

**Fast Track PILOT Term Sheet**

**Alphatec Spine, Inc.**

**March 17, 2021**

Alphatec Spine, Inc. ("Applicant") is seeking a 10-year Fast Track PILOT to enable the company to build-out space at 4101 Willow Lake Boulevard, create 95 Net New Jobs with an average wage of \$52,657, invest \$3,500,000 in the project, and Community Reinvestment Credit will be awarded.

Parcel 074101 00029 (4101 Willow Lake) is 4.407 acres and contains a 75,000 square foot flex warehouse. The Applicant will occupy 100% of the building. Real property improvements and new personal property will receive PILOT benefit.

Alphatec is a medical device company that develops products and treatments for spine disorders. Founded in 1990, the publicly traded Carlsbad, California based company has grown to more than \$140 million in annual revenue and employs more than 300 people. Alphatec specializes in spinal implants, biologics, and fixation devices.

Alphatec has developed a plan to substantially expand production. They have been evaluating locations for a new distribution and repair operation as part of this expansion. The company has considered expanding in its home state of California but would like to be located in the Central United States, in an area near strong logistics partners, and with access to talent experienced in medical device repair and distribution. Alphatec has narrowed its list to Memphis and North Mississippi. The company intends to choose Memphis if approved.

The property to be occupied currently produces \$21,994 in City of Memphis and Shelby County property taxes annually. Estimated annual property taxes will average \$25,118 during the PILOT term and \$74,164 after. Staff projects \$4,617,110 in total local tax revenues to be received during the PILOT term of this project and a \$585,680 benefit to the Applicant.

The 10-year PILOT for the Applicant is based on the following terms:

| CITY OF MEMPHIS TERMS | % PAID           | SHELBY COUNTY TERMS | % PAID           |
|-----------------------|------------------|---------------------|------------------|
| Real Property         | Year 1-10<br>25% | Real Property       | Year 1-10<br>25% |
| Personal Property     | Year 1-10<br>25% | Personal Property   | Year 1-10<br>25% |

### Ramp-Up Period

The Applicant will have a two (2) year Ramp-Up Period within which to achieve its project commitments. This two (2) year period shall begin upon the date when any property, in whole or in part, is conveyed to EDGE, covered by a PILOT Lease, and begins to enjoy the benefits of the PILOT incentive.

### Local Business Participation

Spending with City of Memphis or Shelby County certified minority and women business enterprises (MWBES) shall be an amount equal to or greater than:

|   |       |                                  |           | *Minimum for Bonus Opportunity |               |
|---|-------|----------------------------------|-----------|--------------------------------|---------------|
|   |       | Basis                            | \$ LBP    | 1 Added Year                   | 2 Added Years |
|   | 25%   | Construction/Site Work           | \$375,000 | \$525,000                      | \$675,000     |
| + | 15%   | Real & Personal Property Savings | \$87,852  | \$161,062                      | \$245,986     |
| = | Total |                                  | \$462,852 | \$686,062                      | \$920,986     |

### Identified Labor Source

Per section X (C) (ii) of the Fast Track PILOT Policies and Procedures, the PILOT Recipient is required to list all Net New Jobs with Workforce MidSouth and its American Job Center (successor to the Workforce Investment Network or WIN), and give due consideration to individuals referred by those organizations for open positions.



### Project Budget Detail

| REAL PROPERTY INVESTMENT IN PILOT |             |
|-----------------------------------|-------------|
| Purchase Price                    | \$0         |
| Hard Construction and Site Work   | \$1,500,000 |
| Sub-Total                         | \$1,500,000 |

| PERSONAL PROPERTY INVESTMENT IN PILOT |             |
|---------------------------------------|-------------|
| New                                   | \$2,000,000 |
| Transferred*                          | \$0         |
| Sub-Total                             | \$2,000,000 |

|  |                    |
|--|--------------------|
| <b>Total New Capital Investment in PILOT</b> | <b>\$3,500,000</b> |
|--|--------------------|

| INVESTMENT NOT INCLUDED IN PILOT |     |
|----------------------------------|-----|
| Other Real Property              | \$0 |
| Other Personal Property          | \$0 |
| Fees & Soft Costs                | \$0 |
| Sub-Total                        | \$0 |

|                                 |                    |
|---------------------------------|--------------------|
| <b>Total Capital Investment</b> | <b>\$3,500,000</b> |
|---------------------------------|--------------------|

| COMMUNITY REINVESTMENT CREDIT INCLUDED IN THE PILOT |           |
|---|-----------|
| Value of Existing Land and Building                 | \$758,800 |

*\*Personal property relocated from a facility outside of Shelby County is considered at its depreciated, current value.*

## Terms & Conditions

Award of a PILOT in accordance with the recommendations of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee staff, as set forth herein, is subject to the following conditions.

1. The award of a PILOT to the real property used for Applicant's project is subject to Board Counsel's review and approval of the environmental impact study for said real property to be produced or procured by Applicant.
2. The award is subject to receipt of letters of approval from the mayors of both the City of Memphis and the County of Shelby.
3. The EDGE Board of Directors (the "Board") reserves the right to assign the PILOT, or its rights with respect thereto, to the Memphis and Shelby County Industrial Development Board (the "IDB"), in accordance with the service agreement between the Board and the IDB, if the Board ultimately deems it beneficial.
4. Except as explicitly provided in this term sheet or in a resolution of the Board, the award of a PILOT is subject to the provisions of the Fast Track PILOT Policies and Procedures.
5. The award is subject to execution of PILOT lease agreements requiring the payment of rent in the amount of \$100.00 per year, which agreements shall be in a form substantially similar to EDGE's standard form as approved by the Board and consistent with the provisions of this Term Sheet.
6. In the absence of an explicit written waiver of this condition, no conveyance will be deemed to have been accepted by EDGE, the IDB or any other affiliate or agent of EDGE unless and until all of the documents for the subject transaction, including the PILOT lease agreement, have been negotiated and delivered.
7. The Applicant has requested and shall receive Community Reinvestment Credit for the project.