California Competes Tax Credit Program

Committee Meeting

Monday, June 18, 2018
10:30 a.m.

Department of Food and Agriculture
Auditorium
1220 N Street
Sacramento, CA 95814

And (via teleconference)
Fontana City Hall
Executive Conference Room
8353 Sierra Avenue
Fontana, CA 92335

AGENDA

OPEN SESSION

A. Call to Order and Roll Call

B. Approval of Minutes from April 12, 2018, Committee Meeting

C. Deputy Director’s Report
   • Agenda Overview – Agreements with 29 Businesses, Total Tax Credits $56,993,536

D. Discussion and Approval of California Competes Tax Credit Agreements with Businesses other than Small Businesses

   Total Recommended Tax Credits: $49,890,202
   Total Recommended Tax Credits after Adjusting for S-Corporation Law1: $50,206,869

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1 One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (R&TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&TC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (R &TC §23803(a)(2)(F)).
1. Dreamworks Animation LLC
   Industry: Motion Picture and Video Production
   Primary Location(s): Glendale
   Employee Net Increase: 306
   Investment: $60,500,000
   Amount of Tax Credit: $10,000,000
   Link to Tax Credit Agreement: http://bit.ly/dreamworksanimationllc

2. Katerra, Inc.
   Industry: Prefabricated Building Manufacturing
   Primary Location(s): Tracy, Stockton, or Manteca
   Employee Net Increase: 648
   Investment: $55,846,136
   Amount of Tax Credit: $10,000,000
   Link to Tax Credit Agreement: http://bit.ly/katerrainc

3. US Foods, Inc.
   Industry: Wholesale Food Manufacturing and Distribution
   Primary Location(s): McClellan Park
   Employee Net Increase: 216
   Investment: $71,600,000
   Amount of Tax Credit: $7,000,000
   Link to Tax Credit Agreement: http://bit.ly/usfoodsinc

4. MightyHive, Inc.
   Industry: Software Development
   Primary Location(s): San Francisco and Los Angeles
   Employee Net Increase: 162
   Investment: $1,232,250
   Amount of Tax Credit: $5,700,000
   Link to Tax Credit Agreement: http://bit.ly/mightyhive

5. Niantic, Inc.
   Industry: Mobile Device Application and Software Development
   Primary Location(s): San Francisco, Los Angeles, and Sunnyvale
   Employee Net Increase: 255
   Investment: $7,274,500
   Amount of Tax Credit: $3,000,000
   Link to Tax Credit Agreement: http://bit.ly/nianticinc
6. Argo AI LLC
   Industry: Autonomous Vehicle Software Development
   Primary Location(s): Palo Alto and Mountain View
   Employee Net Increase: 158
   Investment: $15,230,244
   Amount of Tax Credit: $2,170,202
   Link to Tax Credit Agreement: http://bit.ly/argoailc

7. Ontic Engineering and Manufacturing, Inc.
   Industry: Aerospace Component Manufacturing
   Primary Location(s): Los Angeles
   Employee Net Increase: 52
   Investment: $5,000,000
   Amount of Tax Credit: $2,000,000
   Link to Tax Credit Agreement: http://bit.ly/onticengineering

8. California Natural Products
   Industry: Nutrition and Health Food Manufacturing
   Primary Location(s): Lathrop
   Employee Net Increase: 157
   Investment: $22,027,500
   Amount of Tax Credit: $1,975,000
   Link to Tax Credit Agreement: http://bit.ly/californianatural

   Industry: Travel Trailer and Camper Manufacturing
   Primary Location(s): Lancaster
   Employee Net Increase: 104
   Investment: $9,500,000
   Amount of Tax Credit: $1,500,000
   Link to Tax Credit Agreement: http://bit.ly/lancecamper

10. Our Babylon LLC
    Industry: Cosmetics Manufacturing
    Primary Location(s): Patterson
    Employee Net Increase: 40
    Investment: $8,400,000
    Amount of Tax Credit: $1,500,000
    Link to Tax Credit Agreement: http://bit.ly/ourbabylon
## 11. Chawk Technology Intl., Inc.
- **Industry:** Plastic Component Manufacturing
- **Primary Location(s):** Hayward
- **Employee Net Increase:** 154
- **Investment:** $10,000,000
- **Amount of Tax Credit:** $1,200,000

## 12. Conduent Commercial Solutions LLC
- **Industry:** Call Center
- **Primary Location(s):** Bakersfield
- **Employee Net Increase:** 400
- **Investment:** $2,100,000
- **Amount of Tax Credit:** $1,000,000

## 13. S&E Gourmet Cuts, Inc.
- **Industry:** Food Manufacturing
- **Primary Location(s):** San Bernardino
- **Employee Net Increase:** 50
- **Investment:** $15,325,000
- **Amount of Tax Credit:** $950,000

## 14. EMD Millipore Corporation
- **Industry:** Biopharmaceutical Research and Development and Manufacturing
- **Primary Location(s):** Visalia
- **Employee Net Increase:** 26
- **Investment:** $6,040,000
- **Amount of Tax Credit:** $945,000

## 15. Integrity Bio, Inc.
- **Industry:** Biopharmaceutical Research and Development and Manufacturing
- **Primary Location(s):** Camarillo
- **Employee Net Increase:** 45
- **Investment:** $4,200,000
- **Amount of Tax Credit:** $500,000
16. Taurus Fabrication, Inc.
   Industry: Fabricated Metal Product Manufacturing
   Primary Location(s): Grass Valley
   Employee Net Increase: 16
   Investment: $3,102,390
   Amount of Tax Credit: $300,000
   Link to Tax Credit Agreement: http://bit.ly/taurusfabrication

17. P&Y T-Shirts and Silk Screening Co., Inc.
   Industry: Apparel Design and Manufacturing
   Primary Location(s): Vernon
   Employee Net Increase: 33
   Investment: $1,100,000
   Amount of Tax Credit: $150,000
   Link to Tax Credit Agreement: http://bit.ly/pandytshirts

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E. Discussion and Approval of California Competes Tax Credit Agreements with Small Businesses

Total Recommended Tax Credits: $6,655,000
Total Recommended Tax Credits after Adjusting for S-Corporation Law\(^2\): $6,786,667

1. Information Governance Solutions LLC
   Industry: Software Development
   Primary Location(s): Irvine
   Employee Net Increase: 44
   Investment: $791,800
   Amount of Tax Credit: $1,540,000
   Link to Tax Credit Agreement: http://bit.ly/informationgovernancesolutions

2. AirMap, Inc.
   Industry: Unmanned Flightplan Software Development
   Primary Location(s): Santa Monica
   Employee Net Increase: 60
   Investment: $245,000
   Amount of Tax Credit: $1,000,000
   Link to Tax Credit Agreement: http://bit.ly/airmapinc

3. Cairn Biosciences, Inc.
   Industry: Biopharmaceutical Research and Development
   Primary Location(s): San Francisco
   Employee Net Increase: 26
   Investment: $2,138,400
   Amount of Tax Credit: $900,000
   Link to Tax Credit Agreement: http://bit.ly/cairnbiosciences

4. Urban Translations, Inc.
   Industry: Software Development
   Primary Location(s): San Diego
   Employee Net Increase: 61
   Investment: $144,000
   Amount of Tax Credit: $750,000
   Link to Tax Credit Agreement: http://bit.ly/urbantranslations

\(^2\) One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (RevTax Code §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (RevTax Code §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (RevTax Code §23803(a)(2)(F)).
5. Drink, Inc.
   Industry: Beverage Distribution
   Primary Location(s): Richmond
   Employee Net Increase: 20
   Investment: $20,000,000
   Amount of Tax Credit: $700,000
   Link to Tax Credit Agreement: http://bit.ly/drinkinc

6. Ergostech Renewable Energy Solution LLC
   Industry: Hydrogen Fuel Manufacturing
   Primary Location(s): Fresno
   Employee Net Increase: 15
   Investment: $12,000,000
   Amount of Tax Credit: $525,000
   Link to Tax Credit Agreement: http://bit.ly/ergostech

7. XRSciences LLC
   Industry: Cement Analysis Equipment Manufacturing
   Primary Location(s): Carlsbad
   Employee Net Increase: 11
   Investment: $247,000
   Amount of Tax Credit: $385,000
   Link to Tax Credit Agreement: http://bit.ly/xrsciences

8. LoungeBuddy, Inc.
   Industry: Mobile Device Application and Software Development
   Primary Location(s): San Francisco
   Employee Net Increase: 10
   Investment: $1,339,000
   Amount of Tax Credit: $350,000
   Link to Tax Credit Agreement: http://bit.ly/loungebuddyinc

9. Syte Logix, Inc.
   Industry: Human Resources Software Development
   Primary Location(s): San Jose
   Employee Net Increase: 20
   Investment: $500,000
   Amount of Tax Credit: $250,000
   Link to Tax Credit Agreement: http://bit.ly/syteologix
10. Userwise, Inc.
    Industry: Medical Device Design and Testing Services
    Primary Location(s): San Jose
    Employee Net Increase: 5
    Investment: $125,000
    Amount of Tax Credit: $125,000
    Link to Tax Credit Agreement: http://bit.ly/userwise

11. Golden Eye Media USA, Inc.
    Industry: Reusable Grocery Bag Manufacturing
    Primary Location(s): Carlsbad
    Employee Net Increase: 6
    Investment: $135,000
    Amount of Tax Credit: $110,000
    Link to Tax Credit Agreement: http://bit.ly/goldeneyemedia

12. Frontier Aerospace Corporation
    Industry: Aerospace Research and Design Services
    Primary Location(s): Simi Valley
    Employee Net Increase: 5
    Investment: $185,570
    Amount of Tax Credit: $20,000
    Link to Tax Credit Agreement: http://bit.ly/frontieraerospace

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F. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

Total Tax Credits Recommended to be Recaptured: $2,465,000
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law\(^3\): $2,565,000

1. Interra Energy, Inc.
   Industry: Biofuel and Fertilizer Manufacturing
   Primary Location(s): National City
   Amount of Tax Credit Awarded: $2,000,000
   Amount of Tax Credit to be Recaptured: $2,000,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/InterraEnergy
   Reason for Agreement Termination and Credit Recapture:

   Interra Energy, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

2. El Centro Lanes, Inc.
   Industry: Bowling Alley
   Primary Location(s): El Centro
   Amount of Tax Credit Awarded: $100,000
   Amount of Tax Credit to be Recaptured: $100,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/elcentrolanes
   Reason for Agreement Termination and Credit Recapture:

   El Centro Lanes has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

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\(^3\) One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (RandTC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (RandTC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation’s shareholders (RandTC §23803(a)(2)(F)).
3. 3 Heads, Inc.
   Industry: Web Design and Marketing
   Primary Location(s): El Dorado Hills
   Amount of Tax Credit Awarded: $90,000
   Amount of Tax Credit to be Recaptured: $90,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/3HeadsInc
   Reason for Agreement Termination and Credit Recapture:

   3 Heads, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

4. KOAZ, Inc.
   Industry: Commercial Printing and Mailing Center
   Primary Location(s): National City
   Amount of Tax Credit Awarded: $70,000
   Amount of Tax Credit to be Recaptured: $70,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/KOAZInc
   Reason for Agreement Termination and Credit Recapture:

   GO-Biz has determined that KOAZ, Inc. is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and KOAZ, Inc. and recapture its CCTC.

5. Todd Sloat Biological Consulting, Inc.
   Industry: Environmental Consulting Services
   Primary Location(s): McArthur
   Amount of Tax Credit Awarded: $50,000
   Amount of Tax Credit to be Recaptured: $50,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/toddsloatbiologicalconsulting
   Reason for Agreement Termination and Credit Recapture:

   Todd Sloat Biological Consulting, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.
6. TRobertson Consulting LLC  
   Industry: Information Technology Consulting Services  
   Primary Location(s): Rancho Cordova and Cameron Park  
   Amount of Tax Credit Awarded: $50,000  
   Amount of Tax Credit to be Recaptured: $50,000  
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/trobertsonconsulting  
   Reason for Agreement Termination and Credit Recapture:  
   TRobertson Consulting has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

7. Technicon Design Corporation  
   Industry: Vehicle Interior/Exterior Design Services  
   Primary Location(s): San Juan Capistrano  
   Amount of Tax Credit Awarded: $45,000  
   Amount of Tax Credit to be Recaptured: $45,000  
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/Technicon  
   Reason for Agreement Termination and Credit Recapture:  
   Technicon Design Corporation has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

8. Peterberg Construction, Inc.  
   Industry: Construction Services  
   Primary Location(s): Los Angeles  
   Amount of Tax Credit Awarded: $40,000  
   Amount of Tax Credit to be Recaptured: $40,000  
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/PeterbergConstruction  
   Reason for Agreement Termination and Credit Recapture:  
   Peterberg Construction, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.
9. SMT, Inc.
   Industry: Translation and Interpretation Services
   Primary Location(s): Sacramento
   Amount of Tax Credit Awarded: $20,000
   Amount of Tax Credit to be Recaptured: $20,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/SMTIncorporated
   Reason for Agreement Termination and Credit Recapture:
   SMT, Inc. has indicated that it will not be carrying out its business as contemplated in its approved California Competes Tax Credit agreement and has requested the termination of its agreement to allow the credit to be made available to other California businesses.

G. Public Comment

H. Adjournment

The numerical order of items on this agenda is for convenience of reference. Items may be taken out of order upon the request of the California Competes Tax Credit Committee Chair or Committee Members. This notice and agenda can be obtained at: www.business.ca.gov/CalCompetes.aspx. For additional information regarding this notice and agenda, please contact Scott Dosick, Assistant Deputy Director, at 916-322-0676 or scott.dosick@gobiz.ca.gov. The Governor’s Office of Business and Economic Development complies with the Americans with Disabilities Act by ensuring that the facilities are accessible to persons with disabilities, and by providing this notice and agenda and related information in alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact Scott Dosick no later than five calendar days before the meeting.