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1 WHEREAS, SolAero Technologies Corporation (the “Company”) is a corporation
2 organized under the laws of the State of Delaware and is authorized to do business
3 in New Mexico; and

4 WHEREAS, the Company has requested that the City issue its industrial revenue
5 bond pursuant to the Act for the purpose of providing funds to expand and
6 modernize space-grade solar cell manufacturing capabilities within the corporate
7 limits of the City (the “Project”); and

8 WHEREAS, the City Council of the City of Albuquerque (the “Council”) has
9 adopted an ordinance establishing the Albuquerque Development Commission (the
10 “Commission”) to review projects proposed to be financed with an industrial revenue
11 bond pursuant to the Act pursuant to City Resolution No. 16-1985, as amended; and

12 WHEREAS, the Company has presented to the City and the Commission a
13 proposal (the “Project Plan”) whereby the Company shall, pursuant to the Act,
14 expand and modernize manufacturing capability; keep operations co-located in order
15 to maximize technical, operational and industrial efficiency; mitigate cost and
16 schedule risks by minimizing new construction and leveraging existing facility
17 systems; and acquire equipment and other property to accomplish these objectives
18 and effect the Project (the “Project Property”), within the boundaries of the City, and
19 pursuant to which the City would issue its taxable industrial revenue bond in order to
20 finance the Project; and

21 WHEREAS, the Commission has reviewed the Project Plan, and on November
22 21, 2024, has determined that the Company has complied with City Resolution No.
23 16-1985, and has recommended approval of the Project Plan by the Council; and

24 WHEREAS, under the Company’s Project Plan, the City would enter into an
25 Indenture dated as of February 1, 2025 (the “Indenture”) between the City and
26 BOKF, NA or other corporate depository satisfactory to the City to be designated at
27 a later date, as depository (the “Depository”), pursuant to which, together with this
28 ordinance (the “Bond Ordinance”), the City would issue its bond designated as the
29 City of Albuquerque, New Mexico Taxable Industrial Revenue Bond (SolAero
30 Technologies Project), Series 2025 (the “Bond”); and

31 WHEREAS, under the Company’s Project Plan, the City and the Company would
32 enter into a Lease Agreement dated as of February 1, 2025 (the “Lease”), pursuant
33 to which the Company will lease the Project Property from the City and will make

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1 payments to the Depository sufficient to pay the principal of, redemption premium, if
2 any, and interest on the Bond, and to pay all other obligations incurred pursuant to
3 the provisions of the Lease and the Bond Ordinance; and

4 WHEREAS, under the Company's Project Plan, the Lease will provide that the
5 Company shall maintain the Project and carry all proper insurance with respect
6 thereto; and

7 WHEREAS, the proceeds of the Bond shall be used for the purpose of financing
8 the acquisition, construction, renovation and equipping of the Project (the
9 "Financing"); and

10 WHEREAS, the City is authorized to enter into the Lease, the Indenture, and
11 other related documents and to issue the Bond pursuant to the Act and the Bond
12 Ordinance; and

13 WHEREAS, the Bond in an aggregate principal amount not to exceed
14 \$72,600,000 will be issued, sold and delivered by the City in a private sale to an
15 affiliate of the Company (the "Purchaser") pursuant to a bond purchase agreement
16 (the "Bond Purchase Agreement") among the City, the Company, and the
17 Purchaser; and

18 WHEREAS, the proceeds of the Bond shall be applied to pay the costs of the
19 Project and to pay certain costs associated with the transaction; and

20 WHEREAS, after having considered the provisions of the Project Plan and the
21 Financing, the Council has concluded that it is in the best interest of the City to
22 authorize the issuance of the Bond to finance the Project, and that the City's
23 issuance of the Bond shall constitute a valid public purpose under the Act; and

24 WHEREAS, the Council has been advised by the Company that the disclosure
25 provisions of Rule 15c2-12 of the Securities and Exchange Commission are not
26 applicable to this transaction in as much as the Bond is being sold to the Purchaser,
27 which is an affiliate of the Company, in a private sale without the participation of an
28 underwriter; and

29 WHEREAS, there has been published in the Albuquerque Journal, a newspaper
30 of general circulation in the City, public notice of the Council's intention to adopt this
31 Bond Ordinance, which notice contained certain information concerning the
32 ownership, purpose, location and size of the Project and the Project Property, and
33 the amount of the Bond to be issued to finance the Project, which notice was

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1 published at least fourteen (14) days prior to hearing and final action on this Bond
2 Ordinance; and

3 WHEREAS, the proposed forms of the following documents have been filed with
4 the City Clerk and presented to the Council: (1) Project Plan; (2) Lease; (3)
5 Indenture; and, (4) Bond Purchase Agreement (collectively the "Bond Documents");
6 and

7 WHEREAS, the City has delivered notice to the County of Bernalillo, State of
8 New Mexico, of its intent to consider issuance of the Bond, which notice was given
9 at least thirty (30) days prior to the meeting at which final action is to be taken on this
10 Bond Ordinance as required by Section 3-32-6.1, New Mexico Statutes Annotated,
11 1978 Compilation, as amended.

12 BE IT ORDAINED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF
13 ALBUQUERQUE:

14 Section 1. RATIFICATION. All actions not inconsistent with the provisions of
15 this Bond Ordinance previously taken by the Council and the officials of the City
16 directed toward approval of the issuance and sale of the Bond be approved and the
17 same hereby are ratified, approved and confirmed.

18 Section 2. THE PROJECT PLAN. The Project to be financed with the Bond is
19 to expand and modernize manufacturing capability, keep operations co-located in
20 order to maximize technical, operational and industrial efficiency, and mitigate cost
21 and schedule risks by minimizing new construction and leveraging existing facility
22 systems. The Company may use additional available money to accomplish the
23 Project. The Project Plan is hereby approved in all respects.

24 Section 3. FINDINGS.

25 (A) General. The Council hereby declares that it has considered all relevant
26 information presented to it relating to the Bond and the Project and hereby finds and
27 determines that the issuance of the Bond pursuant to the Bond Ordinance and the
28 Act to provide funds for the Project is necessary and advisable and in the interest of
29 the public, and will promote the public health, safety, morals, convenience,
30 economy, and welfare of the City and the residents of the City.

31 (B) The Council finds that:

32 (1) The Bond will be issued for the purpose of financing the Project;

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1 (2) The aggregate face amount of obligations to be issued for the
2 purpose of financing the Project is \$72,600,000;

3 (3) The developer and operator of the Project is the Company; and,

4 (4) The Project Property is located in the City at 10420 Research Road
5 SE, and 1600 Eubank Boulevard SE, Albuquerque, New Mexico 87123.

6 Section 4. AUTHORIZATION AND APPROVAL OF THE BOND. To finance
7 the cost of acquiring, constructing and renovating the Project Property, the City
8 hereby authorizes and approves the issuance and sale of its industrial revenue bond
9 to be designated "City of Albuquerque, New Mexico Taxable Industrial Revenue
10 Bond (SolAero Technologies Project), Series 2025" in the principal amount of
11 \$72,600,000 and the use of the proceeds of the Bond to finance the cost of the
12 Project and to pay expenses relating thereto.

13 Section 5. SALE OF THE BOND. The sale of the Bond to the Purchaser at a
14 purchase price equal to the par amount of the Bond is hereby authorized and
15 approved.

16 Section 6. FORM AND TERM OF THE BOND. Subject to the limitations set
17 forth in this Bond Ordinance, the Bond shall be: (i) in the form and shall be
18 numbered and dated all as set forth in the Indenture; (ii) payable as to principal and
19 interest, and subject to optional and mandatory redemption and defeasance in the
20 amounts, upon the conditions and at the times and prices set forth in the Indenture;
21 and, (iii) issued in the principal amount of \$72,600,000, bearing interest at the rates
22 and maturing on the dates set forth in the Indenture. The interest rate on the Bond
23 shall not exceed 12% per annum. The Mayor or the Chief Administrative Officer of
24 the City shall sign the Bond.

25 Section 7. AUTHORIZATION OF OFFICERS; APPROVAL OF DOCUMENTS.
26 The form, terms, and provisions of the Bond Documents in the form on deposit in the
27 office of the City Clerk are in all respects approved, authorized, and confirmed, and
28 the City shall enter into such Bond Documents substantially in the form of each such
29 document on deposit with the City Clerk, with only such changes as are not
30 inconsistent with this Bond Ordinance or such other changes as may be approved
31 by supplemental resolution of the Council.

32 (A) The Council authorizes the Mayor or the Chief Administrative Officer of the
33 City to execute and deliver the Bond Documents in the name and on behalf of the

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1 City, and the Council authorizes the City Clerk or Deputy City Clerk to attest to, as
2 necessary, the Bond Documents and the Bond with such changes therein as are not
3 inconsistent with this Bond Ordinance.

4 (B) The Mayor, Chief Administrative Officer, Chief Financial Officer, City
5 Treasurer and City Clerk are further authorized to execute, authenticate and deliver
6 such certifications, instruments, documents, letters and other agreements, including
7 security agreements, and to do such other acts and things, either prior to or after the
8 date of delivery of the Bond, as are necessary or appropriate to consummate the
9 transactions contemplated by the Bond Documents.

10 (C) The officers of the City shall take such action as is necessary to effectuate
11 the provisions of the Indenture and shall take such action as is necessary in
12 conformity with the Act and this Bond Ordinance to finance the costs of the Project
13 and for carrying out other transactions as contemplated by this Bond Ordinance and
14 the Bond Documents including, without limitation, the execution and delivery of any
15 closing documents to be delivered in connection with the sale and delivery of the
16 Bond.

17 Section 8. DELIVERY OF THE BOND. Upon the execution of the Bond
18 Documents and the satisfaction of the conditions set forth in the Bond Documents,
19 the Bond shall be executed, authenticated, and delivered to the Purchaser. No
20 Bond shall be valid for any purpose until such Bond has been properly authenticated
21 as set forth in the Indenture.

22 Section 9. FINDINGS REGARDING PAYMENT OF PRINCIPAL AND
23 INTEREST AND OTHER MATTERS. The Council makes the following
24 determinations and findings in accordance with the Act:

25 (A) The maximum amount necessary in each year to pay the principal of and
26 interest on the Bond, assuming issuance of the Bond as of February 1, 2025 in the
27 amount of \$72,600,000 and bearing interest at the rate of 4% and the first Bond
28 payment occurring on February 1, 2026, is as follows:

| 29 | <u>Year Ended</u> | <u>Maturing Principal</u> | <u>Interest Amount</u> | <u>Total Debt Service</u> |
|----|-------------------|---------------------------|------------------------|---------------------------|
| 30 | 2/1/26 | -\$0- | \$2,904,000 | \$2,904,000 |
| 31 | 2/1/27 | -\$0- | \$2,904,000 | \$2,904,000 |
| 32 | 2/1/28 | -\$0- | \$2,904,000 | \$2,904,000 |
| 33 | 2/1/29 | -\$0- | \$2,904,000 | \$2,904,000 |

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| | | | | |
|----|--------|--------------|-------------|--------------|
| 1 | 2/1/30 | -\$0- | \$2,904,000 | \$2,904,000 |
| 2 | 2/1/31 | -\$0- | \$2,904,000 | \$2,904,000 |
| 3 | 2/1/32 | -\$0- | \$2,904,000 | \$2,904,000 |
| 4 | 2/1/33 | -\$0- | \$2,904,000 | \$2,904,000 |
| 5 | 2/1/34 | -\$0- | \$2,904,000 | \$2,904,000 |
| 6 | 2/1/35 | -\$0- | \$2,904,000 | \$2,904,000 |
| 7 | 2/1/36 | -\$0- | \$2,904,000 | \$2,904,000 |
| 8 | 2/1/37 | -\$0- | \$2,904,000 | \$2,904,000 |
| 9 | 2/1/38 | -\$0- | \$2,904,000 | \$2,904,000 |
| 10 | 2/1/39 | -\$0- | \$2,904,000 | \$2,904,000 |
| 11 | 2/1/40 | -\$0- | \$2,904,000 | \$2,904,000 |
| 12 | 2/1/41 | -\$0- | \$2,904,000 | \$2,904,000 |
| 13 | 2/1/42 | -\$0- | \$2,904,000 | \$2,904,000 |
| 14 | 2/1/43 | -\$0- | \$2,904,000 | \$2,904,000 |
| 15 | 2/1/44 | -\$0- | \$2,904,000 | \$2,904,000 |
| 16 | 2/1/45 | \$72,600,000 | \$2,904,000 | \$75,504,000 |

17 (B) The terms under which the Project Property is leased provide that the
18 Company shall maintain the Project Property and carry all proper insurance (or self-
19 insure) with respect to the Project Property.

20 (C) The lease rentals payable under the Lease shall be at least sufficient to
21 pay the principal and interest payments on the Bond set forth in Paragraph (A) of
22 this Section 9 when due and otherwise render the financing of the acquisition,
23 construction, renovation and completion of the Project Property entirely self-
24 liquidating. There shall be no payments to any reserve fund or sinking fund
25 installment payments.

26 Section 10. NON TAXABLE TRANSACTION CERTIFICATES. The Company,
27 as agent for the City, will acquire the Project. The City will cooperate with the
28 Company to obtain and allow use of Type 9 Nontaxable Transaction Certificates
29 ("Certificates") that have been properly executed for acquisition of tangible personal
30 property relating to the Project as applicable under the New Mexico Gross Receipts
31 and Compensating Tax Act. The Company shall not use the Certificates other than
32 for such things as may be permitted by law, if any, nor shall the Company use such

1 Certificates after the completion of the Project. No costs, expenses or other
2 monetary relief will be recoverable from the City by vendors of equipment.

3 Section 11. LIMITED OBLIGATIONS. The Bond shall be a special limited
4 obligation of the City payable solely from the revenues derived from the Lease and
5 payable by the Company as described in the Indenture, and shall never constitute a
6 debt or indebtedness of the City or the State or any political subdivision thereof
7 within the meaning of any provision or limitation of the State Constitution, statutes, or
8 home-rule charter of the City, and shall not constitute or give rise to a pecuniary
9 liability of the City or a charge against its general credit or taxing power. Nothing
10 contained in the Bond Ordinance or the Bond Documents, or any other instrument,
11 shall be construed as obligating the City (except with respect to the Project Property
12 and the application of the revenues therefrom and the proceeds of the Bond, all as
13 provided in the Bond Documents), nor as incurring a pecuniary liability or charge
14 upon the general credit of the City or against its taxing power, nor shall the breach of
15 any agreement contained in the Bond Ordinance, the Bond Documents, the Bonds,
16 or any other instrument be construed as obligating the City (except with respect to
17 the Project Property and the application of revenues therefrom and the proceeds of
18 the Bond all as provided in the Bond Documents) nor as incurring a pecuniary
19 liability or a charge upon the general credit of the City or against its taxing power, the
20 City having no power to pay out of its general funds, or otherwise contribute any part
21 of the costs of acquiring the Project Property, nor power to operate the Project as a
22 business or in any manner except as lessor and seller of the Project Property.

23 Section 12. APPROVAL OF INDEMNIFICATION. The Council specifically
24 approves the provisions of the Lease relating to indemnification which provide that
25 the Company shall indemnify and hold harmless the City and its City Councilors,
26 officials, members, officers, employees, and agents against liability to the Company
27 or to any third parties that may be asserted against the City, its City Councilors,
28 officials, members, officers, employees, and agents with respect to the City's
29 ownership of the Project Property or the issuance of the Bond and arising from the
30 condition of the Project Property or the acquisition or operation of the Project
31 Property by the Company, except to the extent that Section 56-7-1, New Mexico
32 Statutes Annotated, 1978 Compilation, as amended, applies, and except claims for
33 any loss or damage arising out of or resulting from the gross negligence or willful

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1 misconduct of the City or any official, member, officer, employee, or agent of the
2 City.

3 Section 13. BOND ORDINANCE IRREPEALABLE. After the Bond is issued,
4 this Bond Ordinance shall be and remain irrevocable until the Bond, including all
5 interest thereon, is fully paid, cancelled, and discharged, or until there has been
6 defeasance of the Bond in accordance with the Indenture.

7 Section 14. SEVERABILITY. If any section, paragraph, clause or provision of
8 this Bond Ordinance shall for any reason be held to be invalid or unenforceable, the
9 invalidity or unenforceability of that section, paragraph, clause, or provision shall not
10 affect any of the remaining provisions of this Bond Ordinance.

11 Section 15. REPEALER. All by-laws, ordinances, resolutions, and orders, or
12 parts thereof, inconsistent with this Bond Ordinance are repealed by this Bond
13 Ordinance but only to the extent of that inconsistency. This repealer shall not be
14 construed to revive any by-law, ordinance, resolution, or order, or part thereof,
15 previously repealed.

16 Section 16. RECORDING; AUTHENTICATION; PUBLICATION; EFFECTIVE
17 DATE. This Bond Ordinance, immediately upon its final passage and approval, shall
18 be recorded in the ordinance book of the City, kept for that purpose, and shall be
19 there authenticated by the signature of the Mayor and the presiding officer of the
20 City Council, and by the signature of the City Clerk or any Deputy City Clerk, and
21 notice of adoption thereof shall be published once in a newspaper that maintains an
22 office in, and is of general circulation in, the City, and shall be in full force and effect
23 five (5) days following such publication.

24 Section 17. GENERAL SUMMARY FOR PUBLICATION. The title and general
25 summary of the subject contained in the Bond Ordinance shall be published in
26 substantially the following form:

27 CITY OF ALBUQUERQUE, NEW MEXICO
28 NOTICE OF ADOPTION OF ORDINANCE

29 Notice is hereby given of the title and of a general summary of the subject matter
30 contained in a City Ordinance (the "Ordinance"), duly adopted and approved by the
31 City Council of the City of Albuquerque, New Mexico, on December 16, 2024.
32 Complete copies of the Ordinance are available for public inspection during the
33 normal and regular business hours of the City Clerk City Clerk in the office of the

1 City Clerk, Albuquerque, New Mexico.

2 The title of the Ordinance is:

3 AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF ALBUQUERQUE,
4 NEW MEXICO TAXABLE INDUSTRIAL REVENUE BOND (SOLAERO
5 TECHNOLOGIES PROJECT) SERIES 2025 IN THE MAXIMUM PRINCIPAL
6 AMOUNT OF \$72,600,000 TO PROVIDE FUNDS TO EXPAND AND MODERNIZE
7 SPACE-GRADE SOLAR CELL MANUFACTURING CAPABILITIES; AUTHORIZING
8 THE EXECUTION AND DELIVERY OF AN INDENTURE, LEASE AGREEMENT,
9 BOND PURCHASE AGREEMENT, BOND, AND OTHER DOCUMENTS IN
10 CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT;
11 MAKING CERTAIN DETERMINATIONS AND FINDINGS RELATING TO THE
12 BOND AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN
13 PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS
14 ORDINANCE.

15 The title sets forth a general summary of the subject matter contained in the
16 Ordinance.

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1 PASSED AND ADOPTED THIS 6th DAY OF January, 2025
2 BY A VOTE OF: 9 FOR 0 AGAINST.

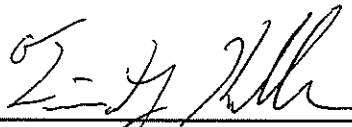
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Brook Bassan, President
City Council


APPROVED THIS 14 DAY OF 2025, 2025

Bill No. O-24-65



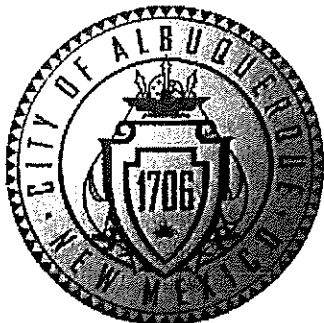
Timothy M. Keller, Mayor
City of Albuquerque

ATTEST:



Ethan Watson, City Clerk

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CITY OF ALBUQUERQUE
Albuquerque, New Mexico
Office of the Mayor

Mayor Timothy M. Keller

INTER-OFFICE MEMORANDUM

November 20, 2024

TO: Dan Lewis, President, City Council

FROM: Timothy M. Keller, Mayor 

SUBJECT: Approving an Ordinance Involving SolAero Technologies Corporation Project Pursuant to the Industrial Revenue Bond Act (IRB Project 25-2)

Attached for your consideration and approval is an Ordinance involving SolAero Technologies Corporation IRB Project, Pursuant to the Industrial Revenue Bond Act (IRB-25-1).

SolAero Technologies Corp. (“SolAero”) is one of the world’s leading manufacturers of highly-efficient radiation-hard solar cells and solar panels for space power applications. Since 2001, their solar cells or panels have supplied primary power to nearly 200 successful space missions with zero on-orbit failures. The proposed project is an expansion and modernization of SolAero’s compound semiconductor manufacturing capability and capacity of compound semiconductor production. The company is requesting \$72.6 million in City-issued industrial revenue bonds (IRB). City IRBs are issued to support eligible economic development projects that meet established policies and plans. The Company is responsible for funding the purchase of the bonds; no City funds are utilized to purchase or pay off the bonds, and no City credit is used to enhance the bonds. (The Company also is requesting assistance as a Local Economic Development Act—LEDA—Project, but that will be analyzed separately.) The project will be exempt for up to 20 years from property taxes on land, buildings, and equipment. Equipment purchased with bond proceeds is exempt from gross receipts or compensating taxes.

The expansion and modernization of SolAero’s compound semiconductor manufacturing will allow the Company to meet rapidly growing global demand and a significant improvement of the overall economics of compound semiconductor production. SolAero is seeking to build the facility at its existing site in the Sandia Science & Technology Park (SS&TP) located at 10420 Research Rd SE, and 1600 Eubank Blvd SE, Albuquerque, New Mexico 87123.

The majority of the 70 new positions will be primarily engineering and technical positions, are considered full time positions, and come with full employee benefits with the company paying

approximately 80% of benefits' costs. The salaries for the new positions range from \$40,000 to \$150,000. Currently, the Company has over 380 employees locally.


This legislation is a vital component in the overall incentive package for SolAero's planned expansion. In June 2024, it was announced that the Department of Commerce and Rocket Lab, the parent company of space power provider SolAero Technologies Corp., agreed to terms to provide up to \$23.9M in direct funding under the CHIPS and Science Act. In addition to leveraging significant federal funds, the State of New Mexico has committed LEDA funds to the Project.

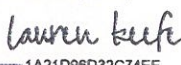
This Project includes a fiscal impact analysis prepared by the University of New Mexico's Bureau of Business and Economic Research (BBER). The fiscal impact determination of the Project is from information the Company provided. The fiscal impact presented shows that operations related to the \$72.6 million bond for SolAero CHIPS Project will generate an estimated total of almost \$11 million in taxes by 2043 and will continue to remain tax positive throughout the span of the contract. Moreover, as SolAero CHIPS Project continues to make positive contributions to the local economy and fosters partnerships with local entities, SolAero will continue to bring revenue to the City.

Your consideration and approval are requested.

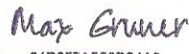
Approved:

Approved as to Legal Form:


Samantha Sengel, EdD Date
Chief Administrative Officer

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Lauren Keefe Date
City Attorney

Recommended:

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 11/27/2024 | 10:43 AM MST
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Max Gruner, Date
Director

Cover Analysis

1. What is it?

This is an ordinance authorizing an Industrial Revenue Bond Project for SolAero Technologies Corporation (the “Company” or “SolAero”) in the amount of \$72,600,000 from the City of Albuquerque (IRB Project 25-2).

SolAero is one of the world’s leading manufacturers of highly-efficient radiation-hard solar cells and solar panels for space power applications. Since 2001, their solar cells or panels have supplied primary power to nearly 200 successful space missions with zero on-orbit failures. The proposed project is an expansion and modernization of SolAero’s compound semiconductor manufacturing capability and capacity of compound semiconductor production. The Company is seeking to build the facility at its existing site in the Sandia Science & Technology Park (SS&TP) located at 10420 Research Rd SE, and 1600 Eubank Blvd SE, Albuquerque, New Mexico 87123.

The company is requesting \$72,600,000 in City-issued industrial revenue bonds. City IRBs are issued to support eligible economic development projects that meet established policies and plans. The Company is responsible for funding the purchase of the bonds; no City funds are utilized to purchase or pay off the bonds, and no City credit is used to enhance the bonds. (The Company also is requesting assistance as a Local Economic Development Act—LEDA—Project, but that will be considered separately.) The project will be exempt for up to 20 years from property taxes on land, buildings, and equipment. Equipment purchased with bond proceeds is exempt from gross receipts or compensating taxes.

The project represents more than a \$95 million investment by the company by the end of 2028 and the creation of 70 new high-quality jobs. The majority of the new positions will be primarily engineering, manufacturing and technical positions. The jobs are considered full time positions and include full employee benefits, with the company paying approximately 80% of employee healthcare premiums. The salaries for the new positions range from \$40,000 to \$150,000.

2. What will this piece of legislation do?

The ordinance would support the modernization and expansion of the Company’s facility. The Project would increase SolAero’s compound semiconductor production by 50% within the next three years – helping to meet the growing national security and commercial demand for these solar cells in the United States. The Project will maximize technical, operational and industrial efficiency, and mitigate cost and schedule risks by minimizing new construction and leveraging existing facility systems. The project represents a \$95,000,000 million investment by the company. SolAero will create at least 70 new high-paying economic base jobs.

The company is requesting \$72,600,000 in City-issued industrial revenue bonds. City IRBs are issued to support eligible economic development projects that meet established policies and plans. The Company is responsible for funding the purchase of the bonds; no City funds are utilized to purchase or pay off the bonds, and no City credit is used to enhance the bonds.

3. Why is this project needed?

The Project represents a significant capital investment in our community and the creation of 70 high-quality, permanent jobs ranging from \$40,000 to \$150,000. Albuquerque already has the talent, workforce development programs, infrastructure and intellectual capital to drive sustainable long-term growth and future investment in this industry.

This legislation is a vital component in the overall incentive package for SolAero's planned expansion. In June 2024, it was announced that the Department of Commerce and Rocket Lab, the parent company of space power provider SolAero Technologies Corp., agreed to terms to provide up to \$23.9M in direct funding under the CHIPS and Science Act. In addition to leveraging significant federal funds, the State of New Mexico has committed LEDA funds to the Project.

This project includes a fiscal impact analysis prepared by the University of New Mexico's Bureau of Business and Economic Research (BBER). The fiscal impact determination of the Project is from information the Company provided. The fiscal impact presented shows that operations related to the \$72.6 million bond for SolAero CHIPS Project will generate an estimated total of almost \$11 million in taxes by 2043 and will continue to remain tax positive throughout the span of the contract. Moreover, as SolAero CHIPS Project continues to make positive contributions to the local economy and fosters partnerships with local entities, SolAero will continue to bring revenue to the City.

4. How much will it cost and what is the funding source?

There is no cost to the City. The City is proposing to issue \$72,600,000 in industrial revenue bonds which will be a self-purchase process for the company. City IRBs are issued to support eligible economic development projects that meet established policies and plans. The Company is responsible for funding the purchase of the bonds; no City funds are utilized to purchase or pay off the bonds, and no City credit is used to enhance the bonds.

5. Is there a revenue source associated with this contract? If so, what level of income is projected?

No. There is no direct revenue to the City.

6. What will happen if the project is not approved?

The incentive is critical to the success of the Project. If the legislation does not pass, the result would be a potential cancellation of the Project and the associated loss of new jobs and revenue. The Company would not be able to pursue the Project without approval.

7. Is this service already provided by another entity?

No.

IRB 25-2: SolAero Technologies Corporation Project

**ALBUQUERQUE DEVELOPMENT COMMISSION
Industrial Revenue Bond Hearing**

November 11, 2024

Case #2024-14 SolAero IRB

IRB-25-2: SolAero Technologies Corporation Project

REQUEST: Approval of \$72,600,000 in City Industrial Revenue Bonds is requested.

PROJECT SUMMARY: SolAero Technologies Corp. (“SolAero”) is one of the world’s leading manufacturers of highly-efficient radiation-hard solar cells and solar panels for space power applications. Since 2001, their solar cells or panels have supplied primary power to nearly 200 successful space missions with zero on-orbit failures. The proposed project is an expansion and modernization of SolAero’s compound semiconductor manufacturing capability and capacity of compound semiconductor production. The company is requesting \$72.6 million in City-issued industrial revenue bonds (IRB). City IRBs are issued to support eligible economic development projects that meet established policies and plans. The Company is responsible for funding the purchase of the bonds; no City funds are utilized to purchase or pay off the bonds, and no City credit is used to enhance the bonds. (The Company also is requesting assistance as a Local Economic Development Act—LEDA—Project, but that will be analyzed separately.)

The purpose of the proposed project is an expansion and modernization of SolAero’s compound semiconductor manufacturing capability and capacity that is both sufficient to meet rapidly growing global demand and a significant improvement of the overall economics of compound semiconductor production. SolAero is seeking to build the facility at its existing site in the Sandia Science & Technology Park (SS&TP) located at 10420 Research Rd SE, and 1600 Eubank Blvd SE, Albuquerque, New Mexico 87123.

In June 2024, it was announced that the Department of Commerce and Rocket Lab, the parent company of space power provider SolAero Technologies Corp., agreed to terms to provide up to \$23.9M in direct funding under the CHIPS and Science Act. The proposed CHIPS investment would help create a more robust and resilient supply of space-grade solar cells that power spacecrafts and satellites. The modernization and expansion project would increase SolAero’s compound semiconductor production by 50% within the next three years – helping to meet the growing national security and commercial demand for these solar cells in the United States.

The project will expand and modernize manufacturing capability, keep operations co-located in order to maximize technical, operational and industrial efficiency, and mitigate cost and schedule risks by minimizing new construction and leveraging existing facility systems. The project represents a \$72.6 million investment by the company by the end of 2028. SolAero will create at least 70 new high-paying economic base jobs.

The operations includes the building at 10420 Research Rd SE, and 1600 Eubank Blvd SE, Albuquerque, NM in the Sandia Science & Technology Park. The proposed use of the facility by the Company would not require a change in zoning. There are no particular environmental impacts associated with this Project.

IRB 25-2: SolAero Technologies Corporation Project

The majority of the 70 new positions will be primarily engineering, project support and manufacturing positions, are considered full time positions, and come with full employee benefits with the company paying approximately 80% of basic healthcare premiums. The company anticipates that it will utilize the Job Training Incentive Program as part of its hiring plan.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. The City has long focused its Industrial revenue bond program around industries and companies that are considered “economic-base”:

Economic Base: Fifty-one percent or more of the revenues of the New Mexico operation are generated outside the Albuquerque Metropolitan Statistical Area. Revenues generated by contracts with Federal entities are considered to be from outside the metropolitan area. This requirement does not apply to educational or healthcare facilities seeking industrial revenue bonds. Credit also may be assigned to those projects that represent significant “import-substitution”. Import substitution occurs when a manufacturer or supplier of services provides products or services to a local customer base which currently has to purchase those products or services from outside of the area.

More specifically, New Mexico municipal IRB legislation specifically identifies “projects” as land, buildings, equipment and improvements which are suitable for use by any of the following:

1. any business in which all or part of the activities of the business involve the supplying of services to the general public or to governmental agencies or to a specific industry or customer but does not include establishments primarily engaged in the sale of goods or commodities at retail;

The IRB application, as shown in Exhibit 1 provides details of the Project and the number and types of jobs to be created.

This project includes a fiscal impact analysis prepared by the University of New Mexico’s Bureau of Business and Economic Research (BBER). The fiscal impact determination of the Project is from information the Company provided. The fiscal impact presented shows that operations related to the \$72.6 million bond for SolAero CHIPS Project will generate an estimated total of almost \$11 million in taxes by 2043 and will continue to remain tax positive throughout the span of the contract. Moreover, as SolAero CHIPS Project continues to make positive contributions to the local economy and fosters partnerships with local entities, SolAero will continue to bring revenue to the City.

The project plan as shown in Exhibit 2 provides details of the project.

FINDINGS:

1. IRB 25-2 is a qualified project as defined by the State’s Industrial Revenue Bond Act and the City enabling legislation (Resolution R-196, Sixth Council (126-1985) as amended by Resolution 350 Sixth Council; and

IRB 25-2: SolAero Technologies Corporation Project

2. IRB 25-2 would make positive substantive contributions to the local economy and community by creating 70 high-wage economic base jobs; and
3. IRB 25-2 will improve Albuquerque’s position in the forefront of advanced manufacturing and semiconductor manufacturing; and
4. IRB 25-2 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives;
5. IRB 25-2 would adequately meet the evaluation criteria established by the City for Industrial Revenue Bond Act projects, including the requirement that the City recoup the value of its investment over the term of the bonds.

PROJECT ANALYSIS: The project, as proposed in the project application, will be analyzed in accordance with the City’s IRB project evaluation criteria.

I. INITIAL QUALIFYING TEST; PASS/FAIL CRITERIA

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1. Economic Base Company * that meets statutory requirements | Pass |
| 2. Satisfactory initial demonstration of ability to service debt or self-fund purchase of the bonds, or evidence of an acceptable financing commitment. | Pass |
| 3. Conforms to City planning and zoning policies. | Pass |
| 4. Firm has no outstanding substantive federal, state or local tax issues. | Pass |
| 5. Proposed project complies with all federal, state, and local environmental laws, regulations, and rules. | Pass |
| 6. Jobs created by the project meet or exceed the median wage for similar jobs in the community | Pass |
| 7. Per state requirements, the firm covers 50% of health insurance premiums for employees. | Pass |
| 8. Other additional factors. | |
| RESULT | PASS |

1. SolAero’s revenue sources are to out-of-state entities and investors. The company also qualifies under the IRB Act and the City’s Ordinance as:
 - a. “any business in which all or part of the activities of the business involve the supplying of services to the general public or to government agencies or to a specific industry or customer base but does not include establishments primarily engaged in the sale of goods or services at retail.”
2. The bonds will be considered a “self-purchase”-- purchased by a subsidiary or affiliate of the Company.
3. Current Zoning for the sites are NON-RESIDENTIAL – BUSINESS PARK ZONE DISTRICT (NR-BP) and NON-RESIDENTIAL – COMMERCIAL ZONE DISTRICT

IRB 25-2: SolAero Technologies Corporation Project

(NR-C). No changes to zoning requested or required at this time.

4. SolAero has certified that it has no outstanding substantive federal, state, or local tax issues.
5. The Project, in its design, complies with environmental regulations. Permits are required for the renovations and new developments. Additional information regarding environmental implications is contained in the following section and in the Project Plan.
6. Jobs for the positions meet or exceed the median wages for similar jobs in the community. The salaries and positions are more fully described in Section II-7 and in the Application.
7. SolAero pays at least 50% percent of the health and dental insurance premiums for its employees (the company pays ~80%).

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

Legal Description

The legal description of the site, where SolAero currently has operations, consists of the following:

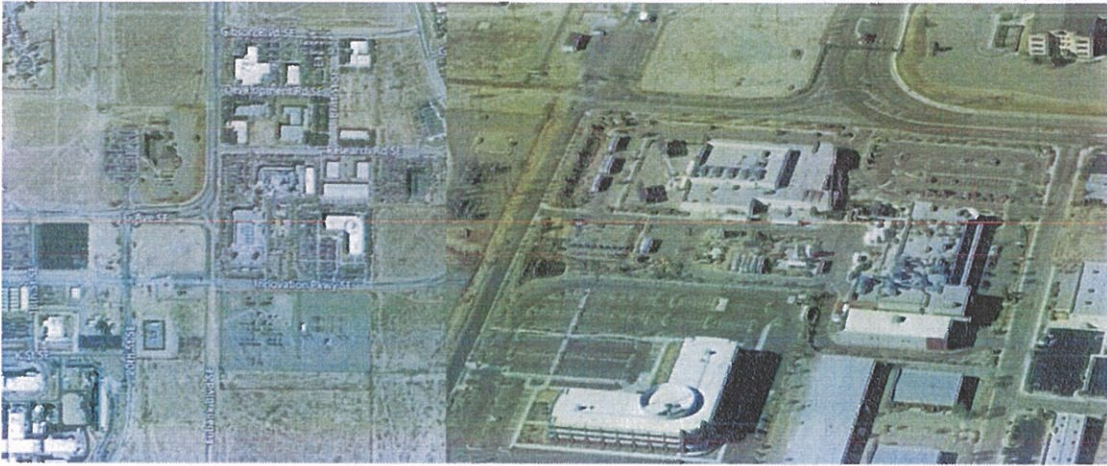
The proposed project is located at 10420 Research Rd SE, Albuquerque, New Mexico 87123 and 1600 Eubank Blvd SE, Albuquerque, New Mexico 87123. The UPCs for the project site are 102105505041520166 and 102105504637420115L1, respectively, and the abbreviated legal descriptions for each are LOT 2-A BLOCK 4 PLAT OF LOT 2-A IN BLOCK 4 SANDIARESEARCH PARK CONT 7.0406 AC and TR A PLAT FOR TRACTS A & B EMCORE DEVELOPEMENTCONT 8.9380 AC, respectively.

Prevailing Site Conditions

Site is used for production of solar cells that are used on satellite solar panels for power creation. The project to add metal organic chemical vapor deposition (MOCVD) reactors and additional production equipment will take place internal to the current structures at SolAero. There may be new Power Switch Gear added and rooftop air handlers, but the physical structure will be unchanged.

Aerial photographs of the SolAero parcel. In the left photo the area shown in black is the northeastern corner of Kirtland Air Force Base and Sandia National Laboratory. The balance of the area shown is the Sandia National Laboratory Science and Technology Park. The right photo is a perspective view of the SolAero site.

IRB 25-2: SolAero Technologies Corporation Project



Present Assessed Value

The current 2023 assessed property values is \$36,418,847. The valuation information is from the Bernalillo County Assessor website.

Present and Proposed Zoning

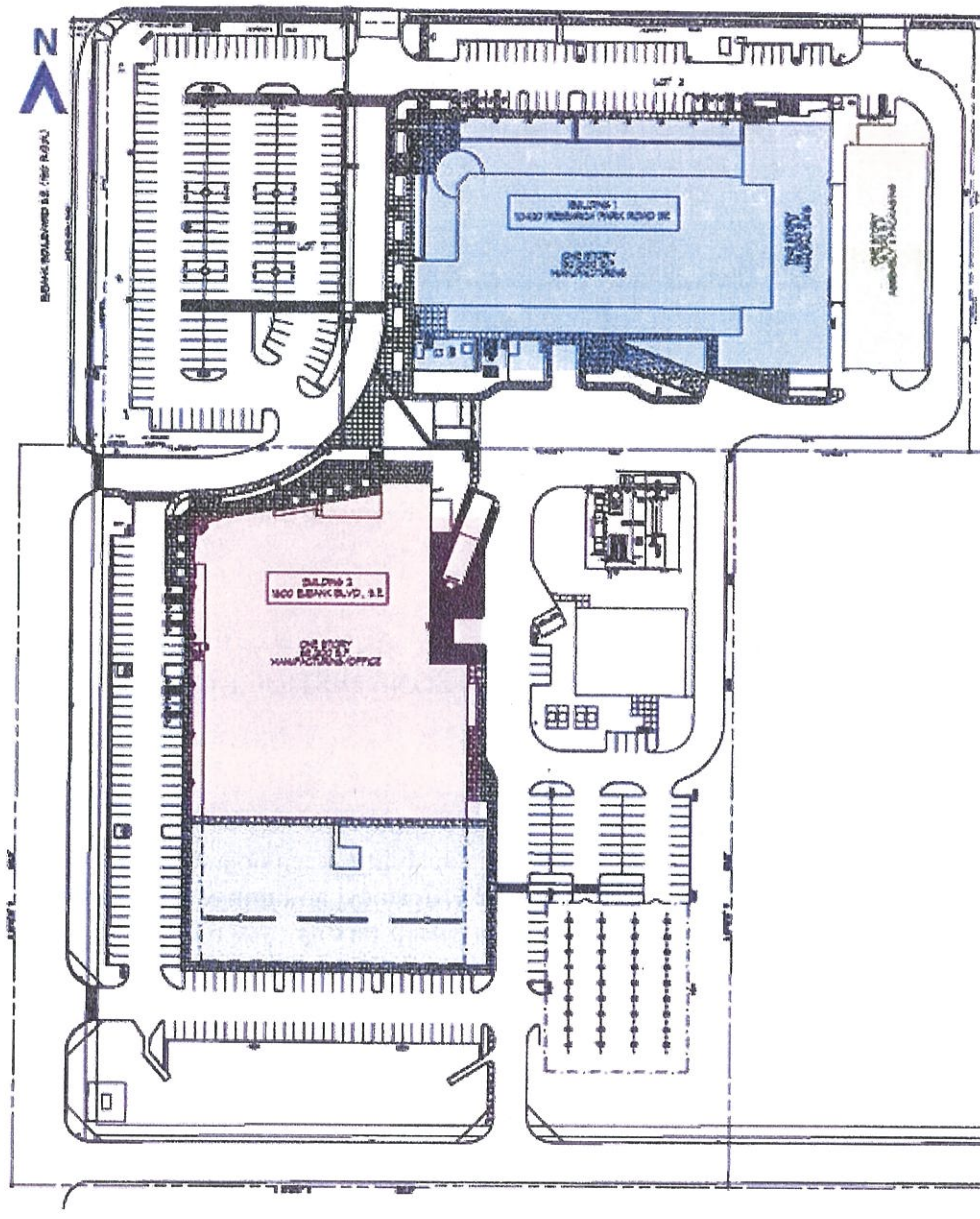
Current Zoning for the sites are NON-RESIDENTIAL – BUSINESS PARK ZONE DISTRICT (NR-BP) and NON-RESIDENTIAL – COMMERCIAL ZONE DISTRICT (NR-C). No changes to zoning requested or required at this time.

2. LAND USE:

The project will expand and modernize manufacturing capability, keep operations co-located in order to maximize technical, operational and industrial efficiency, and mitigate cost and schedule risks by minimizing new construction and leveraging existing facility systems. To size capital investment for the project, SolAero used a parametric model to match tool capacities. As 5 MOCVD tools (i.e. wafer production capacity) are added, the model identifies production constraints and increments the corresponding FE and/or BE tool count. The total investment required to add 5 MOCVD tools of total capacity and modernize the facility and infrastructure is ~\$95.5M.

Schematic view of the current SolAero site. Building 1, shaded in blue, is 84,500 sq. ft. housing a 40,000 sq. ft. cleanroom for compound semiconductor production operations. To the east of Building 1 is 17,000 sq. ft. of Class 10000 cleanroom space for satellite solar panel manufacturing operations. Building 2, shaded in red, is 63,000 square feet housing a 40,000 sq. ft. open highbay for solar panel manufacturing operations. The area shaded in green below Building 2 is available for expansion of the facility.

IRB 25-2: SolAero Technologies Corporation Project



3. Competition

There are only three suppliers of space-grade solar cells in the world and two in the US. There are no other manufacturers of compound semiconductor devices in the city of Albuquerque nor the state of New Mexico.

4. Effect on Existing Industry and Commerce during and after Construction

Project will be competed at our Albuquerque location and thus local city and state resources will be used to complete the project over the planned 4-year project schedule. This will include local architect and construction firms along with electrical and mechanical firms. An estimate of \$30M

IRB 25-2: SolAero Technologies Corporation Project

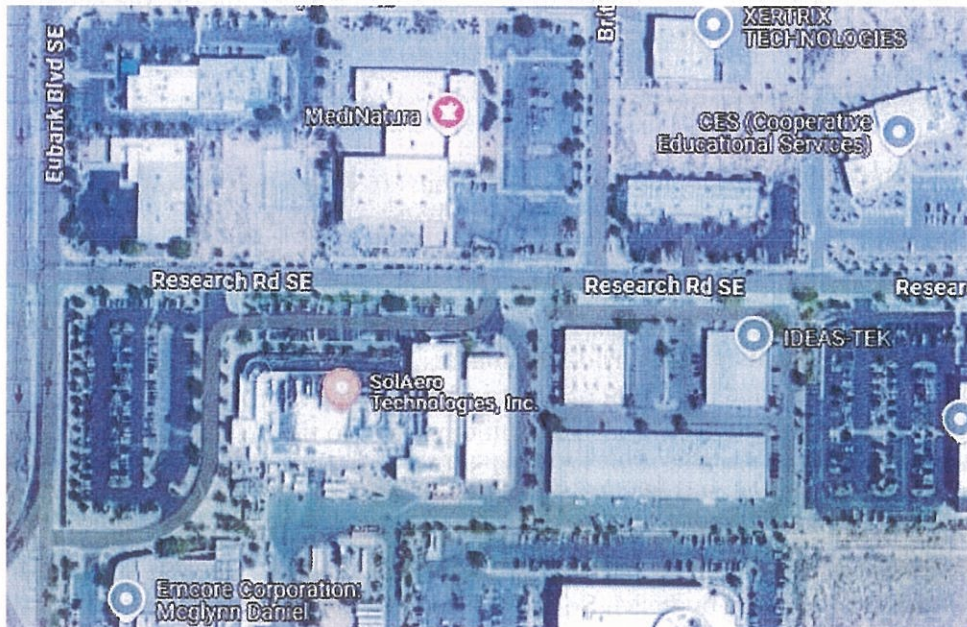
of the project will be spent with local firms. SolAero customers are worldwide and the overall growth in the space industry will continue to grow and we will engage new customers that will benefit from our expansion and modernization project. No plan for spin off businesses or definable impact to the local industrial base at this time. More detail is provided in the fiscal impact analysis.

The project would support: a) An Economic Development Strategy for Albuquerque/Bernalillo County to attract, develop, and retain responsible and responsive businesses; nourish expansion of existing and new local businesses; and emphasize economic base companies; and b) The Comprehensive Plan Economic Development Policies to: encourage expansion of export-based business to customers across the country that strengthen the economy; encourage prospective employers willing to hire local residents and able to diversify the employment base; development of local business enterprises as well as the recruitment of outside firms. The project also supports the economic development priorities and objectives of the City's Local Economic Development Act.

The SolAero Project further supports the EDD's criteria for the use of incentives by Leveraging our Core Assets, Implementing Place-Based Strategies, Supporting Focused and Positive ROI Projects, and creating 70 high-paying Economic Base jobs.

5. INFILL:

Albuquerque's Sandia Science & Technology Park (SS&TP) is home to companies, engineers, and researchers involved in advancing new technologies. Currently 41 companies and organizations and over 2,000 employees reside in SS&TP's 340-acre high-tech campus. The SS&TP is in the high desert Manzano Mountain foothills of Albuquerque, New Mexico. The Park is strategically located east of Kirtland Air Force Base. It extends along the south end of Eubank Boulevard, adjacent to Sandia National Laboratories.



IRB 25-2: SolAero Technologies Corporation Project

6. DESIGN AND CONSERVATION:

The facility is an existing area designed as a science and technology park. No historic properties are involved. No individuals, families, or businesses will be displaced by the activities outlined in this plan. The project is to be located within an existing manufacturing facility.

Semiconductor manufacturing is a water-intensive operation, and New Mexico's arid climate and limited water resource make conservation an imperative. In typical semiconductor manufacturing operations, ~40% of water use is for rinsing operations and another 40% is equally distributed between cleanroom HVAC systems and exhaust scrubbing systems. Thus, ~80% of the water utilization is related to manufacturing processes. In addition, in compound semiconductor manufacturing, it is common for wet chemistries (e.g. acids, rinsates) to contain contaminants such as arsenic, meaning water use and the potential for it to become a hazardous waste are high. To combat this problem, SolAero has made considerable investments in managing water use that enables recycling of over 30% of process water and complete segregation & treatment of hazardous rinsate.

First, SolAero segregated potentially hazardous aqueous waste streams from all other waste streams, a major infrastructure design change from how the facility was originally constructed. This immediately allowed all non-hazardous aqueous waste streams to be recycled, and SolAero implemented reuse programs for a variety of non-potable applications, including in cooling systems, scrubbers and other systems. This step also reduced the volume of water that required treatment by over 90% since the majority of process water is used in non-hazardous applications. Second, SolAero re-directed all potentially hazardous aqueous waste streams to an on-site treatment facility of SolAero's own design. There, all process contaminants and metals are precipitated and pressed into "cakes", and the aqueous effluent is treated to bring it into compliance with applicable discharge requirements. The "cakes" are suitable for landfill disposal and the aqueous effluent is discharged to the storm sewer, in accordance with SolAero's discharge permit. No aqueous waste is disposed of as hazardous waste despite the fact that over 30,000 gallons of water per day flow into various process operations.

7. RENEWABLE ENERGY:

SolAero's local utility, PNM, offers solar energy programs in which participants can tie private sources of solar power to the electrical grid and/or pay PNM to have a portion of their solar power demand met by renewable sources. SolAero participates in both programs. SolAero is a partner in and the sole offtaker from a 2MW solar power installation located directly south of its facilities. The Company has signed a 25-year Purchased Power Agreement (PPA) with the field operator and PNM. PNM limits private, grid-tied sources of solar power to 1MW per electrical meter/address. SolAero installed \$375,000 of electrical switchgear to route incoming power from two separate utility feeders to each of SolAero's buildings and to tie 1MW of the solar power installation into each of those feeders. This enabled SolAero to operate its buildings on separate feeders, so that the entire factory would not be taken offline by the loss of one feeder or local substation, and to maximize utilization of the power produced by the 2MW installation. No additional solar power can be added to either of SolAero's buildings because they already operate at the maximum allowed by PNM. So, SolAero subscribes to PNM's Blue Sky program in which apportioned 100kWh "blocks" of electricity are sourced from solar and wind facilities

IRB 25-2: SolAero Technologies Corporation Project

in New Mexico. As SolAero's demand for electricity grows in connection with the expansion of factory capacity contemplated in this Application, SolAero is committed to growing its subscriptions to the Blue Sky program commensurately

III. ECONOMIC BENEFITS

1. COMPETITION:

There are only three suppliers of space-grade solar cells in the world and two in the US. There are no other manufacturers of compound semiconductor devices in the city of Albuquerque nor the state of New Mexico.

2. JOBS:

The salaries for the jobs profiled meet or exceed the average for similar positions within the community.

Number and Types of Jobs Created

70 New Positions will be created over the span of the project. Engineering and Project Support Function early in the project and the manufacturing positions once the project is near completion to allow for additional capacity on the site. These new 70 positions will consist of:

- 14 design and engineering exempt professionals
- 39 manufacturing non-exempt personnel deployed across four work shifts
- 17 exempt and non-exempt personnel in quality assurance, logistics, and support roles

Exempt Engineering Professionals - \$90k to \$150k Annual

Non-Exempt personnel - \$40K - \$50K Annual

Exempt and Non-Exempt Quality, Logistics or Support Functions \$65K - \$90K Annual

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere?

80%-90% of the new positions will be filled locally.

- 2) Will jobs benefit low- and moderate-income residents?

Yes. SolAero's CHIPS and Science Act award includes a statutory requirement for a Workforce Development Plan. SolAero's Workforce Development Plan includes a \$2M award to local workforce and economic development partner, New Space Nexus, as well as \$3M additional dollars to be invested in recruiting and on-the-job training, all in support of the project being funded. SolAero is a majority minority employer, sourcing more than 2/3rds of its ~400-person workforce from within New Mexico. By partnering with New Space Nexus, SolAero intends to expand its reach to underrepresented and underserved individuals and

IRB 25-2: SolAero Technologies Corporation Project

communities within New Mexico. An additional statutory requirement for a CHIPS award is that the jobs created conform to the federal Good Jobs Principles. So, SolAero will be offering jobs with competitive pay, benefits and wraparound services to New Mexicans and investing in New Space Nexus to ensure those offers reach the broadest practical cross-section of New Mexican communities.

3) Will the jobs meet or exceed median wages for the industry within the community?

Yes. SolAero offers a minimum starting wage of \$15/hour, 25% higher than New Mexico's minimum wage of \$12/hour. Employees are entitled to pay increases based on job-training certifications, more than two dozen of which are available and each of which can be completed in 12-24 weeks. This is in addition to annual performance reviews in which employees receive Cost of Living plus merit adjustments and to promotions for which they can be nominated by management.

4) Will the jobs match skills of current city residents?

Yes. SolAero employs professional recruiters for all staff levels and uses recruitment & placement firms only as means of last resort. This enables SolAero to ensure that its policies, practices and standards for diversity, equity, inclusion, and accessibility are followed and enforced. In 2023, SolAero successfully closed an audit from the Office of Federal Contract Compliance Programs (OFCCP), which conducted a 3-year lookback on SolAero's hiring and labor practices. OFCCP had zero findings and concluded that SolAero's policies, practices, and standards for recruiting, hiring, compensating, promoting, and terminating women, minorities, and under-represented groups such as veterans, individuals with disabilities and members of the LGBTQ+ community meet all applicable federal standards. The audit also examined management support for affirmative action, diversity & inclusion, and evidence of the company's efforts to reach women, minorities and under-represented groups and concluded that the company engages in good faith efforts in all areas.

5) Will new employees be trained to fill the positions?

Yes. SolAero maintains robust on-the-job (OTJ) training programs and partners with state & local educational and workforce training organizations to develop and advance the skills of its employees. SolAero offers OTJ training & certification for all of its manufacturing operations, skills that are fungible across many R&D and manufacturing organizations, including Intel, Sandia National Laboratories, and others. SolAero offers all levels of training and certification, up to and including the train-the-trainer level, to the NASA Technical Standard NASA-STD-8739 series of workmanship standards, skills that are sought after by and fungible across virtually the entire aerospace and defense industry. SolAero also offers IPC J-Standard training & certification, again sought after by and fungible across virtually the entire electronics assembly industry. SolAero partners with the New Mexico Manufacturing Extension Partnership (NMMEP), a NIST MEP approved Center and official representative of the MEP National Network, to deliver comprehensive, proven solutions that advance U.S.

IRB 25-2: SolAero Technologies Corporation Project

manufacturing. Finally, the company offers all employees an educational reimbursement benefit program that reimburses employees for qualifying post-secondary education opportunities that are successfully completed.

6) What stated advancement opportunities are there?

SolAero’s CHIPS and Science Act award includes a statutory requirement for a Workforce Development Plan. As stated above, SolAero maintains robust on-the-job (OTJ) training programs and partners with state & local educational and workforce training organizations to develop and advance the skills of its employees.

7) Will “Job Training Incentive Program” or other job training programs be used?

Yes.

8) Will at least 50% of health insurance premiums be covered for employees?

Yes. Full- and part-time employees are eligible for benefits, including health, vision & dental care, 401k, guaranteed paid leave (two weeks/year, growing to five with tenure), pre-paid legal & counseling services, employer-paid life insurance with employee & family options, disability insurance, an on-site gym with free exercise classes and a company-sponsored weight loss program. The company pays ~80% of employees’ basic healthcare premiums. SolAero also offers an Employee Stock Purchase Plan within which employees can purchase Rocket Lab stock at a 15% discount versus the prevailing market price.

3. LOCAL PURCHASING

The company submitted historical data for 2023 (shown below) for New Mexico based vendor payments and sales tax paid on those purchases. Forward looking projections indicate the production volume is increasing ~ 5-10% per year. Based on these projections local spending is forecasted to increase between 2-5% based on volume and another annual increase of 2.5% for inflation.

| New Mexico Vendor Payments | | |
|----------------------------|------------------------|----------------------|
| Expenditure Type | Invoice \$ Amt | Sales Tax \$ Amt |
| CapEx | 3,434,150.48 | 244,427.46 |
| Utilities | 1,912,260.85 | 30,074.62 |
| Supplies | 1,467,604.03 | 76,786.79 |
| Property Taxes | 680,641.28 | - |
| Equipment Services | 458,252.78 | 15,466.97 |
| (blank) | 265,709.52 | 13,825.09 |
| Professional Services | 259,580.02 | 13,805.36 |
| Chemical Services | 158,503.09 | 6,218.13 |
| Employee Exp | 114,699.39 | - |
| Waste services | 87,806.42 | - |
| Insurance | 81,769.00 | 4,972.94 |
| Lease | 52,651.23 | 2,560.04 |
| Donations | 11,838.16 | - |
| Grand Total | \$ 8,985,466.25 | \$ 408,137.40 |

IRB 25-2: SolAero Technologies Corporation Project

IV. PROJECT FEASIBILITY

1. **COST/ FEASIBILITY/ FINANCING:**

Cost of Improvements, Bond Amount and Private Financing

A summary of the project is as follows:

Cost of Improvements

SolAero anticipates \$21,100,000 in construction costs and \$51,500,000 in equipment costs associated with the project. The value of the existing buildings and equipment is estimated at \$[26,988,272+ Building 2 and Building 2 equipment].

SolAero anticipates an equity contribution of approximately \$32,183,875, CHIPS direct funding of approximately \$23,900,000, and investment tax credits of approximately \$19,316,125.

Bond Amount - SolAero is requesting a City-issued Industrial Revenue Bond in the amount of \$72,600,000.

Project Financing

SolAero anticipates an equity contribution of approximately \$32,183,875, CHIPS direct funding of approximately \$23,900,000, and investment tax credits of approximately \$19,316,125.

2. **DEVELOPER'S RECORD:**

Founded in 1998 and headquartered in Albuquerque, New Mexico, SolAero's solar cells, solar panels, and composite structural products have supported more than 1,000 successful space missions with 100% reliability and mission success to date. Over the past two decades, SolAero's products have played key roles in some of the industry's most ambitious space missions, including supplying power to NASA's Parker Solar Probe and Mars Insight Lander, the largest solar array ever deployed on the surface of Mars, and several Cygnus Cargo Resupply Missions to the International Space Station.

In January 18, 2022, Rocket Lab USA, Inc. (Nasdaq: RKLB) announced it has closed the transaction to acquire SolAero. Rocket Lab is headquartered in Long Beach, California. As of June 2024, the company had approximately 2,000 full-time permanent employees globally.

Brief summaries of the relevant experience of the SolAero executive team are included below. Additional information about other key individuals with the company can be found on the company's website.

Peter Beck

Founder, President and Chief Executive Officer

Mr. Beck is the founder, President and Chief Executive Officer of Rocket Lab. Since founding the company in 2006, Mr. Beck has grown it into a global organization that develops and launches advanced rockets, satellites and spacecraft. Mr. Beck has served on Rocket Lab's board of directors, and as its President and Chief Executive Officer since July 2013 and was appointed Chairman of the Board in May 2021.

IRB 25-2: SolAero Technologies Corporation Project

Adam Spice

Chief Financial Officer

Mr. Spice has served as Rocket Lab's Chief Financial Officer since May 2018. From January 2011 until May 2018, he was Vice President and Chief Financial Officer at MaxLinear, Inc., a provider of radio frequency, analog and mixed-signal integrated circuits for the connected home, wired and wireless infrastructure, and industrial and multimarket applications.

Frank Klein

Chief Operations Officer

As Chief Operations Officer, Frank Klein leads Rocket Lab's efforts to scale manufacturing of its spacecraft, launch vehicles, and spacecraft components across multiple sites to meet growing customer demand.

Prior to joining the Rocket Lab team, Mr. Klein served Daimler AG (now Mercedes-Benz Group) for 27 years where he led various business divisions including Vehicle Research, Trucks, Cars, and Van manufacturing. While Vice President of Mercedes-Benz Vans Operations, Mr Klein managed global production across 12 production sites, heading up logistics, industrial engineering, and the division's quality department, with responsibility for more than 14,000 employees globally.

Based on the description and information given in the project plan, the company's historic growth & acquisitions, and current facilities, the company appears to have the track record to ensure a successful project.

Additional information is available on <https://www.rocketlabusa.com/space-systems/solar/>

3. EQUITY:

SolAero anticipates an equity contribution of approximately \$32,183,875, CHIPS direct funding of approximately \$23,900,000, and investment tax credits of approximately \$19,316,125.

4. MANAGEMENT:

SolAero currently has a management team for the site. Executive team biographies are found in Section 10 above.

Based on the description and information given in the project plan, management appears to be qualified to manage the project.

5. FISCAL IMPACT ANALYSIS

This Project includes an impact analysis prepared by the University of New Mexico's Bureau of Business and Economic Research (BBER) as required given the project is a recipient of City funds.

IRB 25-2: SolAero Technologies Corporation Project

The fiscal impact shows that operations related to the \$72.6 million bond for SolAero CHIPS Project will generate an estimated total of almost \$11 million in taxes by 2043 and will continue to remain tax positive throughout the span of the contract. Moreover, as SolAero CHIPS Project continues to make positive contributions to the local economy and fosters partnerships with local entities, SolAero will continue to bring revenue to the City.

The fiscal impact analysis demonstrates that the City will recoup the value of its investment within the term of the bonds.

FINDINGS:

1. IRB 25-2 is a qualified project as defined by the State's Industrial Revenue Bond Act and the City enabling legislation (Resolution R-196, Sixth Council (126-1985) as amended by Resolution 350 Sixth Council; and
2. IRB 25-2 would make positive substantive contributions to the local economy and community by creating 70 high-wage economic base jobs; and
3. IRB 25-2 will improve Albuquerque's position in the forefront of advanced manufacturing and semiconductor manufacturing; and
4. IRB 25-2 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives;
5. IRB 25-2 would adequately meet the evaluation criteria established by the City for Industrial Revenue Bond Act projects, including the requirement that the City recoup the value of its investment over the term of the bonds.

STAFF RECOMMENDATION:

Based on the above findings, staff recommends approval of IRB 25-2 as proposed in the project plan application.

Chris Chavez, Economic Development Manager
Economic Development Department

NM BUREAU OF BUSINESS
& ECONOMIC RESEARCH

EACH OF US
DEFINES
ALL OF US.

Fiscal Impact Analysis of Proposed SolAero CHIPS Project on the City of Albuquerque

Prepared for the City of Albuquerque Economic Development Department

Alexis P. Amodio-Cardwell

NOVEMBER 2024

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Introduction

The Economic Development Department at the City of Albuquerque (the City) has requested that UNM's Bureau of Business & Economic Research (UNM BBER) conduct a fiscal impact analysis regarding an industrial revenue bond (IRB) application submitted by SolAero. The current project name is titled "SolAero CHIPS Project."

Presently, SolAero operates a facility in Albuquerque dedicated to producing space-grade solar cells, which play a critical role in the generation of power for Satellite Solar Panels. However, the company has identified a significant gap in capability; there is a 20-year technological divide between their existing wafer processing tools and the more advanced processing tools. To address this, SolAero aims to enhance their manufacturing capacity by expanding their MOCVD capabilities and adding five (5) MOCVD tools. This will help facilitate a substantial upgrade in their facility's operational efficiency and modernization by (1) keeping operations collocated in order to maximize technical, operational, and industrial efficiency and (2) mitigating costs and schedule risks by minimizing new construction and leveraging existing facility systems.

As a result of this project, SolAero anticipates the creation of 70 new jobs. These positions will encompass a diverse array of roles, including 14 design and engineering exempt professionals, 39 manufacturing non-exempt personnel, and 17 exempt and non-exempt personnel in quality assurance, logistics, and support roles.

In pursuit of this project, SolAero is requesting a \$72,600,000 bond from the City. In addition, SolAero is also seeking a 90% real and personal property tax exemption.

Property

As mentioned in the introduction, SolAero already has an existing site in Albuquerque. However, given that SolAero would like to expand their wafer production facility, SolAero CHIPS Project will be held at the following locations:

- Location 1
 - Address: 10420 Research Rd SE, Albuquerque, New Mexico 87123
 - UPC: 102105505041520166
 - Legal Description: LOT 2-A BLOCK 4 PLAT OF LOT 2-A IN BLOCK 4 SANDIARESEARCH PARK CONT 7.0406 AC
- Location 2:
 - 1600 Eubank Blvd SE, Albuquerque, New Mexico, 87123
 - UPC: 102105504637420115L1
 - Legal Description: TR A PLAT FOR TRACTS A & B EMCORE DEVELOPEMENTCONT 8.9380 AC

Currently, Pontus St Albuquerque LLC owns the real estate located at 10420 Research Rd SE, and the New Mexico State Land Office owns the real estate located at 1600 Eubank Blvd SE.

Data and Methods

This analysis is based on self-reported budget and expenditures information provided by SolAero representatives. The figures submitted in the IRB application to the City have also been considered. Given that SolAero is seeking a 20-year bond rate, data includes expected payroll and employment figures, operational spending, and capital expenditures over the next 20 years.

Employment data includes the creation of 70 new jobs between 2025 and 2028. Total compensation for these jobs, which includes salaries and benefits, ranges from \$54,000 to \$194,805. SolAero also plans to offer an average salary increase of 3% and a benefits fringe rate of 35%.

It is estimated that approximately \$30 million of the project will be spent with local firms using local and state resources. This will include local architecture and construction firms, along with electrical and mechanical firms. Taxes for electricity and natural gas have also been considered in this analysis.

In terms of construction and equipment investments, SolAero is forecasting \$21,100,000 in construction costs and \$51,500,000 in equipment costs, for a total of \$72,600,000 (the requested amount of the IRB). The projected timeline for construction activities is set to span from 2025 to 2028.

This analysis assesses the tax impact of SolAero's operations on the City of Albuquerque over the next 20 years, focusing on gross receipts, property, and other taxes. It includes the effects of spending related to direct, indirect, and induced jobs generated by SolAero operations, including construction. The analysis also incorporates the expected tax contributions from the industry.

Major assumptions were undertaken to complete this analysis, all of which are listed below:

1. All construction jobs are expected to be sourced from within the City.
2. SolAero projects that 80%-90% of the new positions will be filled locally. For the purposes of this analysis, we have chosen the median of 85%.
3. The fiscal impact assumes a 100% abatement of gross receipts and compensating taxes on purchases of eligible tangible personal property acquired in connection with SolAero CHIPS Project, as well as a 90% real and personal property tax abatement for the project site.
4. This analysis assumes that all employment resulting from this agreement – including construction, research and development, and manufacturing activities – will be a net gain to Albuquerque. Company spending is a net gain. The purchase of goods and services, real and personal properties, and construction expenditures are considered for gross receipt, compensating, and property taxes.
5. Only the City of Albuquerque incentives and the ensuing fiscal impact on the City are considered; incentives received from the State of New Mexico and/or any other governing entity are not included in this analysis.
6. Multipliers used for estimating the impacts of the project were based on historical budget information and the industry for which the impact was modeled. The original industry chosen for analysis was 336419: Other Guided Missile and Space Vehicle Parts and Auxiliary Equipment Manufacturing. The following is the 2022 NAICS definition for NAICS 336419: "This U.S. industry comprises establishments primarily engaged in (1) manufacturing guided missile and space vehicle parts and auxiliary equipment (except guided missile and space vehicle propulsion units and propulsion unit parts) and/or (2)

developing and making prototypes of guided missile and space vehicle parts and auxiliary equipment.”¹ However, given that NAICS 336419 is not very prevalent in Albuquerque, no results would have been generated, as it does not exist in IMPLAN.² Thus, the multipliers used for estimating the impacts are based on 334511: Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing. The following is the 2022 NAICS Definition for NAICS 334511: “This U.S. industry comprises establishments primarily engaged in manufacturing search, detection, navigation, guidance, aeronautical, and nautical systems and instruments. Examples of products made by these establishments are aircraft instruments (except engine), flight recorders, navigational instruments and systems, radar systems and equipment, and sonar systems and equipment.”³

Results

The fiscal impact presented in Table 1 shows that operations related to the \$72.6 million bond for SolAero CHIPS Project will generate an estimated total of almost \$11 million in taxes by 2043 and will continue to remain tax positive throughout the span of the contract. Moreover, as SolAero CHIPS Project continues to make positive contributions to the local economy and fosters partnerships with local entities, SolAero will continue to bring revenue to the City.

¹ <https://www.census.gov/naics/?input=336419&year=2022&details=336419>

² To estimate the fiscal impacts, BBER utilized IMPLAN v7.5. IMPLAN is an Input-Output (I-O) model used to gauge and estimate the direct, indirect, and induced impacts.

³ <https://www.census.gov/naics/?input=334511&year=2022&details=334511>



Fiscal Impact Analysis of Proposed SoAero CHIPS Project on the City of Albuquerque | 6

Table 1. IRB Analysis: Estimated Tax Revenues for Proposed SoAero CHIPS Project, Including Incremental Tax, Present Value of City Taxes, TIDD Taxes, and Net Tax Increment, and Cumulative Net Present Value by Year (2024 dollars)

| Year | Gross Receipts and Compensating Taxes | | | | | | | | | | Property Tax | | | Foregone | | | Fiscal Impact | | |
|------|---------------------------------------|--------------------------------|-------------------|---------------|--------------|------------------------|-----------|----------------|--------------------|------------------|--------------|----------------|-------------------|-----------------------|-----------|------------|---------------|---------------|------------|
| | Company Employees | Indirect and Induced Employees | Company Purchases | Company Sales | Construction | Construction Employees | Utilities | Real (Company) | Personal (Company) | Real (Employees) | Other Taxes | Total Revenues | Real Property Tax | Personal Property Tax | GRT & CMP | City Costs | Annual | Present Value | Cumulative |
| 2024 | 285 | 1,246 | 503,214 | 45,994 | 16,790 | - | 14,547 | 206,197 | - | 73 | 15 | 788,360 | 185,577 | - | 18,981 | 159 | 583,643 | 583,643 | 583,643 |
| 2025 | 2,979 | 8,364 | 515,794 | 73,869 | 467,640 | 88,480 | 14,547 | 260,180 | - | 726 | 149 | 1,473,528 | 234,162 | - | 473,397 | 1,589 | 723,380 | 697,705 | 1,281,348 |
| 2026 | 3,027 | 10,813 | 528,689 | 73,869 | 296,334 | 57,087 | 14,984 | 290,114 | - | 1,017 | 209 | 1,276,142 | 261,103 | - | 305,435 | 2,224 | 707,380 | 658,056 | 1,939,404 |
| 2027 | 6,915 | 17,743 | 656,784 | 75,263 | 483,995 | 9,125 | 15,433 | 285,279 | - | 2,106 | 433 | 1,117,476 | 256,751 | - | 48,824 | 4,607 | 807,294 | 724,347 | 2,663,751 |
| 2028 | 11,034 | 25,079 | 676,492 | 43,206 | 367,500 | 6,863 | 15,896 | 278,641 | 8,856 | 3,195 | 657 | 1,106,669 | 250,777 | 7,970 | 154,884 | 6,990 | 686,048 | 593,710 | 3,257,461 |
| 2029 | 18,202 | 37,645 | 693,405 | 44,286 | 1,368 | - | 16,373 | 271,948 | 16,668 | 5,083 | 1,045 | 1,106,024 | 244,754 | 15,001 | 122,456 | 11,121 | 712,692 | 594,877 | 3,852,338 |
| 2030 | 18,748 | 38,774 | 710,740 | 45,394 | 1,402 | - | 16,864 | 265,200 | 16,668 | 5,083 | 1,045 | 1,126,661 | 244,754 | 21,070 | 125,517 | 11,121 | 730,273 | 587,916 | 4,440,254 |
| 2031 | 19,062 | 39,937 | 728,908 | 46,528 | 1,437 | - | 17,370 | 258,396 | 29,056 | 5,083 | 1,045 | 1,146,423 | 232,556 | 26,151 | 128,655 | 11,121 | 747,940 | 580,767 | 5,021,021 |
| 2032 | 18,722 | 41,135 | 746,721 | 47,692 | 1,473 | - | 17,891 | 244,609 | 36,948 | 5,083 | 1,045 | 1,182,618 | 220,148 | 33,253 | 135,168 | 11,121 | 765,281 | 573,140 | 5,594,161 |
| 2033 | 18,352 | 42,369 | 765,389 | 48,884 | 1,510 | - | 18,428 | 241,532 | 33,578 | 5,083 | 1,045 | 1,200,591 | 213,863 | 35,223 | 138,547 | 11,121 | 801,837 | 558,645 | 6,159,705 |
| 2034 | 18,902 | 43,641 | 784,524 | 50,106 | 1,548 | - | 18,981 | 237,625 | 39,137 | 5,083 | 1,045 | 1,217,873 | 207,520 | 36,104 | 142,011 | 11,121 | 821,117 | 551,772 | 7,270,123 |
| 2035 | 19,469 | 44,950 | 804,137 | 51,359 | 1,587 | - | 19,550 | 230,578 | 40,115 | 5,083 | 1,045 | 1,231,411 | 201,120 | 37,006 | 145,561 | 11,121 | 836,602 | 542,224 | 7,812,347 |
| 2036 | 15,754 | 46,298 | 824,740 | 52,643 | 1,626 | - | 20,137 | 223,466 | 41,118 | 5,083 | 1,045 | 1,249,689 | 194,660 | 38,880 | 149,200 | 11,121 | 856,776 | 535,990 | 8,347,937 |
| 2037 | 16,227 | 47,687 | 844,846 | 53,959 | 1,667 | - | 20,741 | 216,289 | 42,146 | 5,083 | 1,045 | 1,268,254 | 188,139 | 39,852 | 152,930 | 11,121 | 877,184 | 528,884 | 8,876,822 |
| 2038 | 16,713 | 48,823 | 865,968 | 55,308 | 1,709 | - | 21,363 | 209,043 | 43,200 | 5,083 | 1,045 | 1,287,406 | 174,909 | 40,848 | 160,672 | 11,121 | 898,124 | 522,289 | 9,399,111 |
| 2039 | 17,215 | 49,992 | 887,617 | 56,690 | 1,751 | - | 22,004 | 201,729 | 44,280 | 5,083 | 1,045 | 1,307,160 | 168,196 | 41,869 | 164,689 | 11,121 | 919,610 | 515,803 | 9,914,914 |
| 2040 | 17,731 | 51,197 | 909,807 | 58,108 | 1,795 | - | 22,664 | 194,343 | 45,387 | 5,083 | 1,045 | 1,326,668 | 161,416 | 42,916 | 168,807 | 11,121 | 940,792 | 508,954 | 10,423,868 |
| 2041 | 17,399 | 52,438 | 932,552 | 59,560 | 1,840 | - | 23,344 | 186,884 | 46,521 | 5,083 | 1,045 | 1,347,647 | 154,567 | 43,989 | 173,027 | 11,121 | 963,387 | 502,679 | 10,936,547 |
| 2042 | 17,921 | 53,716 | 955,866 | 61,049 | 1,886 | - | 24,044 | 179,351 | 47,685 | 5,083 | 1,045 | 1,370,111 | 142,117 | 45,068 | 177,282 | 11,121 | 986,974 | 500,000 | 11,436,547 |
| 2043 | 18,459 | 55,033 | 980,111 | 62,576 | 1,933 | - | 24,765 | 171,741 | 48,877 | 5,083 | 1,045 | 1,400,111 | 128,117 | 46,157 | 180,533 | 11,121 | 1,011,111 | 500,000 | 11,936,547 |

Gross Receipts Taxes, Company Employees: Gross receipts taxes on local purchases by new operating personnel employed by applicant.

Gross Receipts Taxes, Indirect and Induced Employees: Gross receipts taxes on local spending by those supported by company's purchases of local goods and services and by spending by operating personnel.

Gross Receipts Taxes, Company Purchases: Gross receipts taxes on increased company purchases of local goods and services as a result of the project.

Gross Receipts Taxes, Company Sales: Only sales in-state generate gross receipts taxes.

Gross Receipts Taxes, Construction: Gross receipts taxes on contractor receipts and on local spending by construction workers and those supported indirectly by the project.

Other Revenues: Increased employment, resulting from the project, will increase Albuquerque's population and this new population will pay taxes and various City charges for services. Taxes include property tax operating and debt service levies, franchise fees, State-shared revenue distributions other than gross receipt, permits and charges for services, including rent on city properties.

Total Revenues: Gross receipt tax revenues and other revenues associated with the additional population resulting from the project.

Foregone Property Taxes: Property taxes that would have been paid on land, buildings and equipment financed by the IRB. Title to properties financed are held by the City and the properties are exempt from taxes during the life of the bond. There is a minimum Payment in Lieu of Taxes of 5% of the taxes foregone.

Foregone Sales Taxes: Gross receipts taxes that would have been owed on local equipment purchases in the absence of the IRB.

City Costs: Costs of providing City services and infrastructure to the additional population and additional employment supported by the project. Costs include general fund expenditures, the subsidy for Transit, city street fund expenditures and average spending over past 5 years in the City's Capital Acquisition less that supported by federal funds or transfers. The cost of services provided by the city is split between businesses (based on employment) and residents (based on additional population).

Fiscal Impact, Annual: The annual fiscal impact is the total revenue less the cost for each year of the Industrial Revenue Bond.

Fiscal Impact, Present Value: Present value of the stream of annual net fiscal impacts discounted to current values. Here the discount rate is the real rate of interest on GO bonds.

Fiscal Impact, Cumulative: The running total of state present value fiscal impacts over the life of the Industrial Revenue Bond, where the last year is the net present value of the Industrial Revenue Bond.

Company Purchases includes employer paid health care insurance as well as G&S expenditures.

APPLICATION
for
INDUSTRIAL REVENUE BOND
Project Approval

Name of Project: SolAero CHIPS Project

Location of Project: Albuquerque, NM

Company Name: SolAero

Contact Person: Brad Clevenger

Address: 10420 Research Rd SE and 1600 Eubank Blvd SE
Albuquerque, NM 87123

Telephone: 1-505-559-2409

Email: brad.clevenger@rocketlabusa.com

Bond Counsel: Justin Horwitz & Peter Kelton, Rodey Law Firm

Address: 201 Third Street NW, Suite 2200
Albuquerque, New Mexico 87102

Telephone: (505) 768-7317 & (505) 768-7231

Bond Amount Requested: \$72,600,000 Fee Submitted: \$2500

FOR STAFF USE

Staff Assigned: _____

Case Number: _____

Fee Received: \$ _____

ADC Hearing Date: _____

Council Dates (Tentative): Introduction _____

Committee _____

PREFACE

This Plan is being submitted to the Development Commission of the City of Albuquerque for review prior to consideration by the City Council of an Inducement Resolution and Ordinance for Industrial Revenue Bonds in accordance with Council Ordinance 12-1985 and Resolution 16-1985. Pursuant to those Council actions this is the first step towards the issuance of bonds pursuant to: the Industrial Revenue Bond Act (Sections 3-32-1 to 3-32-16 NMSA 1978 as amended); or, pursuant to the home rule powers of the City given by Article X, Section 6 of the New Mexico Constitution and the City's Charter.

The Plan contains the information required by City Council Resolution 16-1985 and conforms with and complements the policies established for the issuance of Bonds pursuant to that Council action.

The purpose of the Plan is to identify the project area and to present the plan and the uses to which the proceeds of the Bonds will be put if issued. This Plan is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted. The applicant and its agent will endeavor to provide the City any additional information reasonably requested.

APPLICATION DESCRIPTION

Please prepare the IRB application according to the following outline. Headings must be present and visible and all required information included. Please prepare the information needed for the fiscal impact analysis in the same manner but attached separately from the following outline.

I. GENERAL DESCRIPTION

Give an overview of the project, including general location, proposed development, use, brief description of the company, and total bond amount requested. Include a statement of the benefit to be gained by the Albuquerque community from this development. The General Description should explain what will be done with the IRB if approved. Note that detailed project information will be included in Project Plan, Section III.

The project will expand and modernize manufacturing capability, keep operations co-located in order to maximize technical, operational and industrial efficiency, and mitigate cost and schedule risks by minimizing new construction and leveraging existing facility systems.

Space-grade solar cells manufactured in Building 1 must be post-processed into satellite solar panels as the finished products that SolAero delivers to customers.

Wafer processing tools have different production capacities and modern tools are nearly twice as productive (e.g. wafers/unit time) as the 20-year-old capability currently installed at SolAero. To size capital investment for the project, SolAero used a parametric model to match tool capacities. As 5 MOCVD tools (i.e. wafer production capacity) are added, the model identifies production constraints and increments the corresponding FE

and/or BE tool count. The total investment required to add 5 MOCVD tools of total capacity and modernize the facility and infrastructure is ~\$95.5M. SolAero respectfully requests a 90% real and personal property tax exemption for its property located at 10420 Research Rd SE, Albuquerque, New Mexico 87123 and 1600 Eubank Blvd SE, Albuquerque, New Mexico 87123.

II. SITE AND EXISTING CONDITIONS

A. Legal Description

Give both the precise and complete legal description and address or identification of location. (For example: The proposed project is located at 5300 2nd Street N.W. The site is more particularly described as Tracts B-1 and C of the Plan of Division of Lands of Mel Sanchez and Lath & Plaster Supply Company, as the same is shown and designated on the plat of said land filed in the office of the County Clerk on April 27, 1979 in Bernalillo County, New Mexico, containing approximately 11.15 acres.)

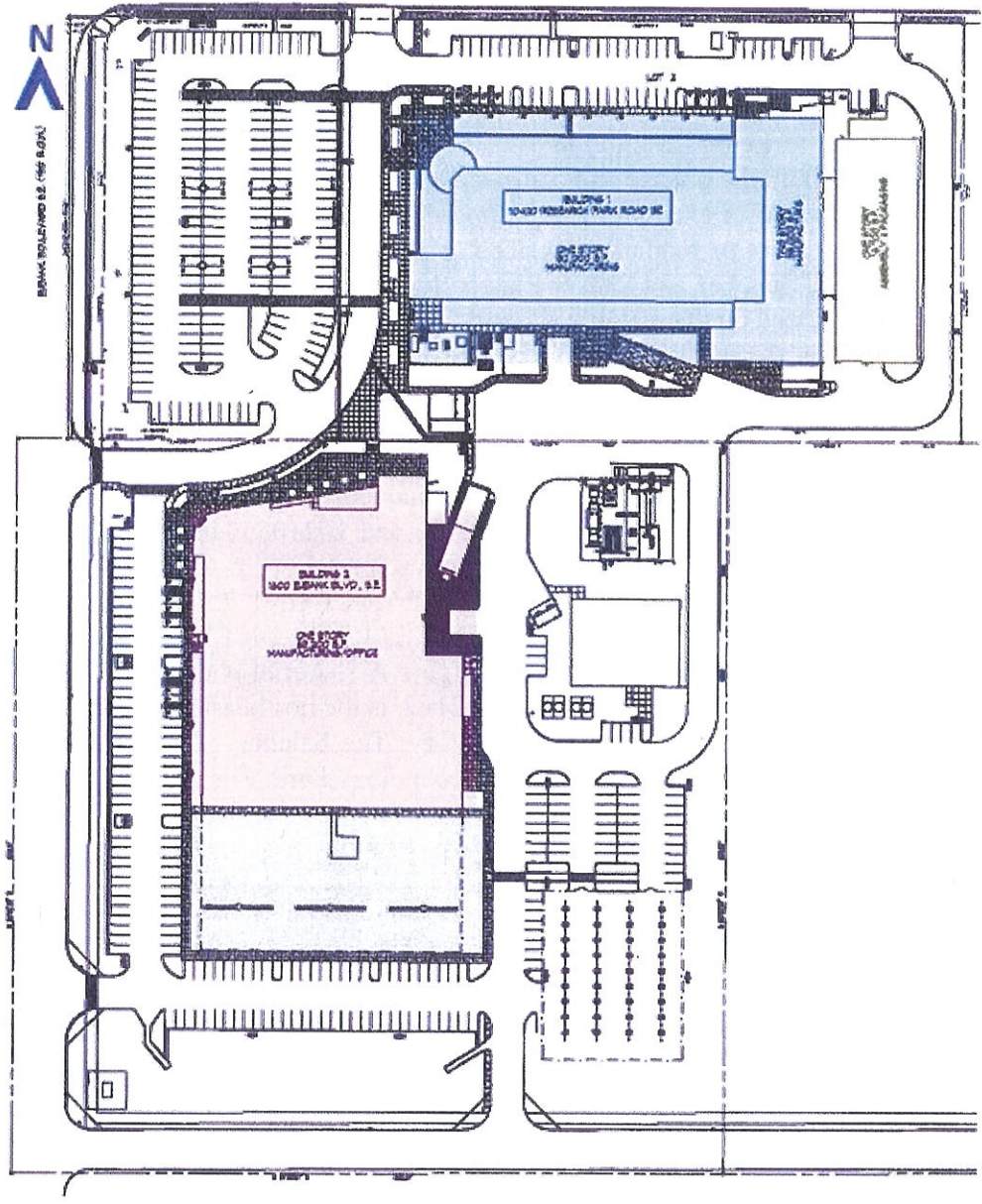
Legal Description

The proposed project is located at 10420 Research Rd SE, Albuquerque, New Mexico 87123 and 1600 Eubank Blvd SE, Albuquerque, New Mexico 87123. The UPCs for the project site are 102105505041520166 and 102105504637420115L1, respectively, and the abbreviated legal descriptions for each are LOT 2-A BLOCK 4 PLAT OF LOT 2-A IN BLOCK 4 SANDIARESEARCH PARK CONT 7.0406 AC and TR A PLAT FOR TRACTS A & B EMCORE DEVELOPEMENTCONT 8.9380 AC, respectively. The site is more particularly described as Figure A.1. Aerial photographs of the SolAero parcel. In the left photo the area shown in black is the northeastern corner of Kirtland Air Force Base and Sandia National Laboratory. The balance of the area shown is the Sandia National Laboratory Science and Technology Park. The right photo is a perspective view of the SolAero site.



Figure A.2. Schematic view of the current SolAero site. Building 1, shaded in blue, is 84,500 sq. ft. housing a 40,000 sq. ft. cleanroom for compound semiconductor production operations. To the east of Building 1 is 17,000 sq. ft. of Class 10000 cleanroom space for

satellite solar panel manufacturing operations. Building 2, shaded in red, is 63,000 square feet housing a 40,000 sq. ft. open highbay for solar panel manufacturing operations. The area shaded in green below Building 2 is available for expansion of the facility.



Pontus St Albuquerque LLC currently owns the real estate located at 10420 Research Rd SE and the New Mexico State Land Office currently owns the real estate located at 1600 Eubank Blvd SE. SolAero is currently engaging in discussions with Pontus St Albuquerque LLC and the New Mexico State Land Office regarding their willingness to participate in the IRB transaction, and SolAero will keep the City apprised of its progress in those discussions.

B. Prevailing Site Conditions

Describe the present use and development of the site, including any improvements, vacant land, etc.

Site is used for production of Solar cells that are used on Satellite Solar Panels for power creation. The project to add MOCVD reactors and additional production equipment will take place internal to the current structures at SolAero. There may be new Power Switch Gear added and rooftop air handlers, but the physical structure will be unchanged.

C. Present Assessed Value

Give the present assessed value according to the Bernalillo County Assessor's office. You may also list a current appraised value if you feel it will make the post-development value clearer.

\$36,418,847

See Attachments:

Bernalillo County NM – 10420 research Rd SE.pdf

Bernalillo County NM – 10420 Research Road Real Estate.pdf

D. Present and Proposed Zoning; Regulatory Issues

Give the current zoning of the property. If any change in zoning is required for the proposed use, give the proposed new zone. We recommend that zoning changes required be requested before the project plan reaches the Development Commission. Describe any particular permitting or regulatory matters that might be different from general development projects.

Current Zoning statement - NR-BP and NR-C

No changes to zoning requested or required at this time.

See Attachments:

IDOZoneAtlasPage_M-21-Z 9 16 2024

E. Renewable Energy

Indicate in detail if and how the Project will create, produce or use renewable energy and renewable energy technology.

SolAero's local utility, PNM, offers solar energy programs in which participants can tie private sources of solar power to the electrical grid and/or pay PNM to have a portion of their solar power demand met by renewable sources. SolAero participates in both programs. SolAero is a partner in and the sole offtaker from a 2MW solar power installation located directly south of its facilities. The Company has signed a 25-year Purchased Power Agreement (PPA) with the field operator and PNM. PNM limits private, grid-tied sources of solar power to 1MW per electrical meter/address. SolAero installed \$375,000 of electrical switchgear to route incoming power from two separate

utility feeders to each of SolAero's buildings and to tie 1MW of the solar power installation into each of those feeders. This enabled SolAero to operate its buildings on separate feeders, so that the entire factory would not be taken offline by the loss of one feeder or local substation, and to maximize utilization of the power produced by the 2MW installation. No additional solar power can be added to either of SolAero's buildings because they already operate at the maximum allowed by PNM. So, SolAero subscribes to PNM's Blue Sky program in which apportioned 100kWh "blocks" of electricity are sourced from solar and wind facilities in New Mexico. As SolAero's demand for electricity grows in connection with the expansion of factory capacity contemplated in this Application, SolAero is committed to growing its subscriptions to the Blue Sky program commensurately

III. PROJECT PLAN

A. Information Concerning Applicant

Describe the development entity – corporation, syndicate, individual, etc., and give information about the experience of the company or of significant individuals involved in the type of development or industry proposed. Include as an attachment resumes of main principles, or other information which will bear on the experience and credibility of the development entity.

Attachment:

19-25. SolAero Technologies Organizational Information – 13 November 2023.doc

B. Tax Issues

Please provide a statement declaring that the applicant has no outstanding substantive federal, state or local tax issues. If, however, there are pending issues, thoroughly describe all issues and their status.

No Outstanding Tax Issues

C. Information Concerning Products and Process

Identify the products and/or processes involved with this project. Specifically address the question of whether the proposed development will generate air, noise, or waste pollution or traffic congestion. Include any plans for the reduction and disposal of waste and/or project emissions. Describe the general types of traffic patterns expected, and parking needs.

Project will be internal to the existing structures of SolAero. No additional air, noise, or traffic congestion. Project will include an improved abatement system for the exhaust gases that will reduce the operating cost of the facility and will improve our waste streams.

D. Competition

Please describe any competition in the same area of commerce or industry existing in the City. Since the Development Commission and City Council do not wish to make industrial revenue bonds, with their associated tax abatements, available for projects with local competition, this statement is very important.

There are only three suppliers of space-grade solar cells in the world and two in the US. There are no other manufacturers of compound semiconductor devices in the city of Albuquerque nor the state of New Mexico.

E. Effect on Existing Industry and Commerce during and after Construction

Describe the predicted effects of the project including construction jobs generated, increased employment, increased sales, new industrial base, possible spin-off business, etc.

Project will be competed at our Albuquerque location and thus local city and state resources will be used to complete the project over the planned 4-year project schedule. This will include local architect and construction firms along with electrical and mechanical firms. An estimate of \$30M of the project will be spent with local firms. SolAero customers are worldwide and the overall growth in the space industry will continue to grow and we will engage new customers that will benefit from our expansion and modernization project. No plan for spin off businesses or definable impact to the local industrial base at this time.

F. Land Acquisition

Indicate if IRB proceeds will be used to acquire land, and whether land is presently owned by the applicant, or is under option.

No new land is being acquired at this time.

G. Description of Proposed Development

Provide a detailed description of the Project. Describe the construction to be undertaken in the project, including square footage, construction type, and location of construction on the project site. Indicate whether existing buildings on the site will be rehabilitated or incorporated in the construction, and a description of the type and amount of additional investment planned. Detail any demolition which will be required by the project, and indicate whether demolition involves any identified historic properties. If possible, attach a conceptual site plan and elevation (alternately, these may be presented at the Development Commission hearing).

The project will expand and modernize manufacturing capability, keep operations co-located in order to maximize technical, operational and industrial efficiency, and mitigate cost and schedule risks by minimizing new construction and leveraging existing facility systems. Space-grade solar cells manufactured in Bldg 1 must be post-processed into satellite solar panels as the finished products that SolAero delivers to customers. Wafer processing tools have different production capacities and modern

tools are nearly twice as productive (e.g. wafers/unit time) as the 20-year old capability currently installed at SolAero. To size capital investment for the project, SolAero used a parametric model to match tool capacities. As 5 MOCVD tools (i.e. wafer production capacity) are added, the model identifies production constraints and increments the corresponding FE and/or BE tool count. The total investment required to add 5 MOCVD tools of total capacity and modernize the facility and infrastructure is ~\$95.5M.

H. Infrastructure

Indicate if Project will require any extension or relocation of utility or road systems. If additional infrastructure is required, what cost sharing agreements have been reached between the applicant and the city or the water utility authority? Are there any needs for substantial additional electric, gas, or communications infrastructure, and how are they being addressed?

Project is to expand our MOCVD reactor capacity and to upgrade our facility equipment to modern and more cost efficient. Final evaluations on the exact manufacturers of the MOCVD reactors is to be finalized by end of 2024. The reactor selection will affect the infrastructure solution. We are to imply the most overall cost-effective solution for our production process and the best solution for environment aspects. Additional Power Requirements may facilitate an installation of new switch gear and transformers. With our new reactors we will and to install state of the art abatement equipment to reduce our impact on the environment. We will install new water treatment systems along with improved air filtration systems.

I. Area Enhancement

Describe how project design, placement and development will enhance the surrounding area.

No visible changes will be performed for this project. The project will be completed inside of the existing structures. Project will improve the efficiency and output of the facility by modernizing the production equipment

J. Local Purchasing

Please provide an estimated annual expenditure of goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

Approx \$30,000,000 or the total project
Attached Spreadsheet:
New Mexico Internal and External Spend Plan.xlsx

K. Water Conservation

Estimate average daily and monthly water consumption and include any plans for the conservation, reduction or re-use of water.

Semiconductor manufacturing is a water-intensive operation, and New Mexico's arid climate and limited water resource make conservation an imperative. In typical semiconductor manufacturing operations, ~40% of water use is for rinsing operations and another 40% is equally distributed between cleanroom HVAC systems and exhaust scrubbing systems. Thus, ~80% of the water utilization is related to manufacturing processes. In addition, in compound semiconductor manufacturing, it is common for wet chemistries (e.g. acids, rinsates) to contain contaminants such as arsenic, meaning water use and the potential for it to become a hazardous waste are high.

To combat this problem, SolAero has made considerable investments in managing water use that enables recycling of over 30% of process water and complete segregation & treatment of hazardous rinsate. First, SolAero segregated potentially hazardous aqueous waste streams from all other waste streams, a major infrastructure design change from how the facility was originally constructed. This immediately allowed all non-hazardous aqueous waste streams to be recycled, and SolAero implemented reuse programs for a variety of non-potable applications, including in cooling systems, scrubbers and other systems. This step also reduced the volume of water that required treatment by over 90% since the majority of process water is used in non-hazardous applications. Second, SolAero re-directed all potentially hazardous aqueous waste streams to an on-site treatment facility of SolAero's own design. There, all process contaminants and metals are precipitated and pressed into "cakes", and the aqueous effluent is treated to bring it into compliance with applicable discharge requirements. The "cakes" are suitable for landfill disposal and the aqueous effluent is discharged to the storm sewer, in accordance with SolAero's discharge permit. No aqueous waste is disposed of as hazardous waste despite the fact that over 30,000 gallons of water per day flow into various process operations

L. Relocation of Individuals or Businesses

No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation.

No relocation of Individuals or Businesses is required

M. Number and Types of Jobs Created

Identify the number and type (i.e., professional, clerical, assembly line, etc.) of permanent jobs which will be created in the project. If any existing jobs are to be retained to the project site, describe separately. Please include the wages of all positions to be created. The following questions must also be answered:

70 New Positions will be created over the span of the project. Engineering and Project Support Function early in the project and the manufacturing positions once the project

is near completion to allow for additional capacity on the site. These new 70 positions will consist of:

- 14 design and engineering exempt professionals
- 39 manufacturing non-exempt personnel deployed across four work shifts
- 17 exempt and non-exempt personnel in quality assurance, logistics, and support roles

Exempt Engineering Professionals - \$90k to \$150k Annual

Non-Exempt personnel - \$40K - \$50K Annual

Exempt and Non-Exempt Quality, Logistics or Support Functions \$65K - \$90K Annual

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere?

80%-90% of the new positions will be filled locally.

- 2) Will jobs benefit low- and moderate-income residents?

SolAero's CHIPS and Science Act award includes a statutory requirement for a Workforce Development Plan. SolAero's Workforce Development Plan includes a \$2M award to local workforce and economic development partner, New Space Nexus, as well as \$3M additional dollars to be invested in recruiting and on-the-job training, all in support of the project being funded. SolAero is a majority minority employer, sourcing more than 2/3rds of its ~400-person workforce from within New Mexico. By partnering with New Space Nexus, SolAero intends to expand its reach to underrepresented and underserved individuals and communities within New Mexico. An additional statutory requirement for a CHIPS award is that the jobs created conform to the federal Good Jobs Principles. So, SolAero will be offering jobs with competitive pay, benefits and wraparound services to New Mexicans and investing in New Space Nexus to ensure those offers reach the broadest practical cross-section of New Mexican communities.

- 3) Will the jobs meet or exceed median wages for the industry within the community?

SolAero offers a minimum starting wage of \$15/hour, 25% higher than New Mexico's minimum wage of \$12/hour. Employees are entitled to pay increases based on job-training certifications, more than two dozen of which are available and each of which can be completed in 12-24 weeks. This is in addition to annual performance reviews in which employees receive Cost of Living plus merit adjustments and to promotions for which they can be nominated by management.

- 4) Will the jobs match skills of current city residents?

SolAero employs professional recruiters for all staff levels and uses recruitment & placement firms only as means of last resort. This enables SolAero to ensure that its policies, practices and standards for diversity, equity, inclusion, and accessibility are followed and enforced. In 2023, SolAero successfully closed an audit from the Office of Federal Contract Compliance Programs (OFCCP), which conducted a 3-year lookback on SolAero's hiring and labor practices. OFCCP had zero findings and concluded that SolAero's policies, practices, and standards for recruiting, hiring, compensating, promoting, and terminating women, minorities, and under-represented groups such as veterans, individuals with disabilities and members of the LGBTQ+ community meet all applicable federal standards. The audit also examined management support for affirmative action, diversity & inclusion, and evidence of the company's efforts to reach women, minorities and under-represented groups and concluded that the company engages in good faith efforts in all areas.

5) Will new employees be trained to fill the positions?

SolAero maintains robust on-the-job (OTJ) training programs and partners with state & local educational and workforce training organizations to develop and advance the skills of its employees. SolAero offers OTJ training & certification for all of its manufacturing operations, skills that are fungible across many R&D and manufacturing organizations, including Intel, Sandia National Laboratories, and others. SolAero offers all levels of training and certification, up to and including the train-the-trainer level, to the NASA Technical Standard NASA-STD-8739 series of workmanship standards, skills that are sought after by and fungible across virtually the entire aerospace and defense industry. SolAero also offers IPC J-Standard training & certification, again sought after by and fungible across virtually the entire electronics assembly industry. SolAero partners with the New Mexico Manufacturing Extension Partnership (NMMEP), a NIST MEP approved Center and official representative of the MEP National Network, to deliver comprehensive, proven solutions that advance U.S. manufacturing. Finally, the company offers all employees an educational reimbursement benefit program that reimburses employees for qualifying post-secondary education opportunities that are successfully completed.

6) What stated advancement opportunities are there?

SolAero maintains robust on-the-job (OTJ) training programs and partners with state & local educational and workforce training organizations to develop and advance the skills of its employees. SolAero offers OTJ training & certification for all of its manufacturing operations, skills that are fungible across many R&D and manufacturing organizations, including Intel, Sandia National Laboratories, and others. SolAero offers all levels of training and certification, up to and including the train-the-trainer level, to the NASA

Technical Standard NASA-STD-8739 series of workmanship standards, skills that are sought after by and fungible across virtually the entire aerospace and defense industry. SolAero also offers IPC J-Standard training & certification, again sought after by and fungible across virtually the entire electronics assembly industry. SolAero partners with the New Mexico Manufacturing Extension Partnership (NMMEP), a NIST MEP approved Center and official representative of the MEP National Network, to deliver comprehensive, proven solutions that advance U.S. manufacturing. Finally, the company offers all employees an educational reimbursement benefit program that reimburses employees for qualifying post-secondary education opportunities that are successfully completed

- 7) Will “Job Training Incentive Program” or other job training programs be used?

A large portion of the CHIPS project is to develop and grow our workforce. Explanation for this question can be found in the attachment described below. Attachment: 26 SolAero Technologies Workforce Development Plan – 21 November 2023.docx

- 8) Will at least 50% of health insurance premiums be covered for employees?

Full- and part-time employees are eligible for benefits, including health, vision & dental care, 401k, guaranteed paid leave (two weeks/year, growing to five with tenure), pre-paid legal & counseling services, employer-paid life insurance with employee & family options, disability insurance, an on-site gym with free exercise classes and a company-sponsored weight loss program. The company pays ~80% of employees’ basic healthcare premiums. SolAero also offers an Employee Stock Purchase Plan within which employees can purchase Rocket Lab stock at a 15% discount versus the prevailing market price.

N. Corporate Citizenship Policy/Plan

List any company policies/plans regarding the promotion of donations and volunteerism policy.

SolAero’s community investment strategy and its workforce development plan leverage one another to maximize the potential benefits of both. In the Workforce Development Plan volume of this Application, SolAero names New Space New Mexico (NSNM) as the backbone entity of its workforce development sectoral partnership and describes commitments SolAero will make to NSNM’s Unite & Ignite program as part of the proposed project. SolAero’s engagement with the Unite & Ignite program takes on two forms:

1. NewSpace Ignitor: an initiative to establish regional co-innovation hubs to move companies from concept to product to sales by bridging gaps and barriers to entering, growing, and thriving in New Mexico's high-tech ecosystem and to offer experiential learning opportunities to New Mexico's majority-minority population; and

2. Pathways to the Stars: an effort to build the local talent pipeline by expanding and infusing industry involvement into high-tech learning opportunities for underserved K-12 and university students statewide.

SolAero's support of these programs includes commitment of \$2M over three years, use of SolAero's specialized manufacturing and testing facilities and subject matter experts by New Space Alliance members, and sponsorship of 15 student internships annually through its internationally-recognized Student Opportunities for Aerospace Research (SOAR) internship program. This strategy will leverage \$11M of federal funding awarded to NSNM for the Unite & Ignite program for workforce and economic development in New Mexico.

The NewSpace Ignitor is the community investment portion of the program. The investment will establish co-innovation hubs in Albuquerque, Navajo Nation and rural southern New Mexico to provide opportunities in underserved communities, promote high-tech manufacturing (via Navajo Technical University's Center for Advanced Manufacturing, for example), and support diversity, equity, and inclusion (via NMSU's Arrowhead Center, for example). Through higher education partners, companies will be matched with interns and early career professionals who fill technology and engineering needs. The hubs will provide access to resources, guided navigation services, specialized equipment, and connections to mentors to foster a stronger local ecosystem. SolAero's support will provide funding and capabilities that are not generally affordable for local small businesses, educational institutions and startup companies and thereby encourage growth of New Mexico's high-tech industry.

O. Positive Contributions

List all positive contributions that the project will make to the neighborhood.

The project will span more than 48 months and during this time, we will work toward not just modernizing our technology but also our workforce and the future workforce that will be employed at SolAero. Our commitments within the CHIPS act will allow us to invest in local training programs. (Details in the Attachment Workforce Development Plan, dated Sept 13, 2024). Details are outlined in attachment but a summary of our commitments are Yearly investments to the Pathways to the Stars program, Ignitor and Launchpad programs and continued investments to the community for Internships, workforce development, Employee training and Job placement We continue to be a valuable partner to the city of Albuquerque and the Sandia National Laboratory Science and Technology Park. We will also be striving for environmental improvement to detail out plans to use commercially reasonable efforts to operate the Project with carbon-free energy to the maximum extent possible and with the goal of operating with 100% carbon-free energy by December 31, 2030. SolAero shall also use commercially reasonable efforts for the Project to conserve

and reuse water onsite achieve a minimum recycle rate of 30% of process water and in addition to recycle at least 80% of the water used onsite and achieve a Net Positive Water Impact by December 31, 2030.

P. Management

Who will manage the project during development? Who will manage the Project's operations? If the project will be managed by someone other than the applicant, does the applicant have any long-range involvement?

Management of the project will be done with internal resources of SolAero and Rocketlab. All parties involved with the project management are full time employees.

IV. PROJECT FINANCING

A. Cost of Improvements, Bond Amount and Private Financing

Provide the total cost of the improvements to be constructed and the amount of bonds requested. The amount requested should be no more than that needed to complete the project in addition to equity or conventional financing. Also provide the amount of private financing (equity or conventional financing) involved in this project; this may include the value of land and existing facilities, if relevant.

SolAero anticipates \$21,100,000 in construction costs and \$51,500,000 in equipment costs associated with the project. The value of the existing buildings and equipment is estimated at \$[26,988,272+building 2 and building 2 equipment]. SolAero anticipates an equity contribution of approximately \$32,183,875, CHIPS direct funding of approximately \$23,900,000, and investment tax credits of approximately \$19,316,125.

Attachment:

SolAero CHIPS IRR Analysis 320204 -CHIPS Terms – Project Stand Alone

B. Estimated Value After Completion

Indicate the estimated appraised value of the project after completion.

\$(11,404,578+5,231,867) (Existing Equipment) + \$(15,583,694 + 4,198,808) (Existing Buildings) + \$57,653,891 (Project Cost) = \$[94,072,738]

C. Feasibility

Present information to show that the project can reasonably be expected to generate sufficient revenue to liquidate the debt. This information may be an attached pro forma, and should be sufficiently detailed to show the assumptions on which the projections are based. However, a firm commitment to provide financing for the project will be considered sufficient evidence of feasibility, and no pro forma will be needed in such cases.

The U.S. Department of Commerce (DoC) selected SolAero Technologies (SolAero, the Recipient) for a \$97M project supported by the CHIPS and Science Act

(CHIPS). CHIPS includes a statutory requirement for the recipient to secure financial support from the state in which the project will be executed. SolAero's request for and the State of New Mexico's offer of LEDA incentives and the City of Albuquerque's Industrial Revenue Bonds (IRBs) are forms of support committed by the State and City for this project. As part of its application for this CHIPS award, SolAero was required to demonstrate to the DoC the financial feasibility of the \$97M project and provide firm financing commitments from SolAero's parent company, Rocket Lab USA. Attached, please find the financial feasibility model provided to the DOC. SolAero would be happy to review with the City at its request.

D. Construction Schedule

Give the date of anticipated beginning and completion of construction.

Project is outlined to be a 48-month project from Award Date, with an estimated start of construction as early as the fourth quarter of 2024 and estimated completion in the fourth quarter of 2028.

Attachment:

Project Timeline 9 16 202.xls

E. Issuance of Bonds

Provide the anticipated date of bond issuance or a series of bonds.

1/1/2025

Attachments: Attach to the plan a map location of the project (you may use the base maps from the City Zone Atlas if you wish), and any other information as desired to supplement the plan. If you are attaching glossy or colored printed material, please submit 25 copies.

IDOZoneAtlasPage_M-21-Z.pdg

FISCAL IMPACT ANALYSIS

Please provide the following information necessary to complete a Fiscal Impact Analysis. Attach as a separate document. (Information asked may be repetitive to the IRB Application).

1. Describe the type or nature of project operations.

The proposed project is an expansion and modernization of SolAero’s compound semiconductor manufacturing capability and capacity that is both sufficient to meet rapidly growing global demand and a significant improvement of the overall economics of compound semiconductor production at SolAero.

2. Total number of new employees to be created as a result of the proposed Industrial Revenue Bond project, a total net payroll and an estimated annual pay increase in future years.

70 New Positions will be created over the span of the project. Engineering and Project Support Function early in the project and the manufacturing positions once the project is near completion to allow for additional capacity on the site. SolAero estimates annual pay increases of 2.5%.

The detailed financial evaluation can be found in the attachment:

Attachment:

SolAero CHIPS IRR Analysis 320204 -CHIPS Terms – Project Stand Alone

3. Number of new employees by title or job classification and respective salaries.

14 design and engineering exempt professionals

39 manufacturing non-exempt personnel deployed across four work shifts

17 exempt and non-exempt personnel in quality assurance, logistics, and support roles

Exempt Engineering Professionals - \$90K to \$150K Annual

Non-Exempt personnel - \$40K - \$50K Annual

Exempt and Non-Exempt Quality, Logistics or Support Functions \$65K - \$90K Annual

| | Base Rate / Hour | Annual |
|-----------------------------------------------------------------------------------|------------------|---------------|
| Design and Engineering exempt professionals | 70 | \$ 145,600.00 |
| Manufacturing non-exempt personnel deployed across four work shifts | 20 | \$ 41,600.00 |
| Exempt and non-exempt personnel in quality assurance, logistics, and support role | 35 | \$ 72,800.00 |

4. Optional employee benefits and an estimated value of such benefits and an estimated value of such benefits, either by amount or percentage of net pay. If employees contribute to such benefits, indicate their contributions in amount or percentage.

Full- and part-time employees are eligible for benefits, including health, vision & dental care, 401k, guaranteed paid leave (two weeks/year, growing to five with tenure), pre-paid legal & counseling services, employer-paid life insurance with employee & family options, disability insurance, an on-site gym with free exercise classes and a company-sponsored weight loss program. The company pays ~80% of employees' basic healthcare premiums. SolAero also offers an Employee Stock Purchase Plan within which employees can purchase Rocket Lab stock at a 15% discount versus the prevailing market price. [NTD: What is the estimated dollar value of these benefits? Can be expressed as an actual value or as a percentage of employee pay or Fringe rate.]

5. An estimated total annual expenditure of goods and services locally procured, identification of such goods and services (only those over \$10,000 per year), and an estimated annual increase in total expenditure.

Historical data for 2023 is shown below for New Mexico based vendor payments and sales tax paid on those purchases. Forward looking projections indicate the production volume is increasing ~ 5-10% per year. Based on these projections local spending is forecasted to increase between 2-5% based on volume and another annual increase of 2.5% for inflation.

Attached Spreadsheet:

New Mexico Internal and External Spend Plan.xlsx

New Mexico Vendor Payments

| Expenditure Type | Invoice \$ Amt | Sales Tax \$ Amt |
|-----------------------|------------------------|----------------------|
| CapEx | 3,434,150.48 | 244,427.46 |
| Utilities | 1,912,260.85 | 30,074.62 |
| Supplies | 1,467,604.03 | 76,786.79 |
| Property Taxes | 680,641.28 | - |
| Equipment Services | 458,252.78 | 15,466.97 |
| (blank) | 265,709.52 | 13,825.09 |
| Professional Services | 259,580.02 | 13,805.36 |
| Chemical Services | 158,503.09 | 6,218.13 |
| Employee Exp | 114,699.39 | - |
| Waste services | 87,806.42 | - |
| Insurance | 81,769.00 | 4,972.94 |
| Lease | 52,651.23 | 2,560.04 |
| Donations | 11,838.16 | - |
| Grand Total | \$ 8,985,466.25 | \$ 408,137.40 |

6. An estimated annual expenditure of goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

See sales tax detail provide in previous response.

Attached Spreadsheet:

New Mexico Internal and External Spend Plan.xlsx

7. An estimated total annual expenditure of goods procured out-of-state and subject to the New Mexico compensating tax, and an estimated annual increase in total expenditure

Historical compensating taxes paid were \$509,364 in 2023 and \$365,496 YTD August in 2024 (prorated to ~ \$450,000 for 2024 excluding one-time amount related to capital). Of the amounts paid in 2023 & 2024 ~ \$170,000 & \$268,000 respectively, was related to compensating tax paid on a capital asset purchases. Many capital asset purchases in 2025 – 2028 are expected to fall under the CHIPs project and corresponding IRBs with the City of Albuquerque. Remaining purchases would be expected to increase with production volume and inflation as outlined in question #5 above.

Attached Spreadsheet:

7 2023 Compensating Tax.xlsx

7 2024 Compensating Tax.xlsx

8. An estimated annual local sale of goods and services that are subject to the New Mexico gross receipts.

Historical data shows that in 2023 & YTD August 2024 sales subject to NM gross receipts tax (NMGRT) generated \$283,576 & \$76,620 of NMGRT respectively (2024 data prorated for a full year equates to ~ \$115,000). We are currently in the process of negotiating a contract that will be subject to NMGRT valued at ~ \$8M. This contract is expected to generate ~ \$570,000 of NMGRT over a three-year period or ~ \$190,000 per year. The contract is expected to be awarded in late September 2024 or early October 2024.

9. Costs of land, site improvement, and building, respectively.

Attachment:

\$21,100,000 in new construction. Pontus St Albuquerque LLC currently owns the real estate located at 10420 Research Rd SE and the New Mexico State Land Office currently owns the real estate located at 1600 Eubank Blvd SE.

SolAero estimates that the value of its existing equipment at the site is \$[11,404,578+building 2 equipment], and estimates that the value of its existing buildings at the site is \$[15,583,694+building 2].

SolAero CHIPS IRR Analysis 320204 -CHIPS Terms – Project Stand Alone

10. Total costs of equipment, fixtures, and furnishings to be purchased with the proceeds of the bond, and an amount of such purchases in New Mexico and out-of-state, respectively.

The aggregate amount of the equipment to be purchased is \$51,500,000, with []% purchased within New Mexico and []% purchased outside New Mexico.

Attachment:

SolAero CHIPS IRR Analysis 320204 -CHIPS Terms – Project Stand Alone

11. An estimated incremental New Mexico corporate income tax as a result of the proposed Industrial Revenue Bond project, and an estimated annual increase.

None (we have tax loss carryforwards)

12. An estimated amount of capital expenditures to be qualified for the New Mexico investment tax credit.

\$40M - \$45M