

Full Application Process Fact Sheet

CHIPS Investment Process



Overview

All applicants who seek funding under the CHIPS Notice of Funding Opportunity for Commercial Fabrication Facilities (“the NOFO”) are required to submit a full application. The goal of the full application process is to conduct a thorough merit assessment to determine whether a project fulfills the evaluation criteria outlined in the NOFO and supports CHIPS strategic goals. It is also to determine which meritorious projects should enter a Preliminary Memorandum of Terms (“PMT”) and advance to the due diligence stage of the investment process. At a high-level, the full application process includes the following steps: (1) determine eligibility, completeness, and responsiveness, (2) conduct a merit assessment, and (3) develop a nonbinding Preliminary Memorandum of Terms.

If a potential applicant has submitted a pre-application, it should generally not submit a full application until after it receives written feedback on the pre-application or is otherwise invited by CPO to submit a full application. Because the full application is resource-intensive, CPO strongly recommends applicants consider any pre-application feedback when deciding whether to prepare and submit a full application.

CPO conducts a thorough process to evaluate each application holistically on its own merits and terms. The full application process often involves engagement between CPO and applicants to maximize the chance of achieving the program’s economic and national security objectives, including, for example, through discussing the scope of the proposed project(s) and the amount of CHIPS Incentives requested.

The CHIPS Incentives Program has received incentive requests far exceeding available funding, and the Department is eager to negotiate the best deal for the American taxpayer to ensure the funding can go as far as possible to advance U.S. economic and national security.

Eligibility Considerations

CPO conducts an eligibility, completeness, and responsiveness scan for full applications, including assessing for the following eligibility criteria:

- **Covered Entity:** An applicant must be a “covered entity” – a nonprofit entity; a private-sector entity; a consortium of private-sector entities; or a consortium of nonprofit, public, and private-sector entities with a demonstrated ability to substantially finance, construct, expand, or modernize a facility relating to fabrication, assembly, testing, advanced packaging, or production of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment. See 15 USC § 4651(2). In order to demonstrate the ability to substantially finance, construct, expend, or modernize a facility, applicants must show they can

successfully execute the type of project they are proposing. This is one of the ways in which CPO ensures taxpayers funds are spent responsibly. CPO will look for evidence of relevant expertise in company management, a history of executing projects of a similar nature, and evidence of ability to finance and certainty of that funding.

- **Eligible facility:** Funding must be for the construction, expansion, or modernization of facilities in the United States of the kind described in Section I.B.1 of the NOFO (which outlines the definitions of leading edge and current and mature front-end manufacturing as well as back-end manufacturing, wafer manufacturing or large supply chain facilities – i.e., with capital expenditures over \$300 million).
- **Foreign Entities of Concern:** The applicant cannot be a foreign entity of concern or submit an application where a foreign entity of concern — through control, access to information, or other mechanisms — poses an undue risk to a project or U.S. national security interests. See 15 USC § 4652(a)(2)(C)(v); § 4657; and § 4651(8).
- **Covered incentive:** Applicants must have been offered a covered incentive from a state or local jurisdiction (state or local incentive) where the project is located, for the purposes of attracting the construction, expansion, or modernization of the facility. More information on what is considered a covered incentive can be found [here](#).

As laid out in NOFO Section I.B.2, all covered entities must also: Make commitments to worker and community investments; secure commitments from regional educational and training entities and institutions of higher education to provide workforce training; have an “executable plan” to sustain the facility without additional CHIPS funding; have documented workforce needs and produced a strategy to meet such needs; have determined the types of semiconductor technology it will produce at the proposed facility and the customers to whom the items will be sold; have developed an “executable plan” to identify and mitigate relevant supply chain security risks, and have policies and procedures to combat cloning, counterfeiting, and relabeling of semiconductors, as applicable.

Applicants who do not satisfy these above criteria may be asked for additional information; if any deficiencies cannot be cured, they may receive a final and non-appealable decision denying the application. Further submissions by the same applicant for the project(s) proposed in a denied application will not be reviewed.

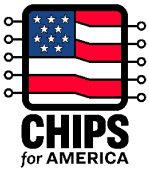
Merit Review

For eligible, complete, and responsive applications, CPO conducts a thorough merit review across the Evaluation Criteria outlined below to consider whether to advance the application through the process. CPO is looking for applicants to make a clear case for how their project will address the program’s strategic goals as laid out in the NOFO. If an applicant cannot make a clear case, it is unlikely CPO will advance the project to the due diligence phase.

Evaluation Criteria

CPO assesses full applications on the evaluation criteria as laid out in the NOFO:

- **Economic and National Security – *receives the greatest weight in application assessment.*** This criterion addresses an application’s potential impact on economic and national security objectives. Without a clear case for this criterion, it is highly unlikely CPO will determine the application should enter a PMT and proceed to the due diligence phase of the investment process, regardless of the other evaluation criteria. CPO will review, among other factors, how

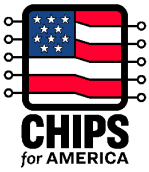


effectively the project enhances domestic supply chain resilience, contributes to end markets that align with U.S. strategic need, or support U.S. government national security needs. CPO will also evaluate the extent to which the CHIPS Incentives requested will incentivize the applicant to make investments in facilities and equipment in the United States that would not occur in the absence of the incentives.

- **Commercial Viability.** This criterion addresses the project’s long-term commercial viability to ensure there is a reasonable market environment and demand for the project’s output. CPO will review, among other factors, end-market demand and growth, size and diversity of customer base (including evidence of customer and details of customer commitments), existing and planned supply, expected volume and pricing dynamics, ability to counter potential technological obsolescence, and stability of key suppliers. As an example of how this review may be conducted during the merit review stage, with the company’s consent, CPO might talk to identified customers about their relationship with the company or their perspective on the market as a whole.
- **Financial Strength.** This criterion addresses the degree to which the project leverages private funding and other forms of government funding to lower the need for CHIPS incentives. CPO will review, among other factors, the reasonableness of the CHIPS funding request (including whether it conforms to the guidelines in the NOFO), the availability, clarity and certainty of outside (i.e., non-governmental) funding sources, financial strength of the applicant, and financial strength of the project based on projected cashflows.
- **Technical Feasibility and Readiness.** This criterion addresses the feasibility of execution of the project from construction to ongoing operational execution and maintenance. CPO will review, among other factors, the applicant’s organizational readiness, construction plan, technology and manufacturing process, and environmental risk.
- **Workforce Development.** This criterion addresses the degree to which the workforce development plans set out a coherent, achievable, and equitable strategy to address talent needs and generate the workforce needed to execute on the applicant’s project goals. CPO will review, among other factors, the quality of workforce strategic partnerships, plans to develop and retain a diverse workforce, and plans for childcare access. CPO will focus on both construction and facility workforce and the robustness of the applicant’s workforce plan, including its financial plan.
- **Broader Impacts.** This criterion addresses the degree to which the proposed project will provide broader public impacts including contributing to the broader R&D ecosystem and making continued capital and R&D investments in the U.S., as well as creating inclusive opportunities for businesses, making community investments, demonstrating climate and environmental responsibility, and showing domestic content preferences. CPO will review, among other factors, future domestic investment commitments and the extent of the applicant’s commitments to refrain from stock buybacks, the quality of the climate and environmental responsibility plan, supplier diversity plans, and community engagement plans.

Potential Outcomes

Based on the merit review, and other selection criteria as laid out in the NOFO, such as whether the project duplicates other projects funded by the Department or other Federal agencies, the CPO Investment Committee will make a recommendation that: (1) the application, or one or more projects in



it, is eligible for an award and the Department should prepare and offer the applicant a non-binding Preliminary Memorandum of Terms (PMT), which serves as a precursor to starting the due diligence phase), (2) the application should be held for later consideration pending review of other applications, or (3) the application should be denied, which is a final and non-appealable decision.

A non-binding PMT will include recommendations for the amount and form of any CHIPS Incentives and key terms that should be considered for inclusion in an award and may also include terms related to other strategic objectives. Applicants will have a chance to review and negotiate the proposed PMT and must countersign the document before moving into the due diligence phase.

To determine the CHIPS Direct Funding amount for a project, CPO will consider, among other factors, a project's financial model and expected cash flows, the project's estimated internal rate of return (IRR), the strategic importance of the project to U.S. economic and national security, the extent of private investment, the risks associated with the project, the amount and type of government financial assistance (including state and local incentives, and the Investment Tax Credit), the availability of program funds, and other factors.

A denial of the application may be based on eligibility, completeness, and responsiveness to the NOFO, as outlined above. A denial may also be based on the Evaluation Criteria described above. In either scenario, the decision will be a final and non-appealable decision. Further submissions by the same applicant for the project(s) proposed in a denied application will not be reviewed.