

**DELEGATION ORDER**



**RETRAINEE - JOB CREATION**

**Training Proposal for:**

**SeaSpine, Inc.**

**Agreement Number: ET17-0114**

**Approval Date:** June 14, 2016

**ETP Regional Office:** San Diego

**Analyst:** J. Davey

**PROJECT PROFILE**

Contract Attributes:	Job Creation Initiative Priority Rate Retrainee	Industry Sector(s):	Biotechnology/Life Sciences Engineering Manufacturing  Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Orange, San Diego	Repeat Contractor:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 230	U.S.: 270	Worldwide: 280
<u>Turnover Rate:</u>	5%		
<u>Managers/Supervisors:</u> (% of total trainees)	16%		

**FUNDING DETAIL**

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$93,132		\$0	\$0		\$93,132

<b>In-Kind Contribution:</b>	<b>100% of Total ETP Funding Required</b>	<b>\$174,930</b>
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**TRAINING PLAN TABLE**

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee Priority Rate	Business Skills, Computer Skills, Cont. Imp., Mgmt. Skills	222	8-200	0	\$306	\$17.00
				Weighted Avg: 17			
2	Retrainee Priority Rate Job Creation	Business Skills, Computer Skills, Cont. Imp., Mgmt. Skills	63	8-200	0	\$400	\$17.00
				Weighted Avg: 20			

**Minimum Wage by County:** Job Number 1: \$16.51/hr for Orange County and \$16.46/hr for San Diego County

Job Number 2(Job Creation): \$13.76/hr for Orange County and \$13.72/hr for San Diego County

**Health Benefits:**  Yes  No This is employer share of cost for healthcare premiums – medical, dental, vision.

**Used to meet the Post-Retention Wage?:**  Yes  No  Maybe

Although employer provides health benefits, they are not being used to meet Post-Retention Wage.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
<b>Job Number 1</b>		
Administrative Staff		32
Engineers		15
Finance/Accounting Staff		8
IT Staff		5
Legal Staff		2
Production Staff I		32
Production Staff II		22
Purchasing Staff		3
Sales/Marketing Staff		20
Technicians		50
Managers I		18
Managers II		15

<b>Job Number 2</b>		
Administrative Staff		8
Engineers		5
Finance/Accounting Staff		5
IT Staff		5
Production Staff		10
Sales/Marketing Staff		7
Technicians		15
Managers I		3
Managers II		5

## **INTRODUCTION**

Headquartered in Carlsbad and founded in 2002, SeaSpine, Inc. (SeaSpine) designs, develops and delivers advanced spinal technologies for surgeons and their patients. Until July 1, 2015, Integra LifeSciences Holdings owned SeaSpine and its two affiliated companies, SeaSpine Sales, LLC and Isotis Orthobiologics, Inc.

SeaSpine's orthobiological products consist of a broad range of advanced and traditional bone graft substitutes. Products are designed to improve bone fusion rates following a wide range of orthopedic surgeries, including spine, hip, and extremity procedures. These products facilitate spinal fusion in minimally invasive surgery (MIS), complex spine, deformity and degenerative procedures. This training proposal is for SeaSpine and its two affiliated companies.

## **PROJECT DETAILS**

On July 1, 2015, Integra LifeSciences Holdings divested its ownership in SeaSpine, establishing SeaSpine as an independent company. As a result of the spinoff, the Company is currently experiencing growth. This prompted the Company to relocate from its 22,000 square foot facility in Vista to an 81,000 square foot facility located in Carlsbad (December 2015). The Company is also investing in the expansion of its orthobiologics manufacturing capacity and new product launches in the Company's hardware business and other business development opportunities. The Company expects full-year 2016 revenue to increase 2% to 5% over full-year 2015 revenue.

SeaSpine anticipates the release of its new products in 2016. New products include a comprehensive portfolio of spinal hardware solutions, including unique interbody devices, MIS solutions, and deformity correction products, as well as IsoTis, a leading brand in orthobiologics. In addition, there will be a full range of osteoconductive and osteoinductive solutions utilizing unique demineralized bone, and synthetic matrices.

SeaSpine's goals are to provide high quality, competitive products for the spine fusion market. The Company is dedicated to delivering excellence and reliability in its innovative products to orthopedic and spine surgeons worldwide. ETP funding will allow the Company to train its workforce as new products are launched. Training will increase job skills and new product knowledge, which is crucial to support the Company's growth.

## Nanotechnology

In August 2015, SeaSpine announced the launch of its Ventura™ NanoMetalene® transformational intervertebral body fusion. NanoMetalene is an ultra-thin layer of commercially pure titanium molecularly bonded to an orthobiologic implant (PEEK-OPTIMA®). It is applied in a proprietary high-energy, low-temperature surface process and encompasses the entire implant. This new nanotechnology increases the surface area for potential titanium and bone interaction compared to the same implant with coated endplates only.

## Retrainee - Job Creation

SeaSpine anticipates hiring as many as 100 new workers in 2016 and 2017. In this proposal, SeaSpine has committed to hiring 63 additional workers during the term of the Agreement in net new jobs (Job Number 2). SeaSpine represents that the date-of-hire for all trainees in the Job Creation program will be within the three-month period before contract approval or within the term-of-contract. The Company also represents that these trainees will be hired into “net new jobs” as a condition of contract.

As previously reported the Company expanded its facilities and added new products because of its spin-off. In addition, the Company has secured extensive funding over the next three years to finance its expected growth. This financing will accelerate several organic strategic objectives, including expansion of its orthobiologics manufacturing capacity and new product launches in its hardware business, as well as provide additional capital to pursue other business development opportunities. The Company currently has 30 open positions and anticipates filling more positions (from financial analysts, product monitoring, engineering, purchasing, sales, customer service, etc.) over the next two years.

## Training Plan

SeaSpine will provide the following skills via class/lab and E-learning at its three participating facilities in Carlsbad, Irvine and Vista.

**Business Skills (10%):** Training will be offered to all occupations. Training will provide employees with skillsets necessary to handle higher volumes of production, enhance decision-making, and increase customer satisfaction. Training will also provide employees with improved communication skills, product knowledge, and better understanding of the Company’s overall business processes. Training will include Project Management, Effective Communication Skills, Customer Service training, and other business-related skills.

**Computer Skills (70%):** Training will be offered to all occupations. Training will provide employees with skills to use the ERP software systems effectively. Workers will also receive training in Microsoft Office applications at the intermediate and advanced levels and the Company’s new Human Resource Information System.

**Continuous Improvement Skills (10%):** Training will be offered to all occupations. To support productivity and product innovation, training will include problem solving skills, quality control, and process improvement.

**Management Skills (10%):** Training will be offered to Managers. To support staff effectively, Managers need training on coaching, communication, leadership skills and other job-related skills. These skillsets will allow Management to become effective business leaders and help improve their overall performance and enable them to lead their staff.

## **Commitment to Training**

SeaSpine represents that ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law. SeaSpine has budgeted \$250k for training during the current (2016) year. Employees also receive new-hire orientation, sexual harassment prevention, basic computer and supervisory skills. The Company will continue to provide enhanced management, product, and sales training in addition to all pertinent requirements under state and federal law

### ➤ Training Infrastructure

SeaSpine's Human Resources department has a team of five staff dedicated to scheduling training, enrolling trainees, tracking training hours, and meeting with ETP staff. In addition, the Company will use a third-party vendor, RSM US, LLP, to assist with enrolling, tracking, and recording training hours.

## **RECOMMENDATION**

Staff recommends approval of this proposal.

## **DEVELOPMENT SERVICES**

RSM US, LLP in Los Angeles assisted with development for a flat fee of \$1,000.

## **ADMINISTRATIVE SERVICES**

RSM US, LLP will also perform administrative services for a fee not to exceed 13% of payment earned.

## **TRAINING VENDORS**

To Be Determined

**Exhibit B: Menu Curriculum****Class/Lab/E-Learning**

8-200

Trainees may receive any of the following:

**BUSINESS SKILLS**

- Project Management
- Effective Communication Skills
- Customer Service Training
- Sales/Marketing Skills Training

**COMPUTER SKILLS**

- Microsoft Office Suite (Intermediate and Advanced)
- Oracle ERP Application
- Human Resource Information System Application

**CONTINUOUS IMPROVEMENT**

- Problem Solving
- Team Building
- Production Improvement
- Quality Control
- Operations Improvement
- Workflow Improvement
- Process Improvement
- FDA (Orthobiologics)
- ISO Training

**MANAGEMENT SKILLS (Managers Only)**

- Coaching and Developing
- Critical Skills
- Critical Thinking
- Problem Solving/Decision Making (management focus)
- Performance Management
- Leadership

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery.