

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

*Request to Approve a Time Extension for the
Initial Term of the Regulatory Agreement¹*

**Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC
Application No. 21-SM025**

Tuesday, February 20, 2024

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant – Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC

Location – Rancho Santa Margarita, Orange County

Industry – Medical Device Manufacturing

Project – Expansion of Existing Medical Device Manufacturing Facility

Total Amount Qualified Property Approved– \$150,547,889

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$12,796,571

Amount of Time Requested –

- Requesting a one (1)-year extension, until March 16, 2025, for the Initial Term of the Regulatory Agreement (a total of four (4) years from the date of initial CAEATFA Board approval of March 16, 2021)

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

REQUEST

On March 16, 2021, the CAEATFA Board approved a Sales and Use Tax Exclusion (“STE”) award for Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC (the “Applicant”) for the purchase of up to \$150,547,889 in Qualified Property to expand and upgrade its existing medical device manufacturing facility located in Rancho Santa Margarita (the “Project”). The Regulatory Agreement (“Agreement”) initial term provided the Applicant with three (3) years from the date of CAEATFA Board approval to utilize its STE award.³

As of November 2023, the Applicant has used the STE award to purchase approximately \$125,832,000 of Qualified Property (83% of the total Qualified Property approved) and began production in 2021. The Applicant is requesting to extend the Agreement initial term by one (1) year to accommodate supply delays caused by the global health pandemic.

According to the Applicant, Applied Medical Resources Corporation (“AMR”) will not be able to utilize their STE award by the initial deadline due to delays in the supply chain for goods and services caused by the global health pandemic. The pandemic had caused a force majeure condition beyond AMR’s control and impacted the Applicant’s project schedule. The Applicant states they have been in contact with their vendors and have projected a new 12-month purchasing schedule. From the information received from their suppliers, the Applicant is confident that the new timeline will be met within the new term.

The CAEATFA Board can extend the initial term of the Agreement upon a finding that an extension is in the public interest and advances the purposes of the STE Program.⁴

THE APPLICANT

Applied Medical Resources Corporation (the “Applicant”) is a California corporation that formed in 1987 and is a wholly owned subsidiary of Applied Medical Corporation. Applied Manufacturing, LLC (also the “Applicant”) is a wholly owned subsidiary of Applied Medical Resources Corporation. The Applicant is a medical device company headquartered in Santa Rancho Margarita that specializes in advanced medical research and development, clinical testing, manufacturing, sales, distribution, servicing, and education. The Applicant states its surgical tools are used for minimally invasive and general surgeries, as well as specialized treatments related to cardiology, urology, bariatrics, obstetrics, gynecology, and vascular and colorectal conditions. To date, the Applicant serves more than 75 countries worldwide.

³ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

⁴ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(B)

The major shareholders (10.0% or greater) of Applied Medical Corporation are:
AMC Family Holdings A, LLC

The corporate officers of the Applicant are:

- Said Hilal, President & Chief Executive Officer
- Samir Tall, Chief Financial Officer
- Nabil Hilal, Group President, Strategic Infrastructures
- Gary Johnson, Group President, Advanced Energy
- Ted Stanley, Group President, Field Implementation
- Jeremy Albrecht, Group President
- Zoran Falkenstein, Group President
- Dima Hilal, Group President
- Serene Wachli, Group President
- Tom Wachli, Group President
- Hany Louis, Chief Accounting Officer

The major shareholders (10.0% or greater) of Applied Manufacturing, LLC are:
Applied Manufacturing, LLC is a wholly owned subsidiary of Applied Medical Resources Corporation.
Applied Medical Resources Corporation is a wholly owned subsidiary of Applied Medical Corporation.

The corporate officers of the Applicant are:

- Tom Wachli, President of Applied Manufacturing, LLC
- Applied Medical Resources Corporation, Manager of Applied Manufacturing, LLC

THE PROJECT

Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC requested an STE award to expand and upgrade its existing medical device manufacturing facility located in Rancho Santa Margarita (the “Project”). The Applicant states its vertically integrated business allows mass production to occur in-house, which helps to control costs, better manage supply lines, and improve quality control, availability, and compliance. The Applicant explains other production advancements include the use of additive manufacturing and advanced materials, such as gel technologies, thermoplastics, and thermosets. Additionally, the Applicant states the Project will utilize tools and methods to manufacture complex product components made of metals, plastics, or ceramic, such as computer numerical control machinery, electrical discharge, precision design, and metal stamping machineries, to perform detailed machining actions down to 0.000001 of an inch.

The Applicant states it has adopted an environmental sustainability plan to help the Project reduce energy, water, and material consumption. For example, the Project is anticipated to save energy through the use of solar panels and improved cogeneration, and combined heat and power systems. Additionally, the Applicant states the Project will reduce the amount of material waste generated due to the use of resource-efficient machinery, such as new injection molding machines.

AGREEMENT INITIAL TERM EXTENSION REQUEST

The Applicant has requested that the initial term of the Agreement be extended from March 16, 2024, to March 16, 2025, due to supply delays caused by the global health pandemic.

Staff Evaluation

Staff has reviewed the Applicant’s extension request and has considered the global health pandemic is an unforeseen event that has caused an impact worldwide. According to the Applicant, the pandemic has caused a delay in equipment deliveries and has delayed the Project’s timelines. The Applicant states it had contacted their vendors and established a new purchasing timeline. Therefore, the Applicant is confident the obstacles have been overcome, and the purchasing deadlines will be met this time. The Applicant also stated there are no new investors and the scope of the project has not changed.

Based on this information, Staff believes extending the initial term of the Agreement will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the STE Program.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁵ the Applicant has paid an additional fee of \$2,000 because extending the initial term qualifies as a modification to the Applicant’s Agreement.

RECOMMENDATION

Staff recommends that the Board approve the Applicant’s request to extend the initial term of the Agreement by one (1) year to March 16, 2025, as it is in the public interest and advances the purposes of the STE Program.

⁵ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(B)

Attachments

Attachment A: Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC’s letter requesting waiver (November 15, 2023)

Attachment B: Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC’s staff summary at the time of approval

**RESOLUTION APPROVING A TIME EXTENSION FOR
APPLIED MEDICAL RESOURCES CORPORATION AND ITS SUBSIDIARY,
APPLIED MANUFACTURING, LLC’S INITIAL TERM FOR
THE REGULATORY AGREEMENT**

February 20, 2024

WHEREAS, on March 16, 2021, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved a Sales Tax Exclusion (“STE”) in the amount of \$150,547,889 of Qualified Property for **Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC** (the “Applicant”); and

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program regulations Section 10035(b)(1)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three (3) years by March 16, 2024, due to unexpected delays in the Project timeline, extending the term by one (1) year to March 16, 2025; and

WHEREAS, granting the waiver will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Authority finds that it is in the public interest and advances the purposes of the Program to extend the Applicant’s initial term of the Regulatory Agreement to March 16, 2025.

Section 2. This resolution shall take effect immediately upon its passage.

Attachment A: Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC’s Letter Requesting Waiver (November 15, 2023)



November 15, 2023

Ms. Claudia Quezada
Executive Director, California Alternative Energy and Advanced Transportation Financing
Authority (CAEATFA)
901 P Street
Sacramento, CA 95814

Re: Regulatory Agreement Extension Request

Dear Ms. Quezada,

Applied Medical Resources Corporation (AMR) is a medical device manufacturer headquartered in Rancho Santa Margarita, California. AMR hereby requests consideration by CAEATFA’s Board for a 12-month extension to its regulatory agreement to complete the remainder of its scheduled purchases of Qualified Property for the project for the following reasons:

- AMR expects that it will not meet the initial term deadline because of delays in the supply chain for goods and services caused by the global health pandemic. This created a force majeure condition beyond AMR’s control that impacted the initial term deadline.
- We assure the Board that the new timeline will be met because the global market conditions that previously impacted the project schedule have improved.
- The Amount of Qualified Property we have purchased to date is \$125,832,024. This extension is needed to commission qualified equipment purchases that have yet to be placed into service.
- The scope of our project has not changed.

Sincerely,

Zoran Falkenstein
Group President



December 21, 2023

Ms. Jeannie Yu
Analyst, California Alternative Energy and Advanced Transportation Financing Authority
901 P Street
Sacramento, CA 95814

Re: Response to staff questions about our extension request letter

Dear Ms. Yu,

The following letter is provided in response to your e-mail dated, December 20, 2023, which is attached here for reference.

Q.1.a. How did the company come up with the requested amount of time (12 month)?

Q.1.b. Is this based on past purchasing history or investor timelines?

A.1.a. During the pandemic and resulting supply chain issues, we were informed by our suppliers of delivery delays and amended our Project schedule accordingly. We have been in contact with our vendors and have prepared a projection of our spending that anticipates a 12-month duration could be sufficient to complete the anticipated purchases of Qualified Property for the Project. We acknowledge that Program Regulation §10035(a)(2) provides that if an Applicant is granted an extension, that the term shall be extended for an equal amount of time.

A.1.b. Our basis was established considering our purchasing history, not investor timelines.

Q.2. Is there an updated purchasing timeline?

A.2. Yes. We released purchases that were put on hold and updated time schedules for the Project.

Q.3. Are there any new investors?

A.3. No.

Q.4.a. What assurances are there that the new timeline will be met?

Q.4.b. The company mentioned the global economy have improved, but have the obstacles been overcome?

Q.4.c. Have the company started purchasing yet?

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Ms. Jeannie Yu
December 21, 2023
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A.4.a. The company cannot foresee the future, however, information received from our suppliers supports that the new timeline will be met within the new term.

A.4.b. Yes. It appears that the driving forces (e.g., the global pandemic) which contributed significantly to our suppliers' delays have been mitigated. For some purchases, alternate vendors were procured.

A.4.c. Yes. We continue to make purchases, receive, and install Qualified Property to benefit the Project.

Sincerely,



Zoran Falkenstein
Group President

Attachments

CAEATFA Staff E-mail dated December 20, 2023.

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Malin, Jeff

From: Yu, Jeannie <Jeannie.Yu@treasurer.ca.gov>
Sent: Wednesday, December 20, 2023 11:34 AM
To: Malin, Jeff
Cc: Seraj, Fazlia; Falkenstein, Zoran
Subject: RE: Extension Request: Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC (21-SM025)

Hi Jeff,

I have reviewed the company's extension request and have the following questions for the company:

1. How did the company come up with the requested amount of time (12 month)? Is this based on past purchasing history or investor timelines?
2. Is there an updated purchasing timeline?
3. Are there any new investors?
4. What assurances are there that the new timeline will be met? The company mentioned the global economy have improved, but have the obstacles been overcome? Have the company started purchasing yet?

Please provide an updated Extension Letter with the above responses by 12/26/2023. Program regulations generally require a response within three (3) business days. Let me know if this deadline may be an issue, or if you have any questions.

Best,

 Jeannie Yu
Analyst
California Alternative Energy and Advanced
Transportation Financing Authority ([CAEATFA](#))
(916) 651-5103
Connect with CAEATFA:
  
[Subscribe to Treasurer Ma's Monthly Newsletter](#)

Attachment B: Applied Medical Resources Corporation and its subsidiary, Applied Manufacturing, LLC’s Staff Summary at the Time of Approval

The original award staff summary can be found [on the CAEATFA website](#).

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Application No. 21-SM025**

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Applied Medical Resources Corporation
Application No. 21-SM025**

Tuesday, March 16, 2021

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Applied Medical Resources Corporation

Location – Rancho Santa Margarita, Orange County

Industry – Medical Device Manufacturing

Project – Expansion of Existing Medical Device Manufacturing Facility
(Advanced Manufacturing)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$150,547,889	\$12,796,571 ³

Estimated Net Benefit ⁴	Dollar Value	Points Earned ⁵
Estimated Fiscal Benefits	\$29,076,792	2,272
Estimated Environmental Benefits	N/A	85
Additional Benefits	N/A	180
Total	\$29,076,792	2,537
Estimated Quantifiable Net Benefit	\$16,280,222	

Competitive Criteria Score – 90

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.
² This amount is calculated based on the average statewide sales tax rate of 8.5%.
³ At the first Board meeting of the calendar year, \$15 million in STE is available for Applicants wishing to exceed the \$10 million in STE cap (California Code of Regulations Title 4, Division 13, Section 10032(a)(5)(B)).
⁴ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)
⁵ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

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THE APPLICANT

Applied Medical Resources Corporation (the “Applicant”) is a California corporation that formed in 1987 and is a wholly-owned subsidiary of Applied Medical Corporation. The Applicant is a medical device company headquartered in Santa Rancho Margarita that specializes in advanced medical research and development, clinical testing, manufacturing, sales, distribution, servicing, and education. The Applicant states its surgical tools have been used for minimally invasive and general surgeries, as well as specialized treatments related to cardiology, urology, bariatrics, obstetrics, gynecology, and vascular and colorectal conditions. To date, the Applicant serves more than 75 countries worldwide.

The major shareholders (10.0% or greater) of Applied Medical Corporation are:
AMC Family Holdings A, LLC

The corporate officers of the Applicant are:

Said Hilal, President & Chief Executive Officer
Samir Tall, Chief Financial Officer
Nabil Hilal, Group President, Strategic Infrastructures
Gary Johnson, Group President, Advanced Energy
Ted Stanley, Group President, Field Implementation
Jeremy Albrecht, Group President
Zoran Falkenstein, Group President
Dima Hilal, Group President
Serene Wachli, Group President
Tom Wachli, Group President
Hany Louis, Chief Accounting Officer

THE PROJECT

Applied Medical Resources Corporation is requesting an STE award to expand and upgrade its existing medical device manufacturing facility located in Rancho Santa Margarita (the “Project”). The Applicant states its vertically integrated business allows mass production to occur in-house, which helps to control costs, better manage supply lines, and improve quality control, availability, and compliance. The Applicant explains other production advancements include the use of additive manufacturing and advanced materials, such as gel technologies, thermoplastics, and thermosets. Additionally, the Applicant states the Project will utilize tools and methods to manufacture complex product components made of metals, plastics, or ceramic, such as computer numerical control machinery, electrical discharge, precision design, and metal stamping machineries, to perform detailed machining actions down to 0.000001 of an inch.

The Applicant states it has adopted an environmental sustainability plan to help the Project reduce energy, water, and material consumption. For example, the Project is anticipated to save

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energy through the use of solar panels and improved cogeneration and combined heat and power systems. Additionally, the Applicant states the Project will reduce the amount of material waste generated due to the use of resource-efficient machinery, such as new injection molding machines.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Building Improvements	\$33,450,000
Cogeneration and Energy Storage System	\$73,976,224
IT and Network Equipment	\$10,218,665
Production Equipment	\$14,308,000
Production Machines	\$11,125,000
Production Presses and Printers	\$5,970,000
Sterilization Equipment	\$1,500,000
Total	<u>\$150,547,889</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

The Applicant anticipates the Project construction will begin in Quarter 1 of 2021, with a place-in-service date of Quarter 2 of 2021.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, building permits have been secured as of Quarter 2 of 2020. The Applicant states there are no outstanding permits needed for the Project; however, additional permits may be necessary as Qualified Property purchases continue.

COMPETITIVE CRITERIA SCORE

For Applicants wishing to exceed the \$10 million in STE cap, \$15 million in STE will be available to award to Applicants in addition to the \$10 million in STE cap at the first Board

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meeting of the calendar year. The Applications will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria.

The Applicant received 90 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Applicant’s Project did not earn any environmental benefits points, as calculated pursuant to the method for calculating points for environmental benefits for Advanced Transportation, Alternative Source, and Recycled Resource Extraction Applications in Section 10033(c)(4). Therefore, no points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant’s Project is located in Orange County, which has an average annual unemployment rate of 7.5%.⁶ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant zero points.
3. **Job Creation (75 of 75 points)**. The Applicant anticipates the Project will support a total of 5,108 production-related jobs at its Facility. CAEATFA estimates that approximately 273.47 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 75 points.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant’s Facility/Facilities due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 2,537 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 85 points, which exceeds the 20-point threshold.

⁶ Unemployment rates are based on data available in October 2020.

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- A. **Fiscal Benefits (2,272 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$29,076,792, resulting in a Fiscal Benefits score of 2,272.
- B. **Environmental Benefits (85 points)**. The Project earned an Environmental Benefits Score of 85. The Applicant received points in the following categories:
1. **Environmental Sustainability Plan (20 of 20 points)**. The Applicant will implement an environmental sustainability plan for the Project that focuses on reducing energy usage, water consumption, greenhouse gas emissions, and waste generation.
 2. **Energy Consumption (28 of 30 points)**. The Applicant anticipates the Project will result in a 28% reduction in energy consumption compared to the Applicant's previous manufacturing process through the use of solar panels and improved cogeneration and combined heat and power systems.
 3. **Solid Waste (30 of 30 points)**. The Applicant anticipates the Project will result in a 30% reduction in the solid waste produced relative to the Applicant's previous manufacturing process by improving materials recycling rates and converting to form-fitting packaging.
 4. **Hazardous Waste (7 of 30 points)**. The Applicant anticipates the Project will result in a 7% reduction in the hazardous waste produced relative to the Applicant's previous manufacturing process through increased waste recycling and other sustainability efforts.
- C. **Additional Benefits (180 points)**. Applicants may earn additional points for their Total Score. The Applicant received 180 additional points.
1. **Production Jobs (75 of 75 points)**. The Applicant anticipates the Project will support a total of 5,108 production-related jobs at its Facility. CAEATFA estimates that approximately 273.47 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 75 points.
 2. **Construction Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 500 construction jobs at its Facility. CAEATFA estimates that approximately 26.77 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 30 points.

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3. **Unemployment (0 of 50 points)**. The Applicant’s Project is located in Orange County, which has an average annual unemployment rate of 7.5%.⁷ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant zero points.
4. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to medical device manufacturing.
5. **Industry Cluster (25 of 25 points)**. The industry associated with this Application has been identified by the Orange County Workforce Development Board as an industry cluster of the region of the Project’s location.
6. **Benefits and Fringe Benefits (25 of 25 Points)**. The Applicant states it provides medical, health, dental, vision, bonuses, retirement contributions, transportation subsidies, education reimbursement, and paid leave to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,⁸ the Applicant has paid CAEATFA an Application Fee of \$10,000, and will pay CAEATFA an Administrative Fee of up to \$350,000.

RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM025 for Applied Medical Resources Corporation’s purchase of qualifying tangible personal property in an amount not to exceed \$150,547,889, anticipated to result in an approximate STE value of \$12,796,571.

⁷ Unemployment rates are based on data available in October 2020.

⁸ California Code of Regulations Title 4, Division 13, Section 10036

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Resolution No. 21-SM025
Application No. 21-SM025**

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH
APPLIED MEDICAL RESOURCES CORPORATON**

March 16, 2021

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Applied Medical Resources Corporation** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10030(a), with the Applicant for the Project; and

WHEREAS, the Applicant has estimated the Project has an estimated cost not to exceed \$150,547,889 over a period of three years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

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Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.