California Competes Tax Credit Program

Committee Meeting

Thursday, April 11, 2019
1:30 p.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 November 5, 2018, Committee Meeting

C. Deputy Director’s Report
   • Agenda Overview – Agreements with 35 Businesses, Total Tax Credits $70,112,152

D. Discussion and Approval of California Competes Tax Credit Agreements
   Total Recommended Tax Credits: $68,162,771
   Total Recommended Tax Credits after Adjusting for S-Corporation Law1: $70,112,152

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&T C §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&T C §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 &T C §23803(a)(2)(F)).
1. Brex, Inc.
   Industry: Financial Services
   Primary Location(s): San Francisco
   Employee Net Increase: 782
   Investment: $20,147,900
   Amount of Tax Credit: $10,000,000
   Link to Tax Credit Agreement: http://bit.ly/brexinc

2. California Ethanol & Power LLC
   Industry: Ethanol / Biofuel Manufacturing
   Primary Location(s): Brawley
   Employee Net Increase: 692
   Investment: $589,330,000
   Amount of Tax Credit: $10,000,000
   Link to Tax Credit Agreement: http://bit.ly/caethanolandpower

3. Cubic Corporation
   Industry: Transportation and Communication Technology and Software Development
   Primary Location(s): San Diego
   Employee Net Increase: 300
   Investment: $113,765,000
   Amount of Tax Credit: $8,500,000
   Link to Tax Credit Agreement: http://bit.ly/cubiccorp

   Industry: Online Genealogy and DNA Services
   Primary Location(s): San Francisco
   Employee Net Increase: 281
   Investment: $3,000,000
   Amount of Tax Credit: $5,000,000
   Link to Tax Credit Agreement: http://bit.ly/ancestrydotcomsecondagreement

5. SAFC Carlsbad, Inc.
   Industry: Biopharmaceutical Research and Development and Manufacturing
   Primary Location(s): Carlsbad
   Employee Net Increase: 116
   Investment: $91,040,001
   Amount of Tax Credit: $4,000,000
   Link to Tax Credit Agreement: http://bit.ly/safccarlsbad
6. Uniformity Labs, Inc.
   Industry: 3D Printing Materials Manufacturing
   Primary Location(s): Fremont, Hayward, and Unknown
   Employee Net Increase: 138
   Investment: $47,132,000
   Amount of Tax Credit: $4,000,000
   Link to Tax Credit Agreement: http://bit.ly/uniformitylabs

7. Avexis, Inc.
   Industry: Biotechnology Research and Development
   Primary Location(s): San Diego
   Employee Net Increase: 121
   Investment: $30,000,000
   Amount of Tax Credit: $3,000,000
   Link to Tax Credit Agreement: http://bit.ly/avexisinc

8. Glaukos Corporation
   Industry: Medical Device Manufacturing
   Primary Location(s): Aliso Viejo and San Clemente
   Employee Net Increase: 191
   Investment: $40,500,000
   Amount of Tax Credit: $3,000,000
   Link to Tax Credit Agreement: http://bit.ly/glaukoscorp

   Industry: Software Development and Management Consulting Services
   Primary Location(s): Concord and Encino
   Employee Net Increase: 210
   Investment: $19,079,000
   Amount of Tax Credit: $2,750,000
   Link to Tax Credit Agreement: http://bit.ly/assetmarkfinancial

10. ePac Los Angeles LLC
    Industry: Food and Beverage Packaging Design and Manufacturing
    Primary Location(s): Riverside or Chino
    Employee Net Increase: 73
    Investment: $6,580,000
    Amount of Tax Credit: $2,300,000
    Link to Tax Credit Agreement: http://bit.ly/epacla
11. Bitchin, Inc.
   Industry: Food Manufacturing
   Primary Location(s): Carlsbad and Unknown
   Employee Net Increase: 76
   Investment: $372,000
   Amount of Tax Credit: $1,750,000
   Link to Tax Credit Agreement: http://bit.ly/bitchininc

12. Sovereign Lending Group Incorporated
   Industry: Consumer Lending
   Primary Location(s): Costa Mesa
   Employee Net Increase: 474
   Investment: $1,355,000
   Amount of Tax Credit: $1,737,143
   Link to Tax Credit Agreement: http://bit.ly/sovereignlending

13. Meals for All, Inc.
   Industry: Emergency Nutrition Program Services
   Primary Location(s): Sacramento County
   Employee Net Increase: 32
   Investment: $574,000
   Amount of Tax Credit: $1,000,000
   Link to Tax Credit Agreement: http://bit.ly/mealsforall

14. Sovena USA, Inc.
   Industry: Food Manufacturing
   Primary Location(s): Modesto
   Employee Net Increase: 27
   Investment: $16,900,000
   Amount of Tax Credit: $1,000,000
   Link to Tax Credit Agreement: http://bit.ly/sovenausainc

15. Eddy Pump Corporation
   Industry: Construction Equipment Manufacturing
   Primary Location(s): El Cajon
   Employee Net Increase: 30
   Investment: $8,525,000
   Amount of Tax Credit: $900,000
   Link to Tax Credit Agreement: http://bit.ly/eddypump
16. Graham Packaging PET Technologies, Inc.
   Industry: Plastic Container Manufacturing
   Primary Location(s): Modesto
   Employee Net Increase: 24
   Investment: $9,281,211
   Amount of Tax Credit: $830,000
   Link to Tax Credit Agreement: http://bit.ly/grahampackaging

17. Star Manu LLC
   Industry: Cosmetics Manufacturing
   Primary Location(s): Riverside, San Bernardino, or San Diego county
   Employee Net Increase: 93
   Investment: $2,720,000
   Amount of Tax Credit: $830,000
   Link to Tax Credit Agreement: http://bit.ly/starmanu

18. QC Manufacturing, Inc.
   Industry: Whole House Fan Manufacturing
   Primary Location(s): Temecula
   Employee Net Increase: 100
   Investment: $1,385,968
   Amount of Tax Credit: $750,000
   Link to Tax Credit Agreement: http://bit.ly/qcmanufacturing

   Industry: Metal Products Manufacturing
   Primary Location(s): Modesto
   Employee Net Increase: 35
   Investment: $17,100,000
   Amount of Tax Credit: $725,000
   Link to Tax Credit Agreement: http://bit.ly/kingspaninsulatedpanels

20. Lumitron Holdings, Inc.
   Industry: Medical Device Manufacturing
   Primary Location(s): Irvine
   Employee Net Increase: 37
   Investment: $6,700,000
   Amount of Tax Credit: $700,000
   Link to Tax Credit Agreement: http://bit.ly/lumitron
   Industry: Food Manufacturing
   Primary Location(s): Elk Grove and San Leandro
   Employee Net Increase: 33
   Investment: $26,942,561
   Amount of Tax Credit: $675,000
   Link to Tax Credit Agreement: http://bit.ly/berberfood

22. Sphere Alliance, Inc.
   Industry: Aerospace Component Manufacturing
   Primary Location(s): Riverside or Banning
   Employee Net Increase: 73
   Investment: $4,520,000
   Amount of Tax Credit: $600,000
   Link to Tax Credit Agreement: http://bit.ly/spherealliance

23. Monarch Green, Inc.
   Industry: Liquid Containment Products Manufacturing
   Primary Location(s): Santa Ana and Unknown
   Employee Net Increase: 35
   Investment: $5,065,000
   Amount of Tax Credit: $589,628
   Link to Tax Credit Agreement: http://bit.ly/monarchgreen

24. Rastaclat LLC
   Industry: Jewelry Manufacturing
   Primary Location(s): Lakewood
   Employee Net Increase: 25
   Investment: $300,000
   Amount of Tax Credit: $525,000
   Link to Tax Credit Agreement: http://bit.ly/rastaclatllc

25. Cloacina LLC
   Industry: Wastewater Treatment Equipment Manufacturing
   Primary Location(s): Arroyo Grande
   Employee Net Increase: 20
   Investment: $230,950
   Amount of Tax Credit: $500,000
   Link to Tax Credit Agreement: http://bit.ly/cloacinallc
26. Lynx Grills, Inc.
   Industry: Barbecue Grill Manufacturing
   Primary Location(s): Downey
   Employee Net Increase: 46
   Investment: $900,000
   Amount of Tax Credit: $500,000

27. Clerprem USA Corp.
   Industry: Vehicle Seat Manufacturing
   Primary Location(s): Sacramento
   Employee Net Increase: 18
   Investment: $380,000
   Amount of Tax Credit: $380,000

28. Universal Meditech, Inc.
   Industry: Medical Device Manufacturing
   Primary Location(s): Fresno
   Employee Net Increase: 15
   Investment: $90,000
   Amount of Tax Credit: $360,000

29. Do It American Mfg Company LLC
   Industry: Metal Products Manufacturing
   Primary Location(s): Corona
   Employee Net Increase: 31
   Investment: $1,600,000
   Amount of Tax Credit: $300,000

30. WFO Concepts
   Industry: Automotive Parts Manufacturing
   Primary Location(s): Grass Valley and Auburn
   Employee Net Increase: 19
   Investment: $2,593,905
   Amount of Tax Credit: $300,000
31. United Pacific Industries, Inc.
   Industry: Online Automotive Parts Merchant
   Primary Location(s): Long Beach
   Employee Net Increase: 23
   Investment: $3,650,000
   Amount of Tax Credit: $230,000
   Link to Tax Credit Agreement: http://bit.ly/unitedpacificindustries

32. The Broken Token LLC
   Industry: Board Game Accessories Manufacturing
   Primary Location(s): Escondido
   Employee Net Increase: 14
   Investment: $350,000
   Amount of Tax Credit: $150,000
   Link to Tax Credit Agreement: http://bit.ly/thebrokentoken

33. Sidus Solutions LLC
   Industry: Camera Manufacturing
   Primary Location(s): San Diego
   Employee Net Increase: 17
   Investment: $420,000
   Amount of Tax Credit: $125,000
   Link to Tax Credit Agreement: http://bit.ly/sidussolutions

34. Waddle & Friends, Inc.
   Industry: Online Retail Warehouse and Distribution
   Primary Location(s): Sacramento County
   Employee Net Increase: 15
   Investment: $1,850,000
   Amount of Tax Credit: $100,000
   Link to Tax Credit Agreement: http://bit.ly/waddleandfriends

35. Mule, Inc.
   Industry: Accessories Manufacturing
   Primary Location(s): National City or San Diego County
   Employee Net Increase: 5
   Investment: $60,000
   Amount of Tax Credit: $56,000
   Link to Tax Credit Agreement: http://bit.ly/muleinc
E. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

Total Tax Credits Recommended to be Recaptured: $4,535,000
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law\(^2\): $4,716,667

1. CE&P Imperial Valley 1 LLC
   Industry: Ethanol / Biofuel Manufacturing
   Primary Location(s): Brawley
   Amount of tax Credit Awarded: $3,100,000
   Amount of Tax Credit Recaptured: $3,100,000
   Reason for Agreement Termination and Credit Recapture:
   CE&P Imperial Valley 1 LLC's California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

2. Zacky & Sons Poultry LLC
   Industry: Poultry Processing
   Primary Location(s): Stockton and Corcoran
   Amount of tax Credit Awarded: $800,000
   Amount of Tax Credit Recaptured: $800,000
   Reason for Agreement Termination and Credit Recapture:
   Zacky & Sons Poultry 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.

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\(^2\) 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 (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)).
3. Omni Consulting Solutions LLC
   Industry: Military, Defense, and Aerospace Consulting
   Primary Location(s): El Segundo
   Amount of tax Credit Awarded: $500,000
   Amount of Tax Credit Recaptured: $150,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/omniconsulting
   Reason for Agreement Termination and Credit Recapture:

   Omni Consulting Solutions LLC's California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

4. East Bay Ophthalmology, Inc.
   Industry: Ophthalmologic Surgery and Related Services
   Primary Location(s): Pinole
   Amount of tax Credit Awarded: $400,000
   Amount of Tax Credit Recaptured: $240,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/eastbayophthalmology
   Reason for Agreement Termination and Credit Recapture:

   East Bay Ophthalmology, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

5. Kurios, Inc.
   Industry: Solar Power Installation and Repair Services
   Primary Location(s): Manteca
   Amount of tax Credit Awarded: $100,000
   Amount of Tax Credit Recaptured: $15,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/kuriosinc
   Reason for Agreement Termination and Credit Recapture:

   Kurios, Inc.'s California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.
6. Royal Summit, Inc.
   Industry: Metal Box Manufacturing
   Primary Location(s): Modesto
   Amount of tax Credit Awarded: $90,000
   Amount of Tax Credit Recaptured: $90,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/royalsummit
   Reason for Agreement Termination and Credit Recapture:

   Royal Summit, 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.

7. Development Group, Inc.
   Industry: Computer Systems Management and Design Services
   Primary Location(s): Redding
   Amount of tax Credit Awarded: $80,000
   Amount of Tax Credit Recaptured: $50,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/developmentgroup

   Reason for Agreement Termination and Credit Recapture:

   Development Group, Inc.’s California Competes Tax Credit Agreement expired at the end of its 2018 tax year which was the final year to achieve the milestones and claim any corresponding credit. Any credit not earned by the completion of the agreement must be recaptured in order to be made available to other California businesses.

8. Superior Computer Products LLC
   Industry: Computer and Printer Distribution
   Primary Location(s): Simi Valley
   Amount of tax Credit Awarded: $50,000
   Amount of Tax Credit Recaptured: $50,000
   Link to Tax Credit Agreement to be Terminated: http://bit.ly/SuperiorComputerProducts

   Reason for Agreement Termination and Credit Recapture:

   Superior Computer Products 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.
   Industry: Construction Services
   Primary Location(s): Truckee
   Amount of tax Credit Awarded: $40,000
   Amount of Tax Credit Recaptured: $40,000
   Reason for Agreement Termination and Credit Recapture:

   Fine 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.
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.