

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

Board Meeting Date: Tuesday, June 17, 2025

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Applied Materials, Inc.
Application No. 25-SM033**

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant: Applied Materials, Inc.

Location: Santa Clara, Santa Clara County; Sunnyvale, Santa Clara County

Industry: Display Tools and Components Manufacturing

Project: Upgrade of Existing Display Tools and Components Manufacturing Facilities
(Advanced Manufacturing)

Project Pool: Small

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$23,535,000	\$1,995,768

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$3,998,313	2,003
Estimated Environmental Benefits	N/A	30
Additional Benefits	N/A	155
Total	\$3,998,313	2,188
Estimated Quantifiable Net Benefit	\$2,002,545	N/A

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 8.48%.

³ 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).)

Previous Awards and Status:

- Award 1: App No. 20-SM008, Award Year 2020, 100% Expended, Complete, Compliant on Required Reports
- Award 2: App No. 21-SM013, Award Year 2021, 100% Expended, Complete, Compliant on Required Reports
- Award 3: App No. 23-SM033, Award Year 2023, 43% Expended, Active, Compliant on Required Reports
- Award 4: App No. 23-SM034, Award Year 2023, 4% Expended, Active, Compliant on Required Reports

Competitive Criteria Score: 130

Staff Recommendation: Approval

THE APPLICANT

Applied Materials, Inc. (the “Applicant”) is a Delaware corporation founded in 1967 and publicly traded on the NASDAQ stock exchange under the ticker symbol “AMAT.” The Applicant manufactures production equipment, related parts, and software to the semiconductor, display, and related industries. Its customers include manufacturers of semiconductor chips, liquid crystal displays (“LCD”) and organic light-emitting diode (“OLED”) displays, and other electronic devices.

The corporate officers of the Applicant are:

- Gary E. Dickerson, President & Chief Executive Officer
- Brice Hill, Senior Vice President, Chief Financial Officer & Global Information Services
- Prabu Gopalaraja, President, Semiconductor Products Group
- Terri Little, Senior Vice President, Chief Legal Officer & Corporate Secretary
- Omkaram Nalamasu, Ph.D., Senior Vice President, Chief Technology Officer, President Applied Ventures, LLC
- Brian Shieh, Ph.D., Group Vice President, Display & Flexible Technology

THE PROJECT

Applied Materials, Inc. requests a sales and use tax exclusion (“STE”) award to upgrade its existing display tools and components manufacturing facilities located in Santa Clara and Sunnyvale (the “Project”).

The Applicant will produce an array of display manufacturing tools, which includes CVD deposition, PVD deposition, CVD thin-film encapsulation, eBeam testing & inspection, all of which are essential to support nanoscale technologies. According to the Applicant, its display manufacturing tools have become critical to many advanced display producers, such as LCD and OLED businesses making TVs, monitors, laptops, PCs,

tablets, smart phones and other consumer devices. The Applicant recently introduced its MAX OLED solution, a patented OLED pixel architecture and innovative display manufacturing technology aimed at delivering the superior OLED displays typically found in high-end devices. The production of OLED displays was traditionally difficult to manufacture due to the delicate nature of the materials used to emit red, green and blue light. These materials are fragile and can be easily damaged when exposed to air or moisture. The MAX OLED deposits and encapsulates each pixel individually using a specially designed maskless process. This method is not only precise and fast but also excels at preserving the purity of the delicate OLED materials. Moreover, by using nanometer scale coatings and precise deposition tools to create such materials like metal oxide, the Applicant can make displays that are brighter, faster, and more energy efficient.

In terms of improving manufacturing efficiencies, the Applicant's use of selective deposition to achieve superior pixel placement accuracy will result in more than doubling the amount of OLED material per unit area as compared to previous technologies. In addition, the Applicant's production process for display tools involves a series of chemical reactions, where the detection of gas or chemical leaks is crucial. Such leaks can lead to the wastage of costly gases, damage to the tools or substrates, and pose serious risks to personnel, especially when hazardous gases are involved. For example, Silane (SiH₄) is a pyrophoric hydride gas that can ignite spontaneously in air and lead to large explosions. The Applicant uses an advanced leak detector designed to address the most stringent leak detection requirements. This advanced technology incorporates sophisticated software algorithms, including I-CAL (Intelligent - Calculation Algorithm for Leak Rates) and Hydro-S (HYDROgen-Suppression), which enhances testing flexibility, sensitivity, and speed.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Manufacturing Equipment, Machinery & Related Property	\$6,500,000
Metrology, Testing and QC Equipment & Related Property	\$4,035,000
Lab Devices & Scientific Instruments	\$3,000,000
Research & Development, Design, Engineering Property	\$6,000,000
Buildout/Construction, Upgrades & Improvements to Real Property	\$1,500,000
IT & Computer Property	\$2,500,000
Total	<u>\$23,535,000</u>

Note: The Qualified Property purchases reported in the Application and shown here in the staff report are estimated costs. In accordance with 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, 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 plans to enhance and expand its manufacturing facilities throughout 2025. This expansion will include renovating its existing research and development, design, production, and testing equipment, as well as related systems for its emerging display solutions. The Applicant also plans on purchasing additional design and manufacturing equipment in support of its next generation of small personal device tools and MAX OLED design and pilot manufacturing lines.

Status of Permits/Other Required Approvals

According to the Applicant, all permits have been acquired for the Project.

COMPETITIVE CRITERIA SCORE

The Applicant received 130 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's primary Facility is located in Santa Clara County, which has an average annual unemployment rate of 4.1%.⁴ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.
3. **Job Creation (40 of 75 points)**. The Applicant anticipates the Project will support a total of 175 production-related jobs at its Facilities. CAEATFA estimates that approximately 8.15 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 40 points.
4. **California Headquarters (15 of 15 points)**. The Applicant maintains its corporate headquarters in Santa Clara, California, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's 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.

⁴ Unemployment rates are based on data available in October 2024.

7. **Emerging Strategic Industry (75 of 75 points)**. The Project's industry, display tools, is in an Emerging Strategic Industry, as defined by CAEATFA, 75 points are awarded.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 2,188 points, which exceeds the required 1,000-point threshold, and includes an Environmental Benefits Score of 30 points, exceeding the 20-point threshold.

1. **Fiscal Benefits (2,003 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 \$3,998,313, resulting in a Fiscal Benefits score of 2,003.
2. **Environmental Benefits (30 points)**. The Project earned an Environmental Benefits Score of 30. The Applicant received points in the following categories:
 - A. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that outlines energy-saving strategies through upgrades to its HVAC systems and improvements in operational processes.
 - B. **Energy Consumption (25 of 30 points)**. The Applicant anticipates the Project will result in a 25% reduction in energy consumption compared to the Applicant's previous manufacturing process. The Applicant has installed a three-ton split air conditioning unit and reprogrammed the rooftop units to reduce operation during hours of non-occupancy, while also accommodating partial spaces.
3. **Additional Benefits (155 points)**. Applicants may earn "Additional Benefit" points in the categories below. The Applicant received 155 additional benefit points.
 - A. **Production Jobs (40 of 75 points)**. The Applicant anticipates the Project will support a total of 175 production-related jobs at its Facilities. CAEATFA estimates that approximately 8.15 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 40 points.
 - B. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 18 construction jobs at its Facilities. CAEATFA estimates that approximately 0.81 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 zero points.

- C. Unemployment (0 of 50 points).** The Applicant's primary Facility is located in Santa Clara County, which has an average annual unemployment rate of 4.1%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.
- D. 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 display tools.
- E. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental & vision benefits, bonuses, retirement contributions, dependent care & assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies and paid leave to its employees, earning the Applicant 25 points.
- F. Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with all major public and private CA Universities for the purpose of assisting in the training of potential future workers.
- G. Emerging Strategic Industry (40 of 40 points).** The Project's industry, display tools, is in an Emerging Strategic Industry, as defined by CAEATFA, 40 points are awarded.

LEGAL STATUS QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the Legal Status Questionnaire. 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 paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$94,140 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM033-01 for Applied Materials, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$23,535,000, anticipated to result in an approximate STE value of \$1,995,768. The initial term of the Regulatory Agreement will be for a period of three years, until June 17, 2028, and the remainder shall be for a period of six years, until June 17, 2031, for providing annual compliance reports.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH APPLIED MATERIALS, INC.**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Applied Materials, Inc.** (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 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$23,535,000 over a period of three (3) 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).

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

Agenda Item – 4.A.15
Resolution No. 25-SM033-01

the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.