

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**American Lithium Energy Corporation
Application No. 24-SM010**

Tuesday, July 16, 2024

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant – American Lithium Energy Corporation

Location – Carlsbad, San Diego County

Industry – Lithium-Ion Batteries

Project – Update and Expansion of an Existing Lithium-Ion Battery Manufacturing Facility
(Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$5,750,934	\$485,379

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$429,774	885
Estimated Environmental Benefits	\$0	30
Additional Benefits	N/A	175
Total	\$429,774	1,090
Estimated Quantifiable Net Benefit	-\$55,605	

Competitive Criteria Score – 150

Staff Recommendation – Approval

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

² This amount is calculated based on the average statewide sales tax rate of 8.44%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

THE APPLICANT

American Lithium Energy Corporation (the “Applicant”) is a Delaware corporation that formed in 2008. The Applicant is headquartered in Carlsbad and specializes in producing high energy density silicon-based lithium-ion batteries. The Applicant has actively engaged with and shipped products to the Department of Defense, Department of Energy, and several U.S. defense primes for the past 10+ years.

The Applicant received a grant for \$10,220,285 under the Zero-Emission Transportation Manufacturing Program⁴ administered by the California Energy Commission in February 2023.

The Applicant received a grant for \$2,997,662 by the California Energy Commission to fund the build-out of a Low-Rate Initial Production pilot line for silicon anode prismatic batteries in June 2023.

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

- Fan-Yu Family Trust (59.6%)
- Strategic Investors (27.8%)
- Option Pool (12.6%)

The corporate officers of the Applicant are:

- Jiang Fan, CEO
- Chentao Yu, VP of Manufacturing
- Danny Joe, CFO
- William Hadala, Vice President of Operations and Strategy

THE PROJECT

The Applicant is requesting an STE award to upgrade and expand its existing lithium-ion battery manufacturing facility located in Carlsbad (the “Project”). The Applicant states its batteries have broad applications spanning the medical device, smart wearables, aerospace, and electric vehicle markets. According to the Applicant, its manufacturing process utilizes the development of high-capacity electrode materials and advanced electrolytes to maximize the energy efficiency and safety of their lithium-ion batteries. These materials are engineered to improve battery performance, lifespan, and safety when compared to traditional battery compositions. The Applicant will be using nanotechnology to create nano-scale materials that enhance the overall performance of lithium-ion cells. The Applicant will also be incorporating safety technologies such as SafeCore, ZeroVolt, and Negative Thermal Expansion (NTE) into its battery production. The Applicant states these technologies are critical advancements in preventing safety-related issues, such as overheating, thermal runaway, and short-circuiting in battery cells.

According to the Applicant, it will employ advanced material science to help optimize the use of raw materials during its manufacturing process. This includes precision in material cutting, layering, and assembly, which reduces excess use, and optimizing resource efficiency to ensure minimal waste is generated during the manufacturing process. Furthermore, incorporating

⁴ California Code of Regulations, Title 10, Chapter 13, Article 1 (commencing with Section 8000).

techniques like precision engineering and automation contribute to the production of high-quality, high-performance batteries while reducing the overall cost.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Calendering Machine – Hot Press Positive Electrodes	\$440,165
Calendering Machine – Two Times Pressing Negative Electrodes	\$508,941
Slitting Machine with Positive	\$136,176
Slitting Machine with Negative	\$136,176
Cell Assembly Machine	\$2,346,300
Formation and Grading Machine	\$912,500
Laser Cutting and Slitting Machine	\$508,571
Electrode Cutting Machine	\$214,288
Spare Parts for Laser and Die Cutting Machine	\$25,614
Assembly System Machines	\$304,286
Laminated Welding Adhesive Line	\$160,488
Formation/Grading System	\$7,429
Dehumidification Equipment	\$50,000
Total	<u>\$5,750,934</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff’s report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance 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 over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

According to the Applicant, the existing Carlsbad facility is set to undergo expansion and upgrades in early 2024 and will conclude by the third quarter of 2024.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant has started permit processing and is pending approval of its environmental, building and zoning, fire and safety, and specialized manufacturing permits.

COMPETITIVE CRITERIA SCORE

The Applicant received 150 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant’s Project’s primary Facility is located in San Diego County, which has an average annual unemployment rate of 3.5%.⁵ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant zero points.
3. **Job Creation (60 of 75 points)**. The Applicant anticipates the Project will support a total of 100 production-related jobs at its Facility. CAEATFA estimates that approximately 5.55 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 60 points.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant’s Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (75 of 75 points)**. The Project’s industry, lithium-ion batteries, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 1,090 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 30 points, which exceeds the 20-point threshold.

⁵ Unemployment rates are based on data available in December 2023.

- A. Fiscal Benefits (885 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant’s sales and use taxes, personal income taxes paid by the firm’s employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$429,774, resulting in a Fiscal Benefits score of 885.
- B. Environmental Benefits (30 points).** The Project earned an Environmental Benefits Score of 30. The Applicant received points in the following categories:
- 1. Water Use (20 of 30 points).** The Applicant anticipates the Project will result in a 20% water use reduction relative to the Applicant’s previous manufacturing process due to the installation of a new system that will treat wastewater more efficiently and decrease the frequency of water replacements.
 - 2. Solid Waste (5 of 30 points).** The Applicant anticipates the Project will result in a 5% solid waste reduction relative to the Applicant’s previous manufacturing process as a result of a new system, which enhances precision in battery cutting.
 - 3. Air Pollutants (5 of 30 points).** The Applicant anticipates the Project will result in a 5% air pollutants reduction relative to the Applicant’s previous manufacturing process as a result of a more efficient abatement system, which treats the exhaust gases through an absorption treatment before going into air.
- C. Additional Benefits (175 points).** Applicants may earn additional points for their Total Score. The Applicant received 175 additional points.
- 1. Production Jobs (60 of 75 points).** The Applicant anticipates the Project will support a total of 100 production-related jobs at its Facility. CAEATFA estimates that approximately 5.55 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 60 points.
 - 2. Construction Jobs (0 of 75 points).** The Applicant anticipates the Project will not support any construction jobs at its Facility. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
 - 3. Unemployment (0 of 50 points).** The Applicant’s Project is located in San Diego County, which has an average annual unemployment rate of 3.5%. When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant zero points.

4. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to the production of lithium-ion batteries.
5. **Workforce Partnerships (25 of 25 points)**. The Applicant has a partnership with MiraCosta College for the purpose of assisting in the training of potential future workers.
6. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental and vision benefits, bonuses, retirement contributions and paid leave to its employees, earning the Applicant 25 points.
7. **Emerging Strategic Industry (40 of 40 points)**. The Project’s industry, lithium-ion batteries, is in an Emerging Strategic Industry, earning the Applicant 40 points.

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,⁶ the Applicant has paid CAEATFA an Application Fee of \$2,875.47 and will pay CAEATFA an Administrative Fee up to \$23,003.74.

RECOMMENDATION

Staff recommends the approval of Resolution No. 24-SM010-01 for American Lithium Energy Corporation’s purchase of qualifying tangible personal property in an amount not to exceed \$5,750,934, anticipated to result in an approximate STE value of \$485,379.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH AMERICAN LITHIUM ENERGY
CORPORATION**

July 16, 2024

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **American Lithium Energy Corporation** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$5,750,934 over a period of three (3) years; and

WHEREAS, the Applicant asserts 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 Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The 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 Authorized Signatories deem appropriate, provided that the amount of the

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qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may 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 to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained, and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to 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 is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.