

Pre-Application Process Fact Sheet

CHIPS Investment Process



Overview

The pre-application process is an optional – but recommended – stage of the CHIPS Notice of Funding Opportunity for Commercial Fabrication Facilities (“the NOFO”) investment process. The pre-application process creates an opportunity for dialogue between the Department and potential applicants to ensure proposed applications will meet program requirements and address program priorities. The pre-application process improves the quality of full applications and reduces the volume of potentially ineligible full applications, ultimately saving time for applicants who are not likely to receive funding as a part of this NOFO.

The pre-application process culminates in a feedback letter to the applicant, which includes a review of pre-application strengths and weaknesses as well as one of the following recommendations for applicant next steps: (1) submit a full application, (2) submit a revised pre-application, or (3) do not submit a further pre-application or full application.

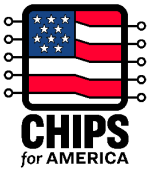
CPO conducts a thorough process to evaluate each application holistically on its own merits and terms. The pre-application process often involves engagement between CPO and applicants to maximize the chance of achieving the program’s economic and national security objectives, including, for example, 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. The Department is committed to identifying and negotiating the best deals for the American taxpayer to ensure our funding can go as far as possible to advance U.S. economic and national security.

Eligibility Considerations

Pre-applications are reviewed upon receipt for eligibility, completeness, and responsiveness. This initial eligibility scan focuses on the following non-exhaustive 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 the 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 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).

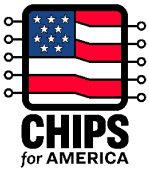
During this review, pre-applications that do not satisfy these criteria may receive a feedback letter outlining a preliminary, non-binding determination of ineligibility.

Review Criteria

For projects that are likely to be eligible, CPO conducts a detailed review to provide a preliminary assessment of the likelihood of a potential application receiving CHIPS Incentives. 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 recommend the application advance to a full application.

Pre-applications are assessed based on the below evaluation criteria with an emphasis on the first three criteria:

- 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 recommend the application advance to a full application, regardless of the other evaluation criteria. CPO will review, among other factors, how effectively the project creates domestic 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 customers 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, CPO might talk to identified customers about their relationship with the company or 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 private funding sources (including both third-party and company investments), the financial strength of the applicant, and the 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.
- **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.

Feedback Letters

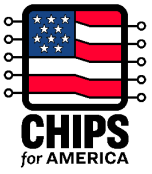
CPO’s review of the pre-application includes a written assessment of the strengths and weaknesses of the pre-application and any further recommendations for improvement, as appropriate, which it may share with the pre-applicant in the form of a feedback letter. Feedback letters include one of the following recommendations for applicant next steps: (1) submit a full application, (2) submit a revised pre-application, or (3) do not submit a further pre-application or full application.

Applicants not recommended to submit a further pre-application or full application generally fall into two categories: (1) applicants or projects who fail to meet eligibility requirements as laid out in the NOFO Section C.III.A., and (2) projects that do not adequately meet the Evaluation Criteria as outlined above.

Pre-application stage feedback and recommendations are not binding to the applicant or CPO. For example, applicants can still choose to submit a full application even if CPO recommends they not do so. However, CPO’s evaluation criteria and program priorities remain the same and, unless substantive changes are made to the application before full application submission, CPO would not anticipate a different outcome for a full application that has been encouraged not to submit.

Additionally, CPO’s pre-application feedback may, under limited circumstances, include a preliminary indication that the potential applicant is likely to receive a CHIPS Incentives Award, subject to certain conditions. Such applicants will be permitted to disclose the feedback letter including CPO’s preliminary indication with actual or potential financing sources for the proposed project on a confidential basis. CPO’s assessment of whether to include such a preliminary indication in its pre-application feedback letter will be based on CPO’s review of the pre-application under the evaluation criterion for economic and national security objectives set forth in NOFO Section V.A.1., as well as CPO’s confidence that the

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applicant is actively working to raise outside capital (so that CPO can support the catalyzing of outside capital), per the standards outlined in the financial strength evaluation criterion.