

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)¹

**Atara Biotherapeutics, Inc.
Application No. 17-SM002**

January 17, 2017

Prepared By: *Ellen Hildebrand, Analyst*

SUMMARY

Applicant – Atara Biotherapeutics, Inc.

Location – Thousand Oaks, Ventura County

Industry – Biopharmaceutical

Project – Construction of a New Manufacturing Facility (Advanced Manufacturing)

Value of Qualified Property – \$16,285,217

Estimated Sales and Use Tax Exclusion Amount² – \$1,371,215

Application Score –

| | |
|---------------------------------------|--------------|
| Fiscal Benefits Points: | 6,440 |
| <u>Environmental Benefits Points:</u> | <u>55</u> |
| Net Benefits Score: | 6,495 |
| | |
| <u>Additional Benefits Points:</u> | <u>85</u> |
| Total Score: | 6,580 |

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.
² This amount is calculated based on the average statewide sales tax rate of 8.42%.

THE APPLICANT

Atara Biotherapeutics, Inc. (“Atara”, the “Applicant”, or the “Company”) is a Delaware Corporation founded in 2012 that has employees based in California, Colorado, and New York. The Applicant is focused on developing therapies for patients with severe and life-threatening diseases that have been underserved by scientific innovation. Atara produces two groups of products, allogenic, or third-party derived, antigen-specific T-cells, and molecularly targeted biologics.

Atara’s initial T-cell products target viral- or cancer-specific antigens to harness the body’s immune system to counteract viral infections and cancers. Their most advanced T-cell product, EBV-CTL is entering into trials for Epstein-Barr virus and other disorders. Atara also has two T-cell products in ongoing clinical trials. The Company currently outsources all manufacturing of T-cell products in the preclinical study and clinical trial stage, but plans to build its own T-cell manufacturing and research facility to support growing production requirements.

The major shareholders (10.0% or greater) of Atara Biotherapeutics are:

- The Baupost Group, LLC (18.6%)
- Fidelity Management & Research Company (10.01%)

The corporate officers of Atara Biotherapeutics are:

- Isaac Ciechanover, M.D., CEO & President
- Mitchall G. Clark, EVP and Chief Regulatory & Quality Officer
- Christopher Haqq, M.D., Ph.D., EVP, R&D and Chief Scientific Officer
- John F. McGrath, Jr., EVP and Chief Financial Officer
- Gad Soffer, EVP and Chief Strategy Officer
- Heather D. Turner, EVP, General Counsel and Secretary and Head of Portfolio Strategy
- Steve Bertram, SVP, Global HR

THE PROJECT

The Applicant is requesting a sales and use tax exclusion to build a new T-cell manufacturing facility at the Conejo Spectrum Development Project in Thousand Oaks, California (the “Project”). The facility will include both T-cell manufacturing space and equipment, and space for new and existing research and development staff.

The manufacturing facility will be configured as a modular clean room system within a mixed-use industrial building shell. The clean room system will include pre-fabricated walls and other structural components, as well as air handlers and ductwork to support the design and environmental specifications. All processes within the manufacturing clean room areas are intended to be performed under aseptic conditions. Atara’s three clinical stage T-cell product candidates are expected to be manufactured at the facility. The facility design will provide the flexibility to meet both current manufacturing demands and future technologies under development.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

| | |
|---|----------------------------|
| Centrifuges | \$ 25,702 |
| Fill System (Final Product) | 400,000 |
| Biosafety Cabinets | 425,000 |
| CryoCarts (Product Transfer after Freeze) | 20,000 |
| Automated Cell Counters | 333,000 |
| Irradiator | 650,000 |
| Radioactive Miscellaneous | 11,120 |
| Data Logger - Mapping Qualifications | 8,695 |
| CliniMacs | 300,000 |
| QuadroMacs | 6,372 |
| Automated Cell Counters | 237,000 |
| Blood Gas Analyzers | 388,444 |
| Liquid Scintillation Counter | 36,000 |
| Plate Readers | 100,500 |
| LN Freezers | 675,000 |
| Sterility Isolators | 850,000 |
| Tube Welder | 85,000 |
| Incubators | 1,738,800 |
| Flow Cytometers | 786,000 |
| Fungus Testing | 3,800 |
| Centrifuges, Refrigerated | 235,200 |
| Controlled Rate Freezers | 95,000 |
| Upright Refrigerators | 35,700 |
| Dry Bath and Beads | 5,970 |
| LN Shipping Containers | 10,000 |
| Water Baths | 2,384 |
| Refrigerators 4°C | 4,190 |
| Miscellaneous Freezers | 99,600 |
| Pipet aids | 4,340 |
| Pipetors | 22,440 |
| Osmometers | 36,000 |
| pH/Conductivity meters | 21,000 |
| Microcentrifuges | 6,000 |
| Manufacturing Clean Rooms | <u>8,626,960</u> |
| Total | <u>\$16,285,217</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 master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual 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, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.

TIMELINE

Construction of the core and shell of the facility began in December 2016, and the manufacturing facility construction inside the core and shell is expected to start in April 2017. Testing of the facility is expected to begin in Q1 2018, with clinical production beginning in Q3 2018.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$16,285,217 and the total net benefits are valued at \$7,458,864 for the Project. The Project received a Total Score of 6,580 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 55 points, which exceeds the 20 point threshold.

- A. **Fiscal Benefits (6,440 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to \$8,830,079 resulting in a Fiscal Benefits score of 6,440 points for the Project.

- B. **Environmental Benefits (55 points)**. The Project will result in an Environmental Benefits Score of 55 points. The Applicant received points in the following categories:
 1. **Environmental Sustainability Plan (20 of 20 points)**. The Applicant will implement an environmental sustainability for its Project that it represents will track all facility energy usage and waste generation.
 2. **Water Use (5 of 30 points)**. The Applicant represents that its manufacturing process will result in a 5% reduction in water use relative to the industry standard manufacturing process.
 3. **Hazardous Waste (30 of 30 points)**. The Applicant represents that its manufacturing process will result in a 100% reduction in hazardous waste produced relative to the industry standard manufacturing process.

- C. **Additional Benefits (85 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 85 additional points.
 1. **Permanent Jobs (30 of 75 points)**. The Applicant's Project will support a total of 53 permanent jobs at its Facility. CAEATFA estimates that approximately 3 of these jobs will be attributable to a marginal increase in

jobs created due to the approved STE resulting in a Permanent Jobs Score of 30 points for the Project.

2. **Construction Jobs (30 of 75 points)**. The Applicant's Project will support a total of 50 construction jobs at its Facility. CAEATFA estimates that approximately 3 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Construction Jobs Score of 30 points for the Project.
3. **Research and Development Facilities (25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to the biopharmaceutical development and production process.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Shell construction plans have been permitted and construction has begun. A radioactive license is required for laboratory operations and is in development with expected approval in Q4 2017. Atara has contracted with an outside firm to handle permitting and represents that all other permits are in the process of being obtained.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,³ the Applicant has paid CAEATFA an Application Fee of \$8,143 and will pay CAEATFA an Administrative Fee of up to \$65,141.

RECOMMENDATION

Staff recommends approval of Resolution No. 17-SM002 for Atara Biotherapeutics, Inc.'s purchase of Qualified Property in an amount not to exceed \$16,285,217 anticipated to result in an approximate sales and use tax exclusion value of \$1,371,215.

³ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH ATARA BIOTHERAPEUTICS, INC.**

January 17, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Atara Biotherapeutics, Inc.** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized to process Recycled Feedstock, in an Advanced Manufacturing process or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement to acquire Project equipment with an estimated cost not to exceed \$16,285,217 over a period of three years; and

WHEREAS, the Applicant believes 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 Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

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

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

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested master 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).

Section 4. The Executive Director, Deputy 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 Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

Agenda Item – 4.A.2
Resolution No. 17-SM002
Application No. 17-SM002

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant's Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, 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 in order to consummate the Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property listed in the semi-annual reports pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or 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, as defined in CAEATFA Regulations Section 10035(a), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.