



Edmund G. Brown, Jr
Governor

Panorea Avdis
Director

Cheryl Akin
Deputy Director,
California Competes
Tax Credit Program

Scott Dosick
Assistant Deputy Director,
California Competes
Tax Credit Program

Governor's Office of Business
and Economic Development
1325 J Street, 18th Floor
Sacramento, CA 95814
CalCompetes@gobiz.ca.gov
(916) 322-4051

California Competes Tax Credit Program

Committee Meeting

**Monday, November 5, 2018
10:30 a.m.**

Steinberg Conference Room
1325 J Street, 17th Floor
Sacramento, CA 95814

And (via teleconference)
Fontana City Hall

DSO DAB Conference Room
8353 Sierra Avenue
Fontana, CA 92335

And (via teleconference)
Santa Clarita City Hall
West Conference Room, Floor 3
23920 Valencia Blvd
Valencia, CA 91355

MEMBERS:

Panorea Avdis, *Chair*
Director
Governor's Office of Business
and Economic Development

John Chiang
State Treasurer

Keely Bosler, *Director*
Department of Finance

Denise Zapata, *Appointee of*
the Senate Committee on Rules

Madeline Janis, *Appointee of*
the Speaker of the Assembly

AGENDA

OPEN SESSION

A. Call to Order and Roll Call

B. Approval of Minutes from June 18, 2018, Committee Meeting

C. Deputy Director's Report

- **Agenda Overview – Agreements with 17 Businesses, Total Tax Credits \$70,000,000**

D. Discussion and Approval of California Competes Tax Credit Agreements

Total Recommended Tax Credits: \$68,216,667

Total Recommended Tax Credits after Adjusting for S-Corporation Law¹: \$70,000,000

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. Lockheed Martin Corporation
Industry: Aircraft Development and Manufacturing
Primary Location(s): Palmdale, Beale Air Force Base, Buellton, Helendale, Santa Rosa, Valencia, and Vandenberg Air Force Base
Employee Net Increase: 450
Number of Employees Retained: 2,429
Investment: \$100,000,000
Amount of Tax Credit: \$39,500,000
Link to Tax Credit Agreement: <http://bit.ly/lockheedmartincorporation>

2. Allogene Therapeutics, Inc.
Industry: Biotechnology Research and Development
Primary Location(s): South San Francisco, Alameda, Fremont, Milpitas, and Newark
Employee Net Increase: 256
Investment: \$106,000,000
Amount of Tax Credit: \$9,000,000
Link to Tax Credit Agreement: <http://bit.ly/allogenetherapeutics>

3. Foster Poultry Farms
Industry: Poultry Processing
Primary Location(s): Livingston
Employee Net Increase: 7
Number of Employees Retained: 2,039
Investment: \$67,500,000
Amount of Tax Credit: \$3,200,000
Link to Tax Credit Agreement: <http://bit.ly/fosterpoultryfarms>

4. SkySlope, Inc.
Industry: Software Development
Primary Location(s): Sacramento
Employee Net Increase: 230
Investment: \$4,777,500
Amount of Tax Credit: \$3,000,000
Link to Tax Credit Agreement: <http://bit.ly/skyslopeinc>

5. PrinterPrezz, Inc.
Industry: Medical Device Manufacturing
Primary Location(s): Fremont, Tracy, or Patterson
Employee Net Increase: 75
Investment: \$121,235,500
Amount of Tax Credit: \$2,730,867
Link to Tax Credit Agreement: <http://bit.ly/printerprezz>



6. Turner Techtronic, Inc.
Industry: Information Technology Management Services
Primary Location(s): Burbank
Employee Net Increase: 221
Investment: \$1,600,000
Amount of Tax Credit: \$2,000,000
Link to Tax Credit Agreement: <http://bit.ly/turnertechtronic>

7. Digital Map Products, Inc.
Industry: Mapping Software Development
Primary Location(s): Irvine
Employee Net Increase: 83
Investment: \$1,733,333
Amount of Tax Credit: \$1,690,000
Link to Tax Credit Agreement: <http://bit.ly/digitalmapproducts>

8. Patagonia Works
Industry: Clothing Manufacturing
Primary Location(s): Ventura
Employee Net Increase: 100
Investment: \$12,310,000
Amount of Tax Credit: \$1,480,000
Link to Tax Credit Agreement: <http://bit.ly/patagoniaworksmulti>

9. Buck Design LLC
Industry: Marketing and Advertising
Primary Location(s): Los Angeles
Employee Net Increase: 145
Investment: \$4,600,000
Amount of Tax Credit: \$1,100,000
Link to Tax Credit Agreement: <http://bit.ly/buckdesign>

10. Endless Entertainment, Inc., which will do business in California as Endless Entertainment Group, Inc.
Industry: Online Video Game and Animated Story Developer
Primary Location(s): Oakland, San Francisco, or Los Angeles
Employee Net Increase: 77
Investment: \$5,202,500
Amount of Tax Credit: \$1,060,800
Link to Tax Credit Agreement: <http://bit.ly/endlessentertainment>



11. Vivotein LLC

Industry: Animal Food Manufacturing

Primary Location(s): Los Angeles and Riverside County or San Bernardino County

Employee Net Increase: 65

Investment: \$17,378,000

Amount of Tax Credit: \$1,000,000

Link to Tax Credit Agreement: <http://bit.ly/vivotein>

12. KiwiCo, Inc.

Industry: Child Learning Product Manufacturing

Primary Location(s): Mountain View and Lathrop

Employee Net Increase: 107

Investment: \$4,307,583

Amount of Tax Credit: \$825,000

Link to Tax Credit Agreement: <http://bit.ly/kiwicoincorporated>

13. Upwork, Inc.

Industry: Software Development

Primary Location(s): Bay Area

Employee Net Increase: 91

Investment: \$3,950,000

Amount of Tax Credit: \$800,000

Link to Tax Credit Agreement: <http://bit.ly/upworkinc>

14. Nexstar Plastics Corporation

Industry: Plastic Recycling

Primary Location(s): Stockton

Employee Net Increase: 93

Investment: \$11,456,000

Amount of Tax Credit: \$350,000

Link to Tax Credit Agreement: <http://bit.ly/nexstarplastics>

15. Nutriag USA Ltd.

Industry: Fertilizer Manufacturing

Primary Location(s): Biola

Employee Net Increase: 7

Investment: \$1,625,000

Amount of Tax Credit: \$180,000

Link to Tax Credit Agreement: <http://bit.ly/nutriagusa>



16. Infratech LLC

Industry: Heating Equipment Manufacturing

Primary Location(s): Gardena

Employee Net Increase: 20

Investment: \$4,300,000

Amount of Tax Credit: \$150,000

Link to Tax Credit Agreement: <http://bit.ly/infratechllc>

17. Lamvin, Inc.

Industry: Acoustical Products Manufacturing

Primary Location(s): Oceanside

Employee Net Increase: 4

Investment: \$140,000

Amount of Tax Credit: \$150,000

Link to Tax Credit Agreement: <http://bit.ly/lamvin>

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

Total Tax Credits Recommended to be Recaptured:	\$10,930,500
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law²:	\$11,323,167

1. Pabst Brewing Company LLC

Industry: Breweries

Primary Location(s): Northern or Central California

Amount of Tax Credit Awarded: \$3,047,500

Amount of Tax Credit to be Recaptured: \$3,047,500

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/pabstbrewing>

Reason for Agreement Termination and Credit Recapture:

Pabst Brewing Company LLC 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. Samsung Research America, Inc. (formerly known as Samsung Information Systems America, Inc.)

Industry: Electronic Device Research and Development

Primary Location(s): Mountain View

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/1o6pfQ2>

Reason for Agreement Termination and Credit Recapture:

Samsung Research America, 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 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. Diyotta, Inc.

Industry: Software Development

Primary Location(s): Unknown

Amount of Tax Credit Awarded: \$1,000,000

Amount of Tax Credit to be Recaptured: \$1,000,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/diyotta>

Reason for Agreement Termination and Credit Recapture:

Diyotta, 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. T2e Energy Holdings LLC

Industry: Organic Chemical Manufacturer

Primary Location(s): Vista

Amount of Tax Credit Awarded: \$1,000,000

Amount of Tax Credit to be Recaptured: \$1,000,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/T2eEnergy>

Reason for Agreement Termination and Credit Recapture:

T2e Energy Holdings LLC 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.

5. Viacom International, Inc.

Industry: Motion Picture and Video Production

Primary Location(s): Burbank and Los Angeles

Amount of Tax Credit Awarded: \$1,000,000

Amount of Tax Credit to be Recaptured: \$1,000,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/ViacomInternational>

Reason for Agreement Termination and Credit Recapture:

Viacom International, 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. Chamness Biodegradeables LLC

Industry: Food and Beverage Packaging Design and Manufacturing

Primary Location(s): Camarillo

Amount of Tax Credit Awarded: \$750,000

Amount of Tax Credit to be Recaptured: \$750,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/ChamnessBiodegradables>

Reason for Agreement Termination and Credit Recapture:

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

7. Split Decision Holding Company LLC

Industry: Custom Computer Programming and Background Check Services

Primary Location(s): San Jose and San Diego

Amount of Tax Credit Awarded: \$725,000

Amount of Tax Credit to be Recaptured: \$725,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/SplitDecisionHoldingCo>

Reason for Agreement Termination and Credit Recapture:

GO-Biz has determined that Split Decision Holding Company LLC is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and Split Decision Holding Company LLC and recapture its CCTC.

8. Remark Enterprises LLC

Industry: Cryotherapy Services

Primary Location(s): Davis

Amount of Tax Credit Awarded: \$400,000

Amount of Tax Credit to be Recaptured: \$400,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/remarkenterprises>

Reason for Agreement Termination and Credit Recapture:

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



9. Foro Energy, Inc.

Industry: Oil and Gas Field Machinery and Equipment Manufacturing

Primary Location(s): Bakersfield

Amount of Tax Credit Awarded: \$240,000

Amount of Tax Credit to be Recaptured: \$240,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/ForoEnergy>

Reason for Agreement Termination and Credit Recapture:

Foro 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.

10. Sirens Java & Tea LLC

Industry: Coffee, Tea, and Baked Goods Cafe

Primary Location(s): San Pedro and Long Beach

Amount of Tax Credit Awarded: \$200,000

Amount of Tax Credit to be Recaptured: \$200,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/sirensjavaandtea>

Reason for Agreement Termination and Credit Recapture:

GO-Biz has determined that Sirens Java & Tea LLC is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and Sirens Java & Tea LLC and recapture its CCTC.

11. Plan Tierra LLC

Industry: Environmental Consulting Services

Primary Location(s): Davis

Amount of Tax Credit Awarded: \$150,000

Amount of Tax Credit to be Recaptured: \$150,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/plantierra>

Reason for Agreement Termination and Credit Recapture:

Plan Tierra LLC 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.



12. EW Corporation Industrial Fabricators

Industry: Fabricated Metal Product Manufacturing

Primary Location(s): El Centro

Amount of Tax Credit Awarded: \$115,000

Amount of Tax Credit to be Recaptured: \$115,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/ewcorporation>

Reason for Agreement Termination and Credit Recapture:

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

13. SMB Industries, Inc.

Industry: Steel Fabrication and Product Manufacturer

Primary Location(s): Oroville

Amount of Tax Credit Awarded: \$80,000

Amount of Tax Credit to be Recaptured: \$80,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/SMBIndustries>

Reason for Agreement Termination and Credit Recapture:

SMB Industries, 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.

14. Design Swagg, Inc.

Industry: Apparel and Accessory Manufacturing and Distribution

Primary Location(s): San Diego

Amount of Tax Credit Awarded: \$72,000

Amount of Tax Credit to be Recaptured: \$72,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/designswagg>

Reason for Agreement Termination and Credit Recapture:

Design Swagg, 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.



15. David S. Filippi, M.D., Inc., A Medical Corporation

Industry: Biotechnology Research and Development

Primary Location(s): Pismo Beach

Amount of Tax Credit Awarded: \$66,000

Amount of Tax Credit to be Recaptured: \$66,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/DavidSFilippi>

Reason for Agreement Termination and Credit Recapture:

GO-Biz has determined that David S. Filippi, M.D., Inc., A Medical Corporation, is in material breach of the Agreement. Accordingly, GO-Biz recommends that the CCTC Committee terminate the Agreement between GO-Biz and David S. Filippi, M.D., Inc., A Medical Corporation, and recapture its CCTC.

16. Physiologic Instruments, Inc.

Industry: Medical Instrument Manufacturing

Primary Location(s): San Diego

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/physiologicinstruments>

Reason for Agreement Termination and Credit Recapture:

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

17. BNI Central Valley LLC

Industry: Business Networking

Primary Location(s): Sacramento

Amount of Tax Credit Awarded: \$35,000

Amount of Tax Credit to be Recaptured: \$35,000

Link to Tax Credit Agreement to be Terminated: <http://bit.ly/BNICentralValley>

Reason for Agreement Termination and Credit Recapture:

BNI Central Valley LLC 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.



F. Public Comment

G. 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.