

CHIPS Act Webinar

MONDAY, MARCH 13TH, 2023

CHIPS Act Opportunities

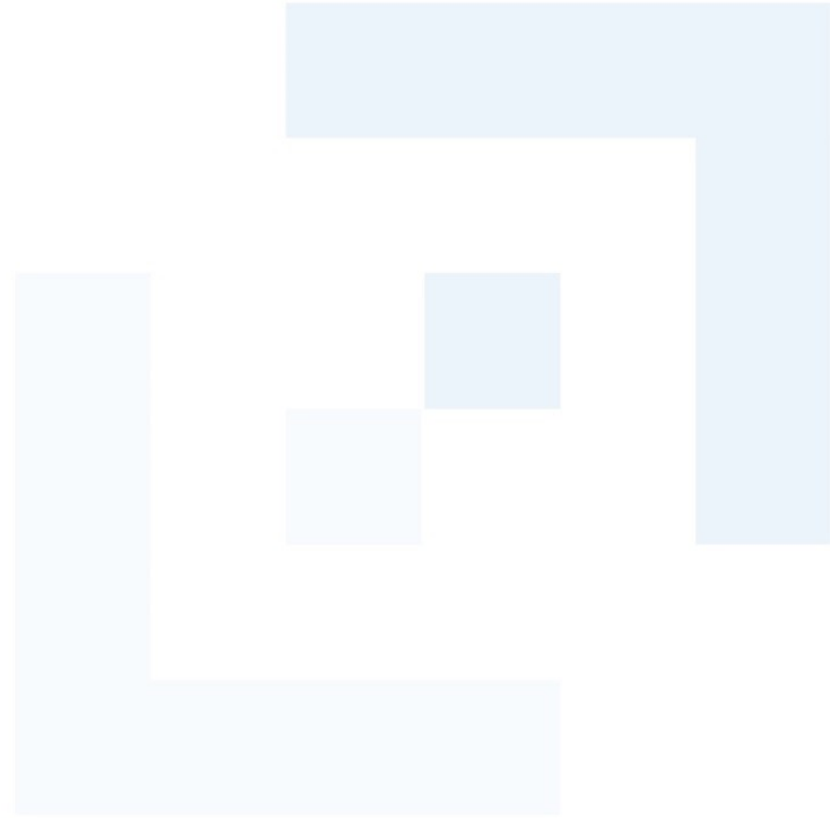
Eligibility and Required Steps under the Notice of Funding Opportunity released February 28, 2023

Mike Patterson – Spencer Fane LLP
Greater Phoenix Economic Council



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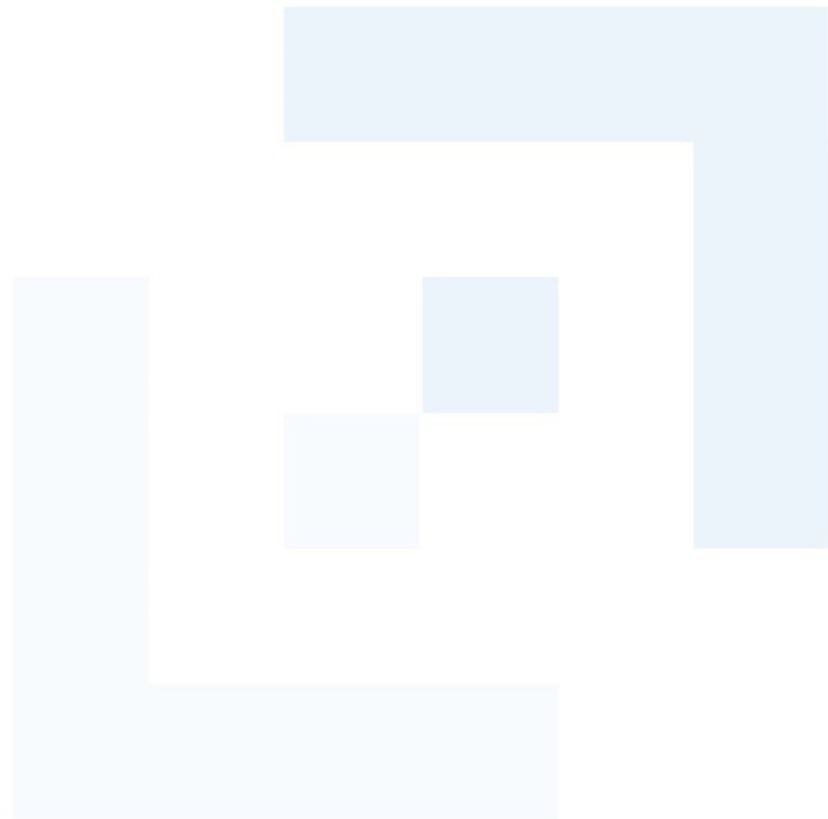
CHIPS Act Summary



CHIPS Act Summary

- Goals:
 - Boost American semiconductor research, development, and production
 - Secure the supply chain for semiconductor manufacturing
- Methods:
 - CHIPS Direct Funding: up to 5-15% of project capital expenditures
 - CHIPS Loans and CHIPS Loan Guarantees: together with direct funding, not expected to be more than 35% of project capital expenditures

Eligibility



Eligibility - Entities

- Applicant should be one of:
 - Nonprofit,
 - Private-sector entity, or
 - Consortium of private sector entities or a consortium nonprofit, public, and private-sector entities
- Ineligible entities:
 - Foreign entities of concern
 - Includes entities owned by, controlled by, or subject to the jurisdiction or direction of:
 - North Korea
 - China
 - Russia
 - Iran
 - Department has broad discretion in reviewing applications for any national security risks

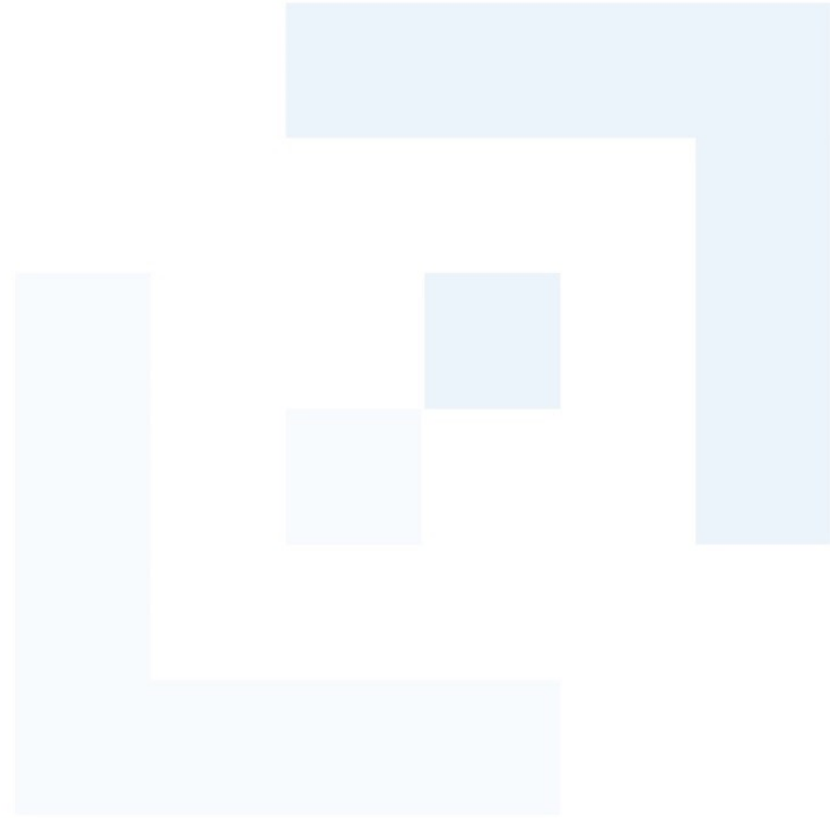
Eligibility - Projects

- Project must be accomplishing a physical facility change such as:
 - significantly enlarging an existing facility,
 - increasing the capacity of an existing facility via a material capital investment, such as by adding a new production line, and
 - upgrading an existing facility, such as to a new node or converting a facility from another use
- These facilities must be in the United States
- Applicant must demonstrate the CHIPs Act Funding is necessary for the project
- Applicant must have a documented interest in pursuing the project

Eligibility - NOFO

- Only one Notice of Funding Opportunity released so far
- This NOFO is limited to semiconductor manufacturers
- Four types of semiconductor manufacturers:
 - Leading-Edge Facilities
 - Current-Generation Facilities
 - Mature-Node Facilities
 - Back-End Production Facilities
- Additional NOFOs later in the year for equipment and materials manufacturers and research and development facilities

Steps



Steps

- Statement of Interest
 - Short description of the project by responding to specific questions in the application portal
 - Can be submitted by all potential applicants now
 - Should also register with System for Award Management ([SAM.gov](https://sam.gov))
- Pre-Application
 - More detailed description with financial information about the applicant and plans for the project
 - Optional but highly encouraged
 - Department will provide feedback

Steps

- Full Application:
 - Required for all applicants
 - More detailed information about the applicant and the project
 - Should take into account feedback from Pre-Application
 - Should not be filed until receipt of feedback on Pre-Application
- Preliminary Memorandum of Terms
 - Nonbinding term sheet offered if the Department wants to move forward with your application

Steps

- Due Diligence
 - Department will conduct due diligence on you and the project if reasonably likely to receive award
 - Will include environmental review
- Award Preparation and Issuance
 - Receipt of legal documents and money
 - Money will come in tranches tied to certain milestones determined based on the details of the project

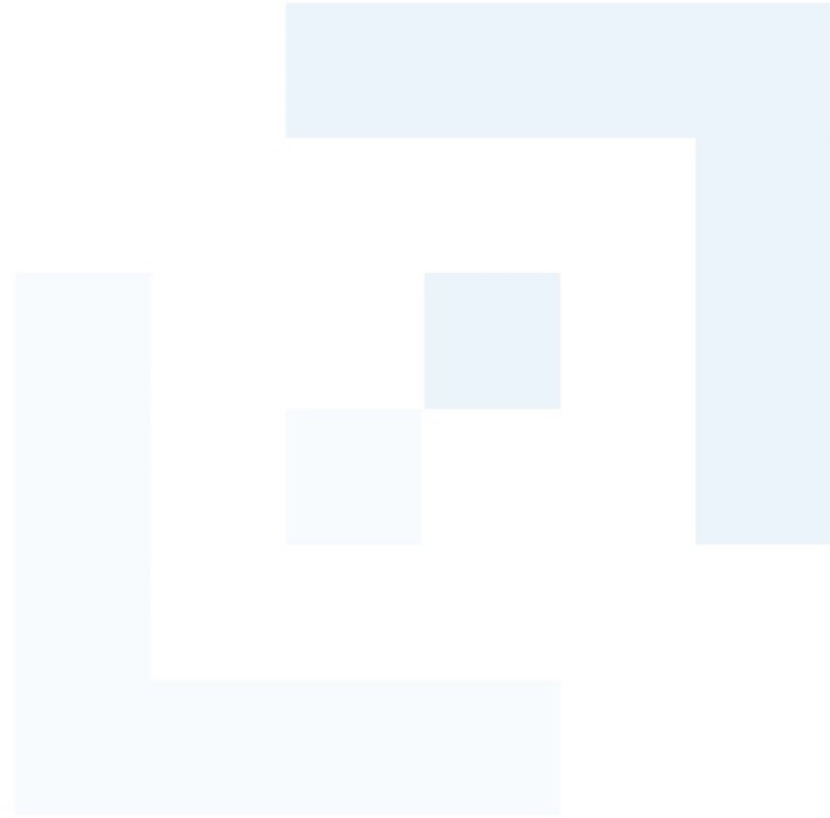
Steps - Key Dates

- February 28, 2023:
 - all entities that anticipate applying for CHIPS Act funding whether through this NOFO or a later one may begin submitting their Statements of Interest
- March 31, 2023:
 - Pre-Applications and Full Applications may begin to be submitted *for leading-edge projects only*.
- May 1, 2023:
 - Pre-applications may begin to be submitted for current-generation, mature-node, and back-end manufacturers.
- June 26, 2023:
 - Full applications may begin to be submitted for current-generation, mature-node, and back-end manufacturers.

Steps – Immediate Actions

- Prepare and submit a Statement of Interest
- Register your entity with System for Award Management ([SAM.gov](https://sam.gov)) if it is not already
- Discuss with industry partners and government actors to build the support network and secure state or local incentives necessary for a successful application

Priorities



Priorities

- Economic and National Security Objectives
- Commercial Viability
- Financial Strength
- Technical Feasibility and Readiness
- Workforce Development
- Broader Impacts

Priorities – Economic and Security Objectives

- Department wants to ensure that the application helps build semiconductor capacity in the U.S. and reduces reliance on foreign manufacturing
- Will consider a number of factors including:
 - Whether the type of facility fits in with U.S. strategic needs
 - To what extent it creates a more resilient supply chain of semiconductors
 - Applicant's ability supply chain resilience and risk management plan
 - The possibility of foreign entities to control, access information regarding, or otherwise pose a risk to the project

Priorities – Commercial Viability

- The Department is looking for projects that will viable over the long term
- Will consider:
 - Whether there is demand for the output
 - The presence of a strong customer base
 - The current and anticipated future supply of the output
 - Pricing models
 - The presence of a strong supply for any needed inputs

Priorities – Financial Strength

- Looking at whether the project will be able to handle financial stress
- Factors include:
 - Current and historical financials of the applicant and/or a parent company
 - The reasonableness of the planned capital expenditures
 - The likelihood that the project will be able to generate sufficient cash flows
 - The amount of private investment that has been committed
 - Whether CHIPS funding is necessary for the project to happen
 - The creditworthiness of the applicant and its parent company if the applicant is applying for Loans/Loan Guarantees

Priorities – Technical Feasibility and Readiness

- The Department is interested in projects that will get completed
- Factors include:
 - The experience and structure of the applicant and any past projects of similar scale as well as any key partners that the applicant will have in this project
 - Whether the applicant has the technological and manufacturing processes to execute the project including whether it has access to any needed intellectual property
 - The extent to which the applicant has a construction plan for the project and has begun the process of securing contracts for the construction
 - The likelihood of regulatory delays including in permitting or environmental reviews

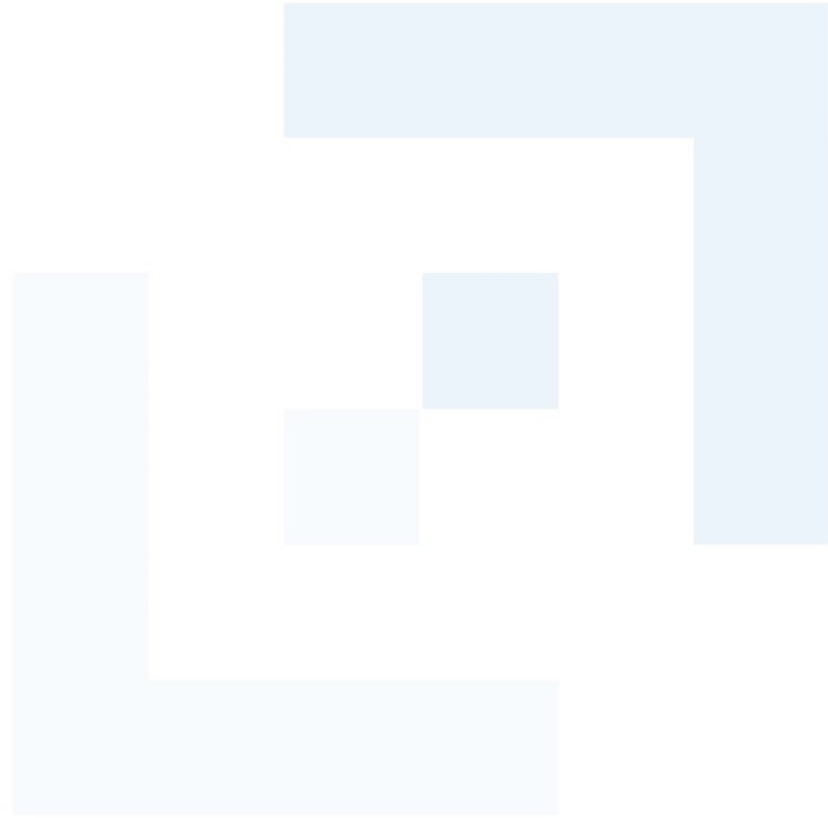
Priorities – Workforce Development

- Looking for applicants that have developed a strategy to develop the type of workforce needed for the facility
- Factors include:
 - Strategies to recruit talent.
 - Partnerships including with higher education institutions, high school career and technical education programs, and labor unions
 - An equity strategy to hire and retain a skilled and diverse facility and construction workforce
 - Particular focus on economically disadvantaged individuals
 - Recruitment and training for the construction workforce use of a project labor agreement
 - The applicant’s plan to provide access to child care facilities for facility and construction workers
 - this element is a requirement for applicants requesting over \$150 million in Direct Funding, but its presence will be factor for consideration for all applicants

Priorities – Broader Impacts

- The Department has broad discretion to take other factors into account when weighing the merits of an application
- Some of the possible impacts the Department will look at include:
 - Willingness to refrain from stock buybacks
 - Commitments to also building research and development facilities in the United States
 - Support for CHIPS research and development programs and participation in larger networks of higher education and employers
 - Plans to work with small, minority-owned, veteran-owned, and women-owned businesses
 - Climate and environmental responsibility plans
 - Development of local investments
 - Willingness to use iron, steel, and construction materials from the United States.

Final Thoughts



Important Links

- [CHIPS.gov](https://chips.gov)
 - Central hub for all information and applications under the CHIPS Act.
- [First NOFO](#)
 - The Notice of Funding Opportunity released February 28, 2023 related to semiconductor manufacturers.
- [Application Portal](#)
 - The online portal applicant will use to submit the Statement of Interest, pre-application, and full application.
- [Frequently Asked Questions](#)
 - An FAQ put together by the Department in connection with the first NOFO answering many common questions about eligibility and the application process.

Contact Information

- Mike Patterson, Spencer Fane LLP – mpatterson@spencerfane.com
- Patrick Lawhon, Spencer Fane LLP – plawhon@spencerfane.com
- Sean Fogarty, Greater Phoenix Economic Council - SFogarty@gpec.org

CHIPS Act

Evaluation Criteria & Compliance Requirements

Brett W. Johnson &
T. Troy Galan

Evaluation Criteria – how to get approved?

- Applications will be assessed against six criteria (qualitative, not numerical)
 1. **Economic and National Security Objectives***
 2. Commercial Viability
 3. Financial Strength
 4. Technical Feasibility and Readiness
 5. Workforce Development
 6. Broader Impacts
- First criterion is of “primary importance and receives the greatest weight”
- Remaining will receive equal weight
- Successful applicants must meet ALL criteria

Economic Security Objectives*

- Focus on:
 - Building sustainable domestic manufacturing capacity
 - Reducing U.S. reliance on vulnerable or overly concentrated production
 - Decoupling of supply chains
- Measured against:
 - The current and projected domestic demand for the project's output
 - Project's ability/capacity to serve several customers
 - Evidence of building a self-sustaining ecosystem
 - Potential for future upgrades and expansions

National Security Objectives*

- **Key Question –**
 - How will the project **support** & **protect** technologies used by the U.S. government?
 - Department of Defense
 - Critical infrastructure
- Resilience against threats from foreign entities
 - **Export Controls***
 - Demonstrate a mature compliance program
 - IP protections
 - Cybersecurity
 - Mitigation plan
- Supply chain resilience
 - Analysis of potential key chokepoints

Commercial Viability

- Long-term prospect for the proposed project
- Customer base – is there diversity in size and scope of target market?
- Economic resilience – sensitivity to cyclical fluctuations and economic downturns
 - Is there a plan in place?

Financial Strength

- Focus on the financials of the proposed project
 - Comprehensive breakdown of capital expenditures and other costs
 - **Pro tip:** submit at the pre-application stage
- Projected cashflow and economic sustainability
 - Heighten scrutiny expected for loans and loans guarantees
 - Can the project continue without the need of *additional* CHIPS Act funds?
- May want to show:
 - Private third-party funding
 - Support from state and local governments
 - **Bonus if secured before application submission**

Technical Feasibility and Readiness

- Is there a clear plan to take the project from Construction to Operational Execution?
 - **FOCUS:** do the applicant's key partners have the necessary experience to complete the project?
- **COMPLIANCE** –
 - Likelihood the project will face regulatory delays?
 - Applicants want to emphasize a demonstrated ability to navigate legal and regulatory hurdles
 - Experienced legal team

Workforce Development

- Commitment to **Good Jobs Principles**
 - Guidelines for Recruitment, Hiring, Management
 - Applies to
 - Construction workforce
 - Operating workforce
- Workforce Development Plan
 - Diversity
 - Underserved communities
 - Labor unions
- **Marketing tool** – leverage to obtain additional economic incentives from state or local governments.

Broader Impacts

- Analysis of CHIPS Act funding impact on surrounding communities
 - Applicant commitment to:
 - Refrain from stock buybacks
 - Invest in local R&D facilities
 - Collaborate with higher education institutions
- **COMPLIANCE** –
 - Strategy for engaging with business that are:
 - Minority-owned
 - Veteran-owned
 - Women-owned
 - Overall plan to develop local community investments

Eligible Funding Uses

- Must be specifically requested and approved
- May include:
 - Site development
 - Workforce development
 - Equipment (including financing)
 - Reasonable operating expenses
- Determined on a case-by-case basis
 - Should emphasize Office of Management and Budgeting criteria
- Not all activities requested by applicants will be eligible for funding
- OMB “Allowable” Uses

Funding Restrictions

- Prohibition on:
 - Engaging in “significant transactions” expanding semiconductor manufacturing in foreign countries of concern*
 - During a 10-year period
 - Enforced by written agreement
 - False Claims liability
 - No joint research and
 - No technology licensing with foreign entities of concern
 - Enforced by clawback provision of ENTIRE award
- Should consider Foreign Ownership Control in Investments principles (China...)

Bottom Line...

- Funding Main Objective – Strengthen National Security
 - Decoupling of supply chains
 - Onshoring manufacturing
- Application process requires compliance with various federal statutes and regulations
 - Some have recently been enacted into law
- Federal Monies Are Never Free
 - Successful applicants must ensure compliance with CHIPS Act provisions AND
 - Other federal statutes that may be applicable
 - Export Controls
 - CFIUS
 - False Claims Acts

Thank you

Questions?



Brett W. Johnson
Snell & Wilmer L.L.P.
One East Washington Street
Phoenix, Arizona 85004
bwjohnson@swlaw.com
(602) 382-6312

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Thank you.



Sean Fogarty

Vice President, International Business Development
Greater Phoenix Economic Council

T: 602.262.8611

E: sfogarty@gpec.org

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