

**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

**Prose Beauty, Inc.
Application No. 25-SM015**

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant: Prose Beauty, Inc.

Location: Commerce, Los Angeles County

Industry: Beauty Products Manufacturing

Project: New Beauty Products Manufacturing Facility (Advanced Manufacturing)

Project Pool: Small

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$8,900,000	\$754,720

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$1,120,453	1,485
Estimated Environmental Benefits	N/A	120
Additional Benefits	N/A	69
Total	\$1,120,273	1,673
Estimated Quantifiable Net Benefit	\$365,733	N/A

Competitive Criteria Score: 44

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 8.48%.

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).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Prose Beauty, Inc. (the “Applicant”) is a Delaware corporation that formed in 2017 and headquartered in Brooklyn, New York.

The major shareholders (10.0% or greater) of the Applicant are:

- Forerunner Partners III, L.P.
- Insight Venture Partners X, L.P.

The major shareholders (10.0% or greater) of Forerunner Partners III, L.P. are:

- Forerunner Ventures

The major shareholders (10.0% or greater) of Insight Venture Partners X, L.P. are:

- Insight Venture Management, LLC

The company officers of the Applicant are:

- Arnaud Plas, President
- Paul Michaux, Secretary

THE PROJECT

Prose Beauty, Inc. requests a sales and use tax exclusion (“STE”) award to build a new beauty products manufacturing facility located in Commerce (the “Project”).

The Applicant has developed an innovative manufacturing system that transforms the formulation, production, and delivery of consumer beauty products for hair and skincare. The Applicant offers a unique AI-driven platform called Singular that enables a fully automated and highly customized production process that emphasizes personalization, precision, and performance. For example, Prose uses its AI platform to evaluate vast amounts of customer data, ingredient interactions, and scientific studies to identify the most suitable formulation for each individual. AI will seamlessly incorporate each customer's unique formula into the automated production line, guaranteeing precise customization at every stage. Orders and their fulfillment are efficiently managed through the Applicant's proprietary order management system, which routes requests in real time while ensuring complete traceability of each customer's order and its progress. The Applicant indicated that this on-demand, data-driven production system guarantees that each product is specifically formulated, packaged, and labeled at the moment of order. This approach effectively eliminates overproduction, minimizes waste, and enhances product efficacy.

The Applicant also indicated that high-precision tools and methods will also be incorporated into its manufacturing processes. For example, robotic dosing guarantees that each formulation adheres to precise ingredient specifications. Customer order information is transmitted at the formula and ingredient level to automated filling lines, which are equipped with advanced servo-driven robotic systems for tasks such as labeling, filling, packaging, and quality assurance.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Construction Material for Building Improvement	\$1,400,000
Skin Automation	\$3,000,000
Hair Automation	\$2,500,000
Full Floor Automation	\$2,000,000
Total	<u>\$8,900,000</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff's 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 indicates that the modifications and tenant improvements for the facility are currently underway, with an anticipated completion date set for around mid-2025 and equipment set up and full production estimated for the same time.

Status of Permits/Other Required Approvals

The Applicant has indicated that all necessary permits for construction and operation have been obtained.

COMPETITIVE CRITERIA SCORE

The Applicant received 44 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 (4 of 50 points).** The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.5%.⁵ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant four points.
- 3. Job Creation (40 of 75 points).** The Applicant anticipates the Project will support a total of 55 production-related jobs at its Facility. CAEATFA estimates that approximately 3.26 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.

⁵ Unemployment rates are based on data available in October 2024.

4. **California Headquarters (0 of 15 points)**. The Applicant does not have a California Corporate Headquarters, and, therefore, zero points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facility 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.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project's industry is not in an Emerging Strategic Industry, as defined by CAEATFA, zero points are awarded.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 1,673 points, which exceeds the required 1,000-point threshold, and includes an Environmental Benefits Score of 120 points, exceeding the 20-point threshold.

1. **Fiscal Benefits (1,485 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 \$1,120,453, resulting in a Fiscal Benefits score of 1,485.
2. **Environmental Benefits (120 points)**. The Project earned an Environmental Benefits Score of 120. The Applicant received points in the following categories:
 - A. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that aims to minimize emissions and produce ecofriendly designs.
 - 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 through the usage of high-efficiency servo motors, robots, and upgraded drive motors for the conveyors.
 - C. **Water Use (30 of 30 points)**. The Applicant anticipates the Project will result in a 30% reduction in water use relative to the industry standard by eliminating overproduction, reducing cleaning cycles, and producing lower water formulations.

- D. Solid Waste (30 of 30 points).** The Applicant anticipates the Project will result in a 50% reduction in solid waste produced relative to the Applicant's previous manufacturing process through the elimination of overproduction, which leads to less labelling waste, and reduced packaging and shipping materials.
- E. Air Pollutants (30 of 30 points).** The Applicant anticipates the Project will result in a 50% reduction in air pollutants produced relative to the previous manufacturing process by minimizing the distance traveled for each delivery order.
- 3. Additional Benefits (69 points).** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 69 Additional Benefits points.
- A. Production Jobs (40 of 75 points).** The Applicant anticipates the Project will support a total of 55 production-related jobs at its Facility. CAEATFA estimates that approximately 3.26 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 not support any construction jobs at its Facility. CAEATFA estimates that no 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 (4 of 50 points).** The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.5%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant four points.
- D. 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, gym subsidies, employee discounts and paid leave to its employees, earning the Applicant 25 points.

LEGAL STATUS QUESTIONNAIRE

The Applicant had nothing to report on the Legal Status Questionnaire.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant paid CAEATFA an Application Fee of \$5,250 and will pay CAEATFA an Administrative Fee of up to \$35,600 should the Applicant be approved for an award.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM015-01 for Prose Beauty, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$8,900,000, anticipated to result in an approximate STE value of \$754,720. 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 five years, until June 17, 2030, for providing annual compliance reports.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH PROSE BEAUTY, INC.**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Prose Beauty, 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 \$8,900,000 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 the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.