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Local solar company got loans despite money woes

State provided $10 million to Willard & Kelsey

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The Perrysburg firm entered into a loan agreement stipulating that it create 400 jobs by March 9.
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The state of Ohio lent millions of dollars to a Perrysburg solar-panel manufacturer despite knowing about budding financial problems at the company.

And even when it had a better account of Willard & Kelsey Solar Group's money troubles, the state approved requests to defer loan payments, extend financial report deadlines, enter into a new state loan agreement, and modify the terms of a private loan.

The company received $10 million in state loans and could receive $5 million more if it meets certain conditions.

Documents obtained by The Blade through a public records request show that the company's monetary woes began almost two years before it laid off much of its work force in January. The move surprised state officials who monitor the company. Filings with the Ohio Department of Development and Ohio Air Quality Development Authority show Willard & Kelsey's fiscal issues began as early as 2009.

A document from May, 2010, stated that in 2009, the company had revenues of $500,000 -- a grant from the state -- and a loss of $4.2 million. As a privately held company, Willard & Kelsey does not publicly disclose its financial information.

Although it was already showing concern about the company's finances, the state finalized a $10 million loan in July, 2010, because it already was in the works, state officials said.

"We are just executing that commitment at that point," said Daryl Hennessy, assistant chief of the business services division at the Department of Development. "While it looked like a lot of bad things happened in between, the commitment had already been made. We weren't giving them any more money at that point. We weren't adding on additional benefits at this point."

High hopes

Local, state, and federal officials had high hopes for the company -- it was toured by Vice President Joe Biden and former Ohio Gov. Ted Strickland in 2009 and by U.S. Secretary of Labor Hilda Solis in 2011. All are Democrats.

Those hopes translated into loans and grants from the state for Willard & Kelsey. There is no record of the company receiving any loans or tax breaks from the U.S. Department of Energy, and Willard & Kelsey has said it has received no federal funding.

The company was partially funded with $5 million from the Ohio Air Quality Development Authority; the $5 million is part of the $10 million loan approved for the firm. The rest of that money is set aside for the construction of a second assembly line. The company also received a $5 million loan and a $500,000 grant from the Department of Development, for a total of $15 million approved in loans.

Willard & Kelsey also was approved for millions in state tax breaks, but it never achieved the job creation goals needed to qualify for them.

State oversight

Mr. Hennessy said the state monitors the progress of its loans and grants through reports companies submit, routinely at the close of a three-year window.

The state required Willard & Kelsey to send periodic financial reports as part of its loan agreements. The company, however, was granted extensions and waivers for some of these reports.

Mr. Hennessy, who was not in charge at the time the agreements were struck, said he's unaware of other companies that have received similar treatment. He said Willard & Kelsey will be required to submit its paperwork on time from this point forward.

Mr. Hennessy assumed his role after Gov. John Kasich, a Republican, replaced Mr. Strickland in January, 2011.

The state rarely visits facilities unless funding is tied to a specific piece of equipment, state officials said. Willard & Kelsey has been visited at least twice by state officials -- once in July, 2011, and once in February of this year -- to assess its financial situation.

A report to the state that is due May 1 is expected to detail Willard & Kelsey's activity. If the company has violated its state loan agreement with the Department of Development, which stipulates the creation of 400 jobs by March 9, it will owe the state substantially more money in interest on its loan payments.

Letters from Willard & Kelsey filed with the Department of Development list numerous reasons why the company needed additional financing or couldn't meet state loan deadlines.

About 15 percent of companies that use financing from the Department of Development ask for some form of refinancing, Mr. Hennessy said.

"I would say it's not typical, but it does happen," he said.

A May, 2010, letter from Willard & Kelsey asked the state to delay loan principal payments for six months so the company could install its first production line without significantly depleting its working capital.

"WKS believes this allowance will enable WKS to continue its current employment numbers and to ramp up and train new workers during the grace period," the letter states. It also stated that the company would install a total of four production lines in the next 15 to 18 months -- a period that ended in January, 2012.

Ongoing work?

Willard & Kelsey has installed one production line since it was formed in 2008. An October, 2011, letter to the state said manufacturing delays and operational issues were to blame for a second line not being installed. The company also asked the state to extend the line's construction deadline to Sept. 30, 2012, and said it expects manufacturing operations to produce a monthly cash flow by the end of the first half of 2012.

Four cars were in the company's parking lot at 3 p.m. Tuesday. The front door to the facility was locked and no one answered knocks at that door or the employee entrance. Michael Cicak, the company's chief executive officer and chairman of the board, was contacted by phone but said he was in a meeting. He had previously refused to respond to phone calls from The Blade.

Mossie Murphy, Willard & Kelsey's chief financial officer, declined to comment about the company during a Wednesday phone call.

Willard & Kelsey produces cadmium telluride thin-film solar panels, which usually are less expensive than other models.

The company laid off workers in January because it was making changes to its production line to increase the efficiency of those panels, Mr. Cicak said in a previous interview.

Although Mr. Cicak has said the company employed more than 100 people at times, state documents tell a different story. A document from April, 2011, states the company had 72 employees and intended to create 133 jobs. None of the other documents lists more than 72 employees.

The company was sued in 2010 by a Florida woman who claimed that Willard & Kelsey falsified its solar-panel production abilities for a European client she had secured. The company settled with the woman that same year.

Mr. Hennessy said the Department of Development now requires companies that receive financing from it to submit progress reports each year so it can keep better tabs on job creation. It also is working with JobsOhio to monitor the progress of companies at the local level. JobsOhio is a private, nonprofit corporation establishd by Governor Kasich to focus on job creation.

"I don't know if it's easier to track the data with the new system, but I think it will be more accurate," Mr. Hennessy said. "We need to make sure we have more accurate and timely information."

Still, there is no measure in place that requires companies to inform the state of imminent layoffs or financial troubles.

'Solar phenomenon'

Awarding loans and grants to specific solar companies is a risky move for any level of government, said Gordon Johnson, managing director and head of equity research at Axiom Capital Management Inc., which monitors the alternative-energy industry.

He said the free market, not the government, should determine the dominant companies in the solar industry.

"This isn't just a solar phenomenon -- this is business," Mr. Johnson said. "Historically, governments do not accurately predict winners in industries."

The Obama Administration has been criticized for its support of Solyndra, a California solar firm that declared bankruptcy.

Mr. Johnson said funding alternative energy companies is extremely political and often results in discussion about how and if the federal government should invest in companies.

"It's not about what's the best or the most renewable," he said. "It's all political and who has the most lobbying power. They should say what the low-cost leaders in the industry are. It's that simple."

Willard & Kelsey's loan agreement with the Ohio Air Quality Development Authority stipulates that the company would create 450 full-time jobs by Sept. 30 of this year. It also states the company would create 300 jobs after the installation of its second line.

If Willard & Kelsey fails to meet the terms of that loan for any reason other than market conditions, it could owe $44,444 to the state for each job not created. That sum could well exceed $10 million.

The company has been making interest-only payments on that loan. It is not clear if the Ohio Air Quality Development Authority will defer payments or create a longer payment schedule, Department of Development spokesman Katie Sabatino wrote in an email. The company began making its payments Jan. 25, 2011, and had paid $142,191 as of March 1.

The loan agreement with the Department of Development is similarly stipulated but called for the creation of 400 jobs by March 9, which has passed. If the company failed to create those jobs for any reason other than market conditions, the interest rate on the loan increases to 10 percent.

That payment has been reduced from $109,517 to $7,673, which is interest on the loan. It is unclear how often those payments are to be made.

State officials are waiting for Willard & Kelsey's report before they make a determination on whether the company was noncompliant.

"The open communication and the better communication we have with these entities, the more likely it is we will know about the challenges they face," Mr. Hennessy said.

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