CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Request to Approve a Time Extension for the Initial Term of the Master Regulatory Agreement[1]

Atara Biotherapeutics, Inc.
Application No. 17-SM002

Tuesday, December 17, 2019

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Atara Biotherapeutics, Inc

Location – Thousand Oaks, Ventura County

Industry – Biopharmaceutical Manufacturing

Project – Construction of a New T-cell Manufacturing Facility (Advanced Manufacturing)

Total Amount of Qualified Property Approved– $16,285,217

Estimated Sales and Use Tax Exclusion Amount at Approval[2] **–** $1,371,215

Amount of Time Requested –

- Two years, until January 17, 2022, for the Initial Term of the Master Regulatory Agreement (five years from the date of initial CAEATFA Board approval)

Staff Recommendation – Approval

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[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 at the time of initial approval, which was 8.42%.

REQUEST

On January 17, 2017 the CAEATFA Board approved a sales and use tax exclusion ("STE") for Atara Biopharmaceutics, Inc. ("Atara" or the "Applicant") for the purchase of up to $16,285,217 in Qualified Property to build a new T-cell manufacturing facility at the Conejo Spectrum Development Project in Thousand Oaks, California (the "Project"). The Master Regulatory Agreement ("Agreement") initial term provided the Applicant with three years from the date of Board Approval to utilize its STE award. The initial term of the Agreement can be extended by the Board upon a finding that an extension is in the public interest and advances the purposes of the program.

As of November 2019, Atara has used the STE to purchase approximately $10.5 million of Qualified Property (65% of the total Qualified Property approved) and opened its Atara T-cell Operations and Manufacturing (ATOM) facility in June 2018. The Applicant is requesting to extend the Agreement initial term by two years to accommodate delays with the build-out of its manufacturing suites within its ATOM facility.

As explained by Atara, there are two primary reasons why there were delays in the build-out of the manufacturing suites at the facility. First, the Applicant implemented design changes to the manufacturing process of its Phase 3 allogenic T-cell therapy (Tab-cel®). Second, the Applicant is planning to transfer other 3rd party manufacturing to California as part of the Project, however this transfer is taking longer than expected as the Company is first focusing on qualifying Tab-cel® production for future commercial sale. Atara states that the scope of the Project remains the same and that neither of the changes will affect its ability to complete the Project.

THE APPLICANT

Atara Biotherapeutics, Inc. 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's primary focus is on the development of allogenic, or third-party derived, antigen-specific T-cell therapies.

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, Tab-cel® is in Phase 3 clinical trials for post-transplant lymphoproliferative disease (PTLD). Atara also has several other T-cell product candidates in ongoing clinical trials. The Company currently outsources all manufacturing of T-cells for clinical trials, but plans to use the new ATOM facility to support growing production requirements, including for potential commercialization.

The major shareholders (10.0% or greater) of Atara Biotherapeutics are: The Baupost Group, LLC (13%)	The corporate officers of Atara Biotherapeutics are: Pascal Touchon, President & CEO Joe Newell, EVP, Chief Technical Operations Officer Uptal Koppikar, SVP, CFO Steve Bertram, SVP, Global HR AJ Joshi M.D., SVP, CMO Renu Vaish, SVP, Global Regulatory Affairs Tim Valko, SVP, Global Manufacturing & Supply Chain Jose Vidal, SVP, QA & Process Sciences Christiane Langer, SVP, Global Medical Affairs

THE PROJECT

The Applicant requested 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 facility opened in June 2018 and includes both T-cell manufacturing space and equipment, and was designed to accommodate space for both new and existing research and development staff.

The manufacturing facility has been configured as a modular clean room system within a mixed-use industrial building shell. The clean room system includes 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 will be performed under aseptic conditions. Atara's clinical stage T-cell product candidates are planned to be manufactured at the facility. The facility design will provide the flexibility to meet both current manufacturing demands and future technologies under development.

AGREEMENT INITIAL TERM EXTENSION REQUEST

Atara has requested that the initial term of the Agreement be extended from January 17, 2020 to January 17, 2022 in order to accommodate manufacturing suite build-out delays at the ATOM facility.

Staff Evaluation

While there were modifications made to certain design aspects of the Applicant's Tab-cel® manufacturing process, Atara shares that Tab-cel® is now available for use in clinical trials, and it is actively working to qualify production for future commercial sale in the first half of 2020. Additionally, Atara plans to commence manufacturing of its allogenic T-cell therapy for multiple sclerosis (ATA188) at the ATOM facility in the next one to two years.

In making a recommendation, Staff considered that the Applicant has already opened the ATOM facility as of June 2018, and together with office space in the adjacent building and its Northern California Headquarters, employs approximately 330 full-time staff, which includes manufacturing and management positions. Staff also recognizes that with new facilities and manufacturing processes, there can be redesigns and delays through lessons learned. Atara has designed three labs dedicated to R&D, process development and quality control and successfully constructed six manufacturing suites. According to Atara, five of the suites are equipped and operational, but one of them will require equipment purchases, construction modifications, and utility upgrades to enable production of its ATA188. The Applicant also plans to incur the necessary expenses to make the sixth suite operational in the next one to two years.

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

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 an additional fee of $500 because extending the initial term requires a modification to the Applicant's Master Regulatory Agreement.

RECOMMENDATION

Staff recommends that the Board approve Atara Biotherapeutics, Inc.'s request to extend the initial term of the Agreement by two years to January 17, 2022 as it is in the public interest and advances the purpose of the program.

Attachments

Attachment A: Atara Biotherapeutics, Inc.'s letter requesting waiver (November 7, 2019)
Attachment B: Atara Biotherapeutics, Inc.'s staff summary at the time of approval

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

RESOLUTION APPROVING A TIME EXTENSION FOR ATARA BIOTHERAPEUTICS, INC.'S INITIAL TERM FOR THE MASTER REGULATORY AGREEMENT

December 17, 2019

WHEREAS, on January 17, 2017 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 $16,285,217 of Qualified Property for **Atara Biotherapeutic, Inc.** (the "Applicant"); and

WHEREAS, within three years of the approval by the Authority, the Applicant must make all purchases of the total amount of Qualified Property listed in the approval resolution (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 years of Application approval (Regulations Section 10035(b)(1)(A)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three years, due to unexpected delays in the Project timeline, extending the term by two years to January 17, 2022; 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 Authority to extend the initial term of the Agreement to January 17, 2022.

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

Attachment A: Atara Biopharmaceutics Inc.'s Letter Requesting Waiver (November 7, 2019)

611 Gateway Boulevard
Suite 900
South San Francisco, CA 94080
Phone: 650-278-8930
www.atarabio.com

November 7, 2019

California Alternative Energy and Advanced Transportation Financing Authority
915 Capitol Mall, Room 457
Sacramento, California 95814

RE: Sales and Use Tax Exclusion Program – Extension Request

Dear Sir/Madam,

With reference to the Master Regulatory Agreement between Atara Biotherapeutics, Inc. ("Atara") and the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") dated February 16, 2017, Atara hereby requests a two-year extension of the Sales Tax Exclusion Program from three years to five years, i.e. until January 17, 2022.

The STE Program was an important factor in Atara's decision to base its state-of-the-art manufacturing facility in Thousand Oaks, California as opposed to Aurora, Colorado, which was competing for the site. This Atara T-cell Operations and Manufacturing (ATOM) facility, which opened in June 2018, is a 90,580 square foot cellular therapy manufacturing, lab and office facility, which together with recently-leased office space in the adjacent building and our Northern California Headquarters, currently employs approximately 330 full-time staff, including many highly-skilled manufacturing and senior management positions.

ATOM is designed to global regulatory standards. The facility commissioning and qualification activities to support clinical operations are complete. There are already six manufacturing suites that have been completed and five are currently operational, which are primarily focusing on our Phase 3 allogenic T-cell therapy, Tab-cel®. We also have three labs (research, process development and quality control), which have been operational for a number of months.

One of our five operational manufacturing suites will require additional equipment purchases, construction modifications and utilities upgrades related to production of our allogenic T-cell therapy for multiple sclerosis (ATA188). We also plan to incur the necessary expenses to make the sixth suite operational in the next 1-2yrs. The commissioning and qualification activities for commercial production are progressing and are aligned with our commercial strategy.

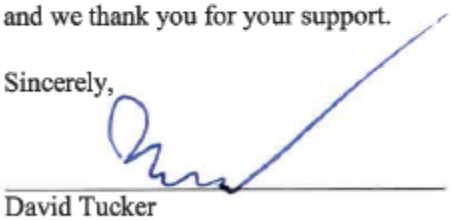
To date, we have invested $10,511,134 in Qualified Property that is subject to this program. The remainder of the total $16,285,217 of Qualified Property has yet to be purchased due to a slower than

anticipated build-out of the manufacturing suites within the facility. This delay was mainly due to changes to the design of the manufacturing process for Tab-cel® and the timing of our manufacturing of ATA188 at ATOM.

Overall, the scope of the project has not changed, and we anticipate any remaining spending to occur over the next two years. The milestones have also not changed, and we still anticipate purchasing cell culture-related equipment and modular clean room materials to continue building out our manufacturing capacity.

We are excited to be a growing company with its primary manufacturing facility located in California, and we thank you for your support.

Sincerely,



David Tucker
VP Finance, Atara Biotherapeutics, Inc.

Attachment B: Atara Biopharmaceutics Inc.'s Staff Summary at the Time of Approval

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Request to Approve Project for Sales and Use Tax Exclusion (STE)[4]

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 Amount[5] – $1,371,215

Application Score –

Fiscal Benefits Points:	6,440
Environmental Benefits Points:	55
Net Benefits Score:	**6,495**
Additional Benefits Points:	85
Total Score:	**6,580**

Staff Recommendation – Approval

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[4] All capitalized terms not defined in this document are defined in the Program's statute and regulations.
[5] 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 Phase 3 clinical trials for Epstein-Barr virus and other disorders. Atara also has other 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, including for commercialization.

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
Pippetors		22,440
Osmometers		36,000
pH/Conductivity meters		21,000
Microcentrifuges		6,000
Manufacturing Clean Rooms		8,626,960
	Total	**$16,285,217**

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,[6] 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.

[6] 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.

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.