

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

Board Meeting Date: Tuesday, March 18, 2025

***Request to Approve a Time Extension for the
Initial Term of the Regulatory Agreement¹***

**QuantumScape Battery, Inc.
Application No. 22-SM010**

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant: QuantumScape Battery, Inc.

Location: San Jose, Santa Clara County

Industry: Lithium Battery Cell Manufacturing

Project: Expansion of Existing Lithium Cell Manufacturing Facility
(Advanced Manufacturing)

Total Amount Qualified Property Approved: \$114,844,599

Estimated Sales and Use Tax Exclusion Amount at Approval:² \$9,761,791

Initial Board Approval Date: June 21, 2022

Amount of Time Requested:

- Requesting a two-year extension, until June 21, 2027, for the Initial Term of the Regulatory Agreement (a total of five years from the date of initial CAEATFA Board approval of June 21, 2022)

Staff Recommendation: Approval

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program's statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

BACKGROUND

On June 21, 2022, the CAEATFA Board approved a Sales and Use Tax Exclusion (“STE”) award for QuantumScape Battery, Inc. (the “Applicant”) for the purchase of up to \$114,844,599 in Qualified Property to build a continuous flow pre-pilot production line (“QS-0 line”) for its lithium batteries located in San Jose (the “Project”). The Regulatory Agreement (“Agreement”) initial term provided the Applicant with three years from the date of CAEATFA Board approval to utilize its STE award.³

As of December 2024, the Applicant has used the STE award to purchase approximately \$52,220,900 of Qualified Property (45% of the total Qualified Property approved).⁴ The Applicant is requesting to extend the Agreement initial term to accommodate a technology process change and to troubleshoot production issues.

THE APPLICANT

QuantumScape is a Delaware corporation that formed in 2010. The Applicant is a wholly owned subsidiary of QuantumScape Corporation and was founded to develop and commercialize next generation battery technology to enable long-range, low-cost electric vehicles and accelerate the mass market electrification of transportation and other applications. Via a business combination in 2020, the QuantumScape Corporation became publicly traded on the NYSE under the symbol QS.

In October 2017, the CAEATFA Board granted QuantumScape Corporation an STE award for the purchase of up to \$18,243,000 in Qualified Property for an estimated STE value of \$1,536,061 to manufacture electric vehicle batteries at its facility in San Jose. Nearly 100% of the total Qualified Property approved was purchased and the project was completed in 2020.

On March 16, 2021, the CAEATFA Board granted QuantumScape Corporation a second STE award for the purchase of up to \$19,999,333 in Qualified Property for an estimated STE value of \$1,699,943 to expand its existing electric vehicle battery manufacturing facility located in San Jose. 100% of the total Qualified Property approved was purchased and the project was completed in 2022.

The major shareholders of QuantumScape Corporation are:
Volkswagen Group of America Investments, LLC (15.9%)

The Corporate Officers of QuantumScape Corporation and QuantumScape Battery, Inc. are:

Siva Sivaram, Chief Executive Officer
Kevin Hettrich, Chief Financial Officer
Michael McCarthy, Chief Legal Officer
Timothy Holme, Chief Technology Officer
Mohit Singh, Chief Development Officer

³ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

⁴ Based on the 2024 2nd half semi-annual compliance report that has been received but not yet processed.

THE PROJECT

QuantumScape Battery, Inc. received an STE award to build a continuous flow pre-pilot production line (“QS-0 line”) for its solid-state, lithium batteries located in San Jose. The Applicant has been conducting research and development since 2014 at its original facility and has recently leased four other facilities to scale-up from its engineering line, to accommodate its automated QS-0 line. This QS-0 line is operational and is being ramped up to provide cell samples to automotive partners, to serve as a basis for technology transfer to support technology licensing activities, and to provide sufficient volumes of cells for both demonstration vehicles and first, small volume commercialization of its solid state, lithium metal technology.

The Applicant states that in addition to the sample production portion of the process, the QS-0 line will continue to serve as a platform for continued production process development. It will also assist with increasing production volumes and will also allow the Applicant’s highly skilled development team to continue to improve its product performance and quality.

According to the Applicant, its proprietary advanced materials and battery cells are capable of storing significantly more energy per unit mass and volume than the industry standard. The Applicants has publicly shared prototype data that demonstrates faster charging times and improved safety performance. The Applicant explains it uses integrated computational materials engineering and an advanced workforce to develop and model the physics behind its battery cells. The Applicant states that because this technology requires fewer materials to store an equivalent amount of energy, the technology at scale and maturity is targeted to require fewer resources, including raw materials, tools, energy, and solvents. The technology is targeted to enable longer range, faster charging, and safer electric vehicles.

AGREEMENT INITIAL TERM EXTENSION REQUEST

The Applicant has requested that the initial term of the Agreement be extended from June 21, 2025, to June 21, 2027, in order to accommodate a technology process change and to troubleshoot production issues.

STAFF EVALUATION

The CAEATFA Board can extend the initial term of the Agreement upon a finding that an extension is in the public interest and advances the purposes of the STE Program.⁵

According to the Applicant, there has been a delay in meeting the initial term deadline due to unexpected production challenges the Applicant faced when trying to ramp up its pilot line. The Applicant states it modified its production process to a significantly faster, higher throughput process for making its separators called Raptor and Cobra. In addition, the Applicant spent unaccounted time to identify and eliminate the root cause

⁵ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(B)

of an unforeseen source of contamination in one of the Applicant’s key materials. These issues have been addressed and resolved.

Staff has reviewed the Applicant’s extension request and has taken into consideration that while there were delays, the Applicant has made substantial progress with the Project. In 2024, such progress includes announcing its first commercial product, shipping product samples to partners to help test and evaluate, entering into a collaboration agreement with Volkswagon PowerCo to industrialize and increase the efficiency of the Applicant’s next generation solid-state lithium metal battery technology, and announcing and installing the next generation heat treatment equipment for its separator production process, Cobra. According to the Applicant, it plans on spending approximately \$65 million in capital expenditures in 2025, and an additional \$45 million of investments in 2026 to support the demand of the company’s solid state battery cells. The amount of time requested is based on the Applicant’s plan to launch its initial product, as well as the timeline for custom equipment and the equipment lead time.

Based on this information, Staff believes extending the initial term of the Agreement will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the STE Program.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the extension request. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant’s request to extend the initial term qualifies as a modification to the Applicant’s Agreement, incurring additional fees. The Applicant has paid the additional fee of \$2,000.

RECOMMENDATION

Staff recommends that the Board approve the Applicant’s request to extend the initial term of the Agreement by two years, until June 21, 2027, as it is in the public interest and advances the purposes of the STE Program, and the remaining term shall be for a period of five and one-half years, until December 21, 2027, for providing annual compliance reports.⁷

ATTACHMENTS

- Attachment A: QuantumScape Battery, Inc.’s Letter Requesting Waiver (January 24, 2025)
- Attachment B: QuantumScape Battery, Inc.’s Staff Summary at the Time of Approval

⁶ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(B)

⁷ California Code of Regulations Title 4, Division 13, Section 10035(a)(2)

**RESOLUTION APPROVING A TIME EXTENSION FOR
QUANTUMSCAPE BATTERY, INC.'S INITIAL TERM FOR
THE REGULATORY AGREEMENT**

March 18, 2025

WHEREAS, on June 21, 2022, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved a Sales Tax Exclusion (“STE”) in the amount of \$114,844,599 of Qualified Property for **QuantumScape Battery, Inc.** (the “Applicant”); and

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program regulations Section 10035(b)(1)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three (3) years, due to unexpected delays in the Project timeline, extending the term by two (2) years to June 21, 2027; and

WHEREAS, granting the waiver will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

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

Section 1. The Authority finds that it is in the public interest and advances the purposes of the Program to extend the Applicant’s initial term of the Regulatory Agreement to June 21, 2027.

Section 2. This resolution shall take effect immediately upon its passage.

**Attachment A: QuantumScape Battery, Inc.'s
Letter Requesting Waiver (January 24, 2025)**

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Date: January 24, 2025

To: California Alternative Energy and Advanced Transportation Financing Authority ([CAEATFA](#))
915 Capitol Mall,
Sacramento, California 95814

Email: steprogram@treasurer.ca.gov

From: QuantumScape Battery, Inc.

Subject: Request a time extension of the initial term to purchase all Qualified Property

CAEATFA Board,

This letter is to respectfully request a time extension of the initial term to purchase all Qualified property pursuant to the Regulatory Agreement between QuantumScape Battery, Inc. and CAEATFA dated June 22, 2022 Application No. 22-SM010.

The Regulatory Agreement has an initial term of 3 years (June 22, 2022 to June 21, 2025) and Aggregate Asset Price not to exceed \$114,844,599. As of 1H 2024 semi-annual reporting, the Company has purchased \$38,395,937 in Qualified Property purchases (33% of the total Qualified Property amount approved). The company is in the process of reporting the 2H 2024 qualified purchases. We do not expect to report a significant increase over the cumulative 1H 2024 level. We expect purchasing of qualified property to resume in 2H of 2025 and to accelerate in 2026.

After careful evaluation of our business strategies and operational objectives, we believe we need to purchase up to the originally approved aggregate asset price. We therefore request that QuantumScape Battery, Inc. be granted a 2 year extension for the Regulatory Agreement 22-SM010 from the original expiration date of June 21 2025 to a new expiration date of June 21, 2027.

1) Why the extension is necessary (i.e. why the initial term deadline will not be met):

While QuantumScape has made steady progress developing its solid state battery cells—including making all committed goals since becoming a public company in 2020—the timeline to ramp our pilot line has been extended for a few reasons, including to accommodate a process change to a new, higher throughput process by

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which we make our separator (called Raptor and Cobra in our public materials) as well as on account of time required to identify, root cause, and eliminate a source of contamination in one of our key incoming materials.

2) An explanation of what assurances there are that the new timeline will be met

The company announced our first commercial product, the QSE-5, that will be built from the pilot line and is working closely with a potential automotive customer on a product launch that relies upon the successful scale-up of our San Jose line. In October of 2024, we began shipping our first QSE-5 cell samples for partner testing and evaluation. These cells are, to the best of our knowledge, the first anode-free solid-state lithium-metal cell design ever produced for automotive applications. The cell is capable of simultaneously delivering exceptional performance with respect to energy density, discharge power, charging speed, low-temperature performance, and safety. The Company is working closely with a leading automotive manufacturer on the process development and industrialization work involved in the further scale-up of the San Jose pilot line.

3) Information on whether the scope of the project has changed

The objectives of the project remain unchanged: to produce sufficient volumes of cells to finish product development and process industrialization, to sample cells for evaluation and testing to our automotive partners, and to produce cells in sufficient volumes for demo vehicles and for first commercialization of our solid-state cell technology. Under the Company's collaboration and licensing agreement signed in July 2024 with a leading automotive company, the San Jose pilot line will also support technology transfer activities.

4) Additional information to support Board approval of an extension of the Purchase Requirement

The company's San Jose based pilot line covered by this CAEAFTA project—including the Raptor and Cobra heat treatment equipment contained within—is central to the Company's commercialization strategy, generates intellectual property, and is a major source of QuantumScape's competitive advantage. We request the CAEAFTA board's continued support of this important project via a 2 year extension to purchase all the qualified property in the original project scope. We thank the board for their consideration of this important request.

The following paragraphs are to provide responses to the additional information requested from CAEAFTA after the review of the original request letter dated January 10 2025:

- Is there an updated purchasing timeline?

The Company's 2025 Annual Operating Plan includes plans to spend approximately \$65M million in Capex. The Company's strategic long-range plan contains a further approximately \$45 million of Capex

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for investment in 2026. These numbers align with the capex to support the ramp plan requested by the Company's target launch customer for initial commercialization of our QSE-5 solid state battery cells.

- How did the Company come up with the requested timeframe (2 years)? Is it based on past purchasing history or investor timelines? Are there any known purchase and lead dates?

The requested timeline extension allows full grant utilization consistent with QuantumScape's current plans and consistent with the Company's initial QSE-5 product launch. The 2 year extension request, ending in June of 2027, also allows for a few months of buffer to help accommodate longer than anticipated equipment design and/or longer than expected lead times for the build, factory acceptance, and site acceptance of the equipment. The Company deems this prudent as many items of equipment are not 'off the shelf'.

The 2025 capex spend is the sum of an itemized list of equipment with estimated pricing, order dates, lead times, and payment terms. Much of the list is deemed to be fairly 'known'; certain items of equipment are estimates the Company's engineering team is working against to refine specifications for, and in discussion with vendors, better estimate pricing, order dates, and lead times.

- Have all obstacles been overcome? Are there any other challenges the Company are facing? Give examples.

QuantumScape continues to make significant technical and commercial progress. Recent examples include:

- In July 2024, the Company entered into a landmark agreement with Volkswagen PowerCo to industrialize QuantumScape's next-generation solid-state lithium-metal battery technology. Under the non-exclusive license, PowerCo can manufacture up to 40 gigawatt-hours (GWh) per year using QuantumScape's technology with the option to expand up to 80 GWh annually, enough to outfit approximately one million vehicles per year. The companies believe this high-touch engagement represents the fastest way to achieve gigawatt-hour-scale production of solid-state technology to meet the growing global demand for better electric vehicle batteries. The agreement creates a collaborative partnership that amplifies the companies' core competencies – QuantumScape's cutting-edge technology and PowerCo's global capabilities in industrialization and manufacturing facilities. It will feature a combined workforce initiative to accelerate the industrialization of QuantumScape's technology. A large, dedicated scale-up team, composed of experts from both companies, will execute on the industrialization activities.

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Agenda Item – 4.A.2 Resolution No. 22-SM010-02

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- In October 2024, QuantumScape began producing low volumes of our first B-sample cells, accomplishing our most important goal for 2024, and began shipping these cells for automotive customer testing. These are B samples of QuantumScape's first product, QSE-5, with energy density of over 800 Wh/L and and <15 minute 10% to 80% fast-charging capability. QSE-5 represents an important milestone for the Company and the battery industry as a whole. These cells are, to the best of our knowledge, the first anode-free solid-state lithium-metal cell design ever produced for automotive applications. This cell is capable of simultaneously delivering exceptional performance with respect to energy density, discharge power, charging speed, low-temperature performance, and safety.
- In December 2024, QuantumScape announced that next-generation heat treatment equipment for its separator production process, Cobra, has been developed, delivered, installed and released for initial separator processing. Achieving this milestone on schedule puts the company on track to deliver higher-volume samples of its first planned commercial product, QSE-5, in 2025, and is a major step toward the commercialization of solid-state batteries for electric vehicles. Cobra represents a significant innovation in ceramic solid-state separator production, benefiting both scalability and cost efficiency. This milestone is the culmination of years of advanced R&D on QuantumScape's fast separator production process – the core innovation that will allow its battery technology to be manufactured at gigawatt-hour scale. The Company is targeting Cobra integration into its cell production baseline in 2025.
- Key remaining work/challenges ahead for QuantumScape include (i) incorporation of feedback from OEM partner testing of our QSE-5 cells, (ii) industrialization of the processes used to produce our QSE-5 cells, including work to significantly improve operational metrics like throughput, uptime, yield, reliability, and equipment cost, (iii) successful design, equipment acquisition, and execution of the ramp plan to support initial commercialization of our QSE-5, and (iv) successful transfer of technology to VW PowerCo for the commercialization at GWh scale.

In summary, the Company believes the 2 year extension request is reasonable and would appreciate the approval consideration by the CAEATFA Board.

Sincerely,

DocuSigned by:

387645CB0B774CA

Kevin Hettrich – CFO

QuantumScape Battery, Inc.

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**Attachment B: QuantumScape Battery, Inc.’s
Staff Summary at the Time of Approval**

The original award staff summary can be found on the [CAEATFA website](#).

Agenda Item – 4.A.22
Resolution No. 22-SM010-01

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**QuantumScape Battery, Inc.
Application No. 22-SM010**

Tuesday, June 21, 2022

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – QuantumScape Battery, Inc.

Location – San Jose, Santa Clara County

Industry – Lithium Battery Cell Manufacturing

Project – Expansion of Existing Lithium Cell Manufacturing Facility (Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$114,844,599	\$9,761,791

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$59,767,963	6,123
Estimated Environmental Benefits	N/A	185
Additional Benefits	N/A	235
Total	\$59,767,963	6,543
Estimated Quantifiable Net Benefit	\$50,006,172	

Competitive Criteria Score – 165

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 8.5%.

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).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

**Agenda Item – 4.A.2
Resolution No. 22-SM010-02**

**Agenda Item – 4.A.22
Resolution No. 22-SM010-01**

THE APPLICANT

QuantumScape Battery, Inc. (the “Applicant”), is a Delaware corporation that formed in 2010. The Applicant is a wholly owned subsidiary of QuantumScape Corporation, which is publicly traded on the NYSE under the symbol QS. The Applicant was founded to develop and commercialize next generation battery technology to enable long-range, low-cost electric vehicles, and a mass market electrification of transportation and other applications.

On October 17, 2017, the CAEATFA Board granted the Applicant’s parent company, QuantumScape Corporation, an STE award for the purchase of up to \$18,243,000 in Qualified Property for an estimated STE value of \$1,536,061 to manufacture electric vehicle batteries at its facility in San Jose. The Project was completed in 2020

On March 16, 2021, the CAEATFA Board granted the Applicant’s parent company, QuantumScape Corporation, an STE award for the purchase of up to \$19,999,333 in Qualified Property for an estimated STE value of \$1,699,943 to expand its existing electric vehicle battery manufacturing facility located in San Jose. The Project was completed in 2022.

The major shareholders (10% or greater) of QuantumScape Corporation are: Volkswagen Group of America (20%)	The corporate officers of the Applicant are: Jagdeep Singh, Chief Executive Officer Kevin Hettrich, Chief Financial Officer Michael McCarthy, Chief Legal Officer and Head of Corporate Development
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THE PROJECT

QuantumScape Battery, Inc., is requesting an STE award to build a continuous flow pre-pilot production line (“QS-0 line”) for its lithium batteries located in San Jose (the “Project”).

The Applicant has been conducting research and development since 2014 at its original facility and has recently leased four other facilities to scale-up from its engineering line, to accommodate its automated QS-0 line. This QS-0 line is being created in part to produce large quantities of samples which are required to test and tune systems and processes for its solid-state battery development technology. The Applicant states it intends to mass produce prototype cells for its customers. Those cells will then be placed into hundreds of long-range test vehicles.

The Applicant states that in addition to the sample production portion of the process, the QS-0 line will continue to serve as a platform for continued production process development. It will also assist with increasing production volumes and will also allow the Applicant’s highly skilled development team to continue to improve its product performance and quality.

According to the Applicant, its proprietary advanced materials and battery cells are capable of storing significantly more energy per unit mass and volume than the industry standard. The Applicant explains it uses integrated computational materials engineering and an advanced

**Agenda Item – 4.A.2
Resolution No. 22-SM010-02**

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workforce to develop and model the physics behind its battery cells. The Applicant states that because this technology requires fewer materials to store an equivalent amount of energy, the Project will require fewer resources, including raw materials, tools, energy, and solvents, and will produce a lighter battery system to improve the range of electric vehicles.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Automated pre-conditioning of cathode goods	\$1,500,000
Automated pre-conditioning of cells for testing	\$2,000,000
Automated transfer of sintered goods	\$10,318,660
Automated transfer of unfinished goods	\$4,000,000
Production Equipment Cell Assembly	\$16,043,478
Production Equipment Cell Testing	\$5,000,000
Production Equipment Characterization and Analysis	\$5,165,000
Production Equipment Casting	\$2,834,500
Production Equipment Cathode preparation	\$6,000,000
Production Equipment Catholyte Coater	\$2,000,000
Production Equipment Coating	\$2,247,000
Production Equipment Cutting	\$4,661,993
Production Equipment Sealing tool	\$1,000,000
Production Equipment Slitting	\$2,477,500
Production Equipment Stacker	\$21,750,000
Production Equipment Heat treatment	\$15,465,223
Production Equipment Mixing materials	\$6,281,245
Storage and inventory management	\$6,100,000
Total	<u>\$114,844,599</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 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

The Applicant states it has leased four facilities in San Jose for a total of approximately 420,000 square feet that it anticipates outfitting for its QS-0 line as well as lab space for additional research and development. The Phase 1 build out was completed in December 2021. The Phase 2 build out is scheduled to begin in the first quarter of 2022. The Applicant anticipates beginning

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to place the Qualified Property in service beginning in the second quarter of 2022, with completion scheduled for the second quarter of 2023.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states it will begin the permitting process for all required permits, which includes hazardous materials, hazardous waste materials, and air permits approximately three to four months before the Qualified Property is received at its facilities.

COMPETITIVE CRITERIA SCORE

The Applicant received 165 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 Facilities are located in Santa Clara County, which has an average annual unemployment rate of 4.9%.⁵ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant zero points.
3. **Job Creation (75 of 75 points)**. The Applicant anticipates the Project will support a total of 550 production-related jobs at its Facilities. CAEATFA estimates that approximately 537 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 75 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 Facilities 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.

⁵ Unemployment rates are based on data available in December 2021.

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7. **Emerging Strategic Industry (75 of 75 points)**. The Project's industry, lithium battery storage, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 6,543 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 185 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (6,123 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 \$59,767,963, resulting in a Fiscal Benefits score of 6,123.
- B. **Environmental Benefits (185 points)**. The Project earned an Environmental Benefits Score of 185. The Applicant received points in the following categories:
1. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that it states will track water, electricity, industrial gas, and waste to reduce emissions and the consumption of energy and raw materials.
 2. **Energy Consumption (30 of 30 points)**. The Applicant anticipates the Project will result in a 33% reduction in energy consumption compared to the industry standard manufacturing process due to the higher gravimetric energy density in its battery cells compared to industry standards.
 3. **Water Use (30 of 30 points)**. The Applicant anticipates the Project will result in a 33% reduction in water use relative to the industry standard manufacturing process by eliminating the need for an anode and its associated materials and processes.
 4. **Solid Waste (30 of 30 points)**. The Applicant anticipates the Project will result in a 33% reduction in solid waste produced relative to the industry standard manufacturing process by eliminating material used in manufacturing as a result of the higher gravimetric energy density in its battery cells compared to industry standards.
 5. **Hazardous Waste (30 of 30 points)**. The Applicant anticipates the Project will result in a 33% reduction in hazardous waste produced relative to the industry standard manufacturing process. The Applicant explains that the

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industry standard for lithium batteries uses two electrode mixing, coating, drying, and slitting lines, while the Applicant's system eliminates the need for one of those lines.

6. **Air Pollutants (30 of 30 points)**. The Applicant anticipates the Project will result in a 33% reduction in the emission of air pollutants produced relative to the industry standard manufacturing process. The Applicant explains the higher gravimetric energy density in its battery cells compared to industry standards reduces the emissions of air pollution, such as solvent evaporation, per unit of output.
7. **Other Pollutants (30 of 30 points)**. The Applicant anticipates the Project will result in a 33% reduction in other pollutants produced relative to the industry standard manufacturing process. The Applicant explains the higher gravimetric energy density in its battery cells compared to industry standards reduces the amount of pollution per unit of output.

C. **Additional Benefits (235 points)**. Applicants may earn additional points for their Total Score. The Applicant received 235 additional points.

1. **Production Jobs (75 of 75 points)**. The Applicant anticipates the Project will support a total of 550 production-related jobs at its Facilities. CAEATFA estimates that approximately 537 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 75 points.
2. **Construction Jobs (45 of 75 points)**. The Applicant anticipates the Project will support a total of 60 construction jobs at its Facilities. CAEATFA estimates that approximately 58.6 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 45 points.
3. **Unemployment (0 of 50 points)**. The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.9%. When compared to the statewide average annual unemployment rate of 7.89%, 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 development of materials and manufacturing for high energy density batteries.
5. **Industry Cluster (25 of 25 points)**. The industry associated with this Application has been identified by the California State Assembly Committee on Jobs, Economic Development, and the Economy as an industry cluster of the region of the Project's location.

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6. **Benefits and Fringe Benefits (25 of 25 Points)**. The Applicant states it provides medical, health, dental, vision, bonuses, dependent care and assistance reimbursement, education reimbursement, and paid leave benefits to its employees, earning the Applicant 25 points.
7. **Emerging Strategic Industry (40 of 40 points)**. The Project’s industry, lithium battery storage, is in an Emerging Strategic Industry, and, therefore, 40 points are awarded.

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 \$10,000 and will pay CAEATFA an Administrative Fee of up to \$350,000.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM010-01 for QuantumScape Battery, Inc.’s purchase of qualifying tangible personal property in an amount not to exceed \$114,844,599, anticipated to result in an approximate STE value of \$9,761,791.

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

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**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH QUANTUMSCAPE BATTERY, INC.**

June 21, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **QuantumScape Battery, Inc.** (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 \$114,844,599 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.