

Memorandum

To: Robert P. Oglesby
Executive Director

Date : October 5, 2011

Telephone: CALNET (916) 654-4628

From : **California Energy Commission** – PAT PEREZ, Deputy Director
1516 Ninth Street
Sacramento CA 95814-5512
Fuels and Transportation Division

Subject: RECOMMENDATION TO PERMIT THE SOLARIA CORPORATION TO OBTAIN ADDITIONAL DEBT TO BE CONSIDERED AT THE NOVEMBER 2, 2011 BUSINESS MEETING.

Summary of Item

The Solaria Corporation (Solaria) is in the process of raising additional financing to fund an expansion at their subsidiary in India and is requesting permission from the Energy Commission to obtain up to \$30 million in debt.

Background

Solaria was approved at the September 15, 2010 Business Meeting for a \$753,992 Clean Energy Business Financing Program (CEBFP) loan to purchase and install equipment to expand the in-state manufacture of concentrated solar photovoltaic panels. The loan was increased to the full requested amount of \$2,768,122 at the December 29, 2010 Business Meeting after additional American Recovery and Reinvestment Act – State Energy Program (SEP) CEBFP funds became available. A loan agreement between the California Energy Commission and The Solaria Corporation for \$2,768,122 was fully executed on July 21, 2011. To date, Solaria has drawn down \$887,278.77 in loan funds.

The Solaria loan documents contain language that disallows Solaria from incurring additional debt without written permission from the Energy Commission (Section 6.H of the Commercial Loan Agreement in Exhibit D).

SAFE-BIDCO, the Financial Development Corporation responsible for underwriting the Solaria loan, granted loan committee approval of this \$30 million in additional debt on September 22, 2011. On October 4, 2011, SAFE-BIDCO recommended the approval of this additional debt in an Action Memorandum addressed to Energy Commission staff. The additional debt will be collateralized with the specific equipment financed for the subsidiary and is non-recourse¹ to Solaria.

¹ ...a debt whose satisfaction may be obtained on default only out of the particular collateral given and not out of the debtor's other assets (dictionary.com)

Justification for Action Requested

Staff recommend allowing Solaria to obtain up to \$30 million in debt. This debt will allow Solaria to grow as a company by obtaining additional funding. No risk has been identified to Energy Commission collateral. Though allowing Solaria to obtain additional debt will increase Solaria's debt servicing payments, analysis by SAFE-BIDCO based on Solaria's revised projections suggests Solaria will have sufficient income to repay the Energy Commission loan.

Project Manager

Marcia Smith, Special Projects Office

Oral Presentation

Staff will be prepared to discuss this recommendation and to respond to questions at the Business Meeting.

Business Meeting Participants

Marcia Smith, Special Projects Office
Jacob Orenberg, Special Projects Office

Commission Action Requested

Allow The Solaria Corporation to obtain up to \$30 million in debt and authorize the Deputy Director of the Administrative and Financial Management Services Division to execute the consent to obtain addition debt.

PAT PEREZ, Deputy Director
FUELS AND TRANSPORTATION DIVISION

Pros:

- Will allow Solaria to grow as a company by obtaining additional funding

Cons:

- Solar manufacturers nationwide are being closely scrutinized, particularly those with government funding, as a result of bankruptcy of Solyndra. While staff continue to carry out thorough financial due diligence to try to ensure only loans for the strongest projects are approved, risk perception remains high.