

Reflexite will own the machinery and equipment used to produce the optical lens component for the CPV modules. All other machinery and equipment at the San Diego facility used 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. All of Reflexite’s output will be provided to Soitec under the joint venture agreement.

Together, Soitec and Reflexite intend 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 produce 155 MW and manufactured at the new San Diego facility.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Glass Preparation Equipment	\$2,900,000
Casting Equipment	15,600,000
Post Processing Equipment	2,900,000
Metrology and Support	<u>3,100,000</u>
Total	<u>\$24,500,000</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

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 fourth quarter of 2012.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$24,500,000 and the total net benefits are valued at an estimated \$77,975 for the Project. The Project received a Total Score of 1,039 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 180 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (859 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 \$1,704,725 resulting in a Fiscal Benefits Score of 859 points for the Project.
- B. Environmental Benefits (180 points).** The Project will result in an estimated \$357,750 of total pollution benefits over the lifetime of the Qualified Property resulting in an Environmental Benefits Score of 180 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 submitted information and received zero additional points.

 - 1. Permanent Jobs (0 of 40 points).** The Applicant's Project will support a total of 114 permanent jobs at its Facility. CAEATFA estimates that eight 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 not support construction jobs at its Facility because Soitec will be managing the San Diego Facility, including the building preparation for installation and operation of the equipment. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Reflexite and Soitec represent that all permits for the Project required by the City of San Diego are in place to execute and operate by the first quarter of 2012.

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 \$98,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 12-SM007 for Reflexite Soitec Optical Technology LLC’s purchase of Qualified Property in an amount not to exceed \$24,500,000 anticipated to result in an approximate sales and use tax exclusion value of \$1,984,500.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE
CONVEYANCE AGREEMENT WITH REFLEXITE SOITEC OPTICAL
TECHNOLOGY LLC**

May 15, 2012

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Reflexite Soitec Optical Technology 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 \$24,500,000 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.3
Resolution No. 12-SM007
Application No. 12-SM007

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.