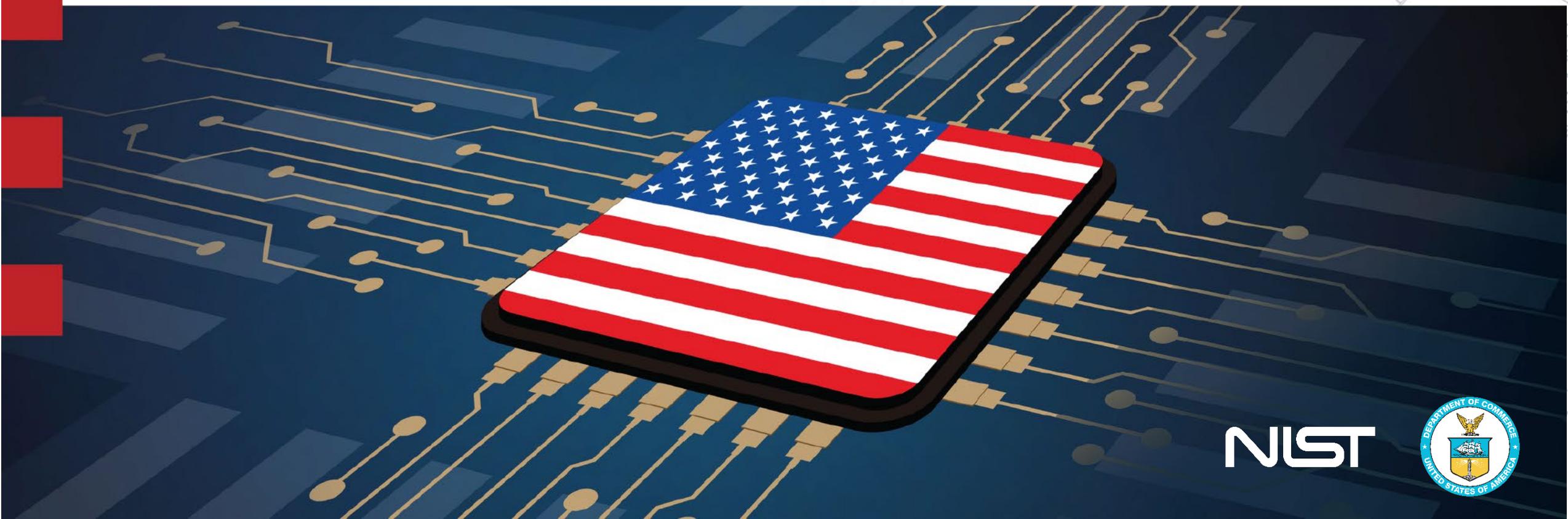
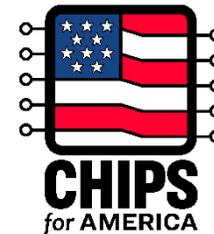


CHIPS for America Overview of Financial Information Required for Pre-Application and Full Application

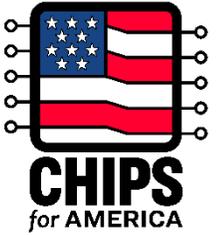
April 13, 2023



NIST



Today's CHIPS Program Office Speakers



Sara O'Rourke
Investment Office
Chief of Staff and Head
of Operations



Farha Faisal
Investment Office
Investment Director

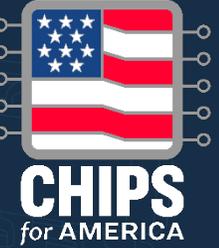


Mara Bollenbacher
Investment Office
Investment Director



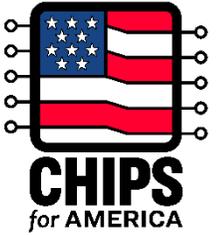
Jessica Stoneman
External and
Government Affairs
Public Engagement

AGENDA FOR TODAY



- **Overview of CHIPS for America – 10 mins**
- **Overview of Pre-Application and Full Application Financial Information Sections – 10 mins**
- **Pre-Application Financial Information Deep Dive – 30 mins**
 - Sources and Uses of Funds
 - Summary Financials
 - CHIPS Incentives Request
- **Full Application Financial Information Deep Dive – 20 mins**
 - Financial Plan
 - Sources and Uses of Funds
 - Project Cash Flow, Balance Sheet, and Income Statement Projections
 - Scenario Analysis
 - CHIPS Incentives Request
- **Next Steps, Additional Resources, and Q&A – 20 mins**

CHIPS for America Vision



Economic Security

The CHIPS Act will strengthen supply chain security and increase economic resilience in critical sectors.



National Security

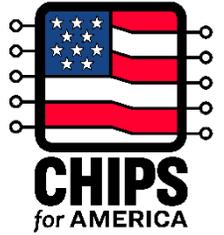
The CHIPS Act will ensure that the U.S. can manufacture advanced technologies, including secure chips for the U.S. military.



Future Innovation

The CHIPS Act will spur innovation, increase competitiveness, and ensure long-term U.S. leadership in the sector.

Funding Opportunities



February 28, 2023

1st Notice of Funding Opportunity

For commercial leading-edge, current, mature node fabrication and back-end facilities

Focus of today's webinar

Late Spring 2023

2nd Notice of Funding Opportunity

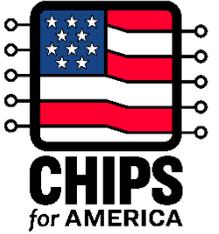
For material suppliers and equipment manufacturers

Fall 2023

3rd Notice of Funding Opportunity

To support the construction of semiconductor R&D facilities

Application Process



Submissions accepted as of...

Leading-edge

Current-gen, mature-node, and back-end

February 28, 2023

February 28, 2023

March 31, 2023

May 1, 2023

March 31, 2023

June 26, 2023

Focus for today!

1

Statement of interest (*open to all*)

2

Pre-application (optional) **Feedback**

3

Full application

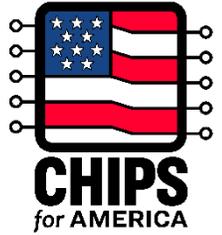
4

Due diligence

5

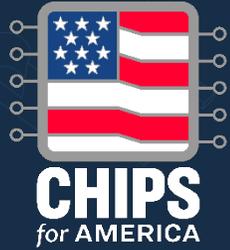
Award preparation

Pre-Application & Full Application



	Pre-Application	Full Application
Objective	<i>Create an opportunity for dialogue between CPO and the potential applicant to ensure the proposed application would meet program requirements and address program priorities</i>	<i>Enable the evaluation of the merit of proposed projects and the negotiation of preliminary terms of a potential award</i>
Level of Detail	Sufficient preliminary information on the proposed project(s) to provide a preliminary assessment of the likelihood of receiving CHIPS Incentives award and meaningful feedback on next steps	Extensive, detailed information on the proposed project(s) to enable a comprehensive evaluation of its merits and determine the potential CHIPS Incentives award

Program Priorities



Economic
and national
security
objectives



Commercial
viability



Financial
strength



Technical
feasibility
and
readiness



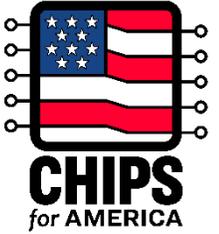
Workforce
development



Broader
impacts

Deep dive on next pages

Commercial Viability



Demand for the product

Size / diversity of customer base

Existing and planned supply

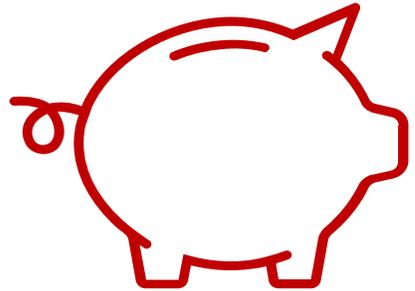
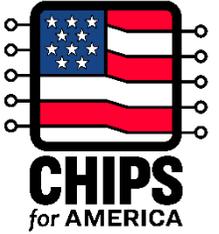
Expected volume and pricing dynamics

Ability to counter potential technological obsolescence of the facility

Stability and predictability of key supplies



Financial Strength

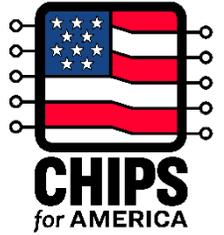


Financial strength of the applicant / parent

Financial strength of the project

Commitment of private/third-party investment

Reasonableness / suitability of CHIPS funding request



Financial Information Required

Pre-Application

Cover Page
Project Plan

▼ Financial Information

I. Financial Information Narrative 

II. Facility Ownership Structure 

III. Sources and Uses of Funds  

IV. Company Financials 

V. Summary Financials  

VI. CHIPS Incentives Request  

Environmental Questionnaire
Workforce Development

Legend

-  PDF Upload
-  Excel Upload
-  Web form

Full Application

Cover Page
Covered Incentive
Description of Project
Applicant Profile
Alignment with Economic Resilience and National Security Objectives
Commercial Strategy

▼ Financial Information

I. Financial Plan 

II. Sources and Uses of Funds 

III. Project Cash Flow, Balance Sheet, and Income Statement Projections 

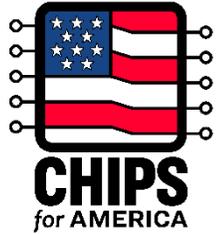
IV. Scenario Analysis 

V. CHIPS Incentives Request  

VI. CHIPS Loan or Loan Guarantee Request 

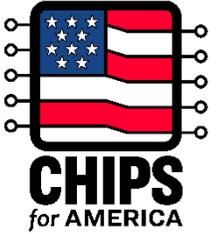
Project Technical Feasibility
Organization Information
Workforce Development Plan
Broader Impacts
Standard Forms

Financial Information Resources Available for Pre-Application and Full Application



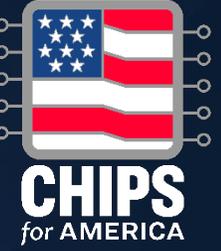
	Resource	For Reference	Required Use
All application stages	Commercial Fabrication Facilities Notice of Funding Opportunity	✓	
	Pre-Application Instructions	✓	
Pre-Application	Pre-Application Sources and Uses Template		✓
	Pre-Application Example Financial Model	✓	
	Pre-Application Example Financial Model White Paper	✓	
Full Application	Full Application Offline Template Sources and Uses		✓
	Sources and Uses of Funds Instructions	✓	
	Guiding Principles for Full Application Financial Model	✓	
	Full Application Offline Incentives Request		✓
	Incentives Request Instructions	✓	

These resources are available at [CHIPS.gov](https://chips.gov), feel free to download & follow along



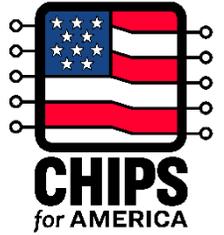
How will the CHIPS Program Office protect confidential business information throughout the application process?

- We are instituting robust protocols, technology solutions, and organizational practices to keep all data safe, secure, confidential, and limited in distribution. Application data will be housed in a secure environment, upholding NIST's FIPS 199 high impact requirements for cybersecurity and data protection.
- In general, applicant information will be accessible only to federal employees, consultants, and contractors who have a need to know, including application reviewers and key investment decision-makers, to carry out the government's responsibilities in connection with the CHIPS Incentives Program, or as otherwise required by law.



Pre-Application

Financial Information Deep Dive



Financial Information for Pre-Application

Pre-Application

Cover Page

Project Plan

Financial Information

 I. Financial Information Narrative

 II. Facility Ownership Structure

  III. Sources and Uses of Funds

 IV. Company Financials

  V. Summary Financials

  VI. CHIPS Incentives Request

Environmental Questionnaire

Workforce Development

Legend

 PDF Upload  Excel Upload  Web form

III. Sources and Uses of Funds

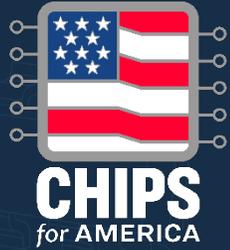
Information on project costs, the types of amounts of funding that will be used to cover those costs, and detailed operating cash flows until project breaks even on a cash flow basis

V. Summary Financials

Summary of the financial information, assumptions, and inputs underlying financial projections

VI. CHIPS Incentives Request

Summary of requested dollar amounts for CHIPS Direct Funding, how the financial information submitted supports program priorities and a description on how the sizing was based on applicable analyses



III. SOURCES AND USES OF FUNDS



Excel



Web Form

Materials Required

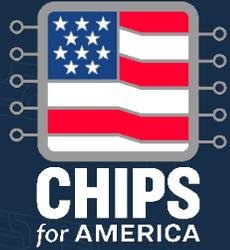
- Narrative**
Descriptive summary of the project costs and capital sources
- Spreadsheet Template**
Estimated figures for the project costs and capital sources for each facility reported and the aggregated total for all facilities
- Web Form**
Spreadsheet calculated totals for project uses, sources and the sum of state and local government incentives



Resources Available

- Pre-Application Instructions
- Pre-Application Sources and Uses Template

Deep Dive on the next page



III. SOURCES AND USES OF FUNDS

Pre-Application Sources and Uses Template



The **Sources and Uses spreadsheet template** contains multiple sheets:

- Complete a separate “S&U sheet” for each project
- Populate the “Summation across projects” sheet

i A “project” is a set of capital expenditures for the construction, expansion, or modernization of a single facility

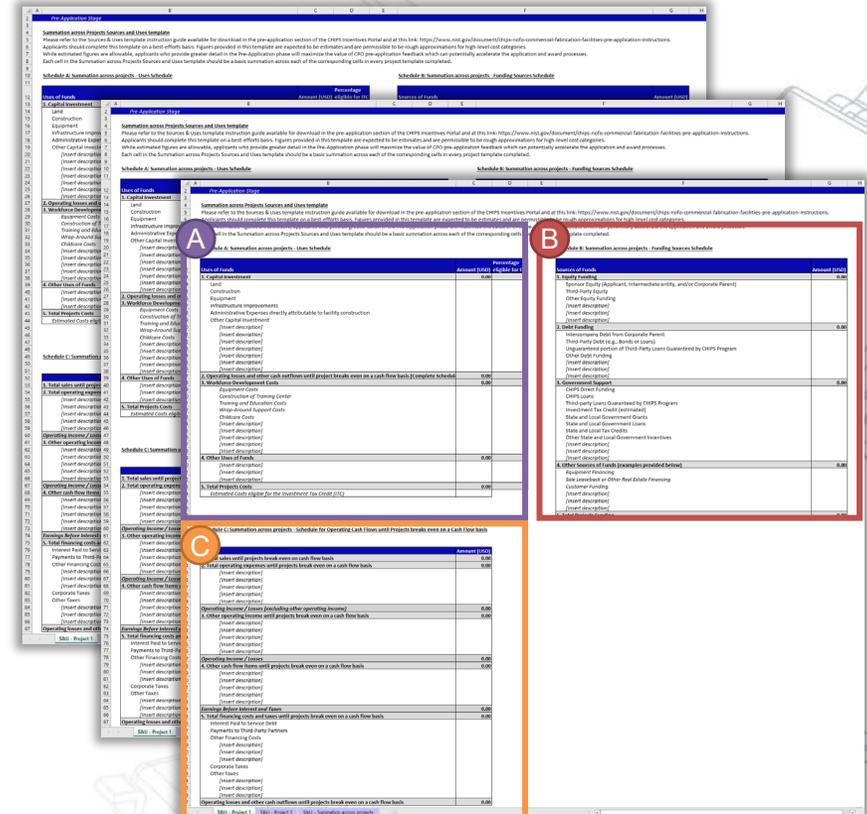
Each sheet contains 3 schedules

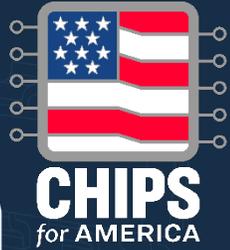
A Schedule A – Uses

B Schedule B – Funding Sources

C Schedule C - Operating Cash Flows until Project breaks even on a Cash Flow basis

D The summation sheet also contains Free Response Questions





III. SOURCES AND USES OF FUNDS

Pre-Application Sources and Uses Template



i On both the individual projects and summation sheet provide uses estimates

Components

1. Capital Investment

2. Operating losses and other cash outflows until project breaks even on a cash flow basis

3. Workforce development costs

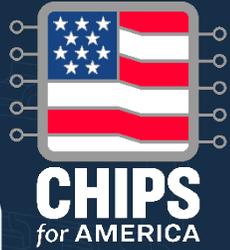
4. Other Uses of Funds

Schedule A: Project # – Uses Schedule

Uses of Funds	Amount (USD)	Percentage eligible for ITC
1. Capital Investment	0.00	
Land		
Construction		
Equipment		
Infrastructure Improvements		
Administrative Expenses directly attributable to facility construction		
Other Capital Investment		
[Insert description]		
2. Operating losses and other cash outflows until project breaks even on a cash flow basis (Complete Schedule)	0.00	
3. Workforce Development Costs	0.00	
Equipment Costs		
Construction of Training Center		
Training and Education Costs		
Wrap-Around Support Costs		
Childcare Costs		
[Insert description]		
4. Other Uses of Funds	0.00	
[Insert description]		
[Insert description]		
[Insert description]		
5. Total Projects Costs	0.00	
Estimated Costs eligible for the Investment Tax Credit (ITC)		

A Schedule A - Uses Schedule

Estimates for both hard/physical asset costs and soft/implementation costs in the cost estimate



III. SOURCES AND USES OF FUNDS

Spreadsheet template



i On both the individual projects and summation sheet provide sources estimates

B Schedule B: Funding Sources Schedule

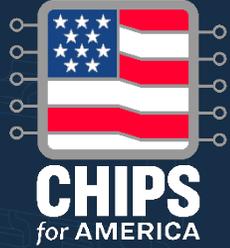
Estimates for all sources of funding that will contribute to the project

Components

- 1. Equity Funding
- 2. Debt Funding
- 3. Government Support
- 4. Other Sources of Funds

Schedule B: Project # - Funding Sources Schedule

Sources of Funds	Amount (USD)
1. Equity Funding	0.00
Sponsor Equity (Applicant, Intermediate entity, and/or Corporate Parent)	
Third-Party Equity	
Other Equity Funding	
[Insert description]	
[Insert description]	
[Insert description]	
2. Debt Funding	0.00
Intercompany Debt from Corporate Parent	
Third-Party Debt (e.g., Bonds or Loans)	
Unguaranteed portion of Third-Party Loans Guaranteed by CHIPS Program	
Other Debt Funding	
[Insert description]	
[Insert description]	
[Insert description]	
3. Government Support	0.00
CHIPS Direct Funding	
CHIPS Loans	
Third-party Loans Guaranteed by CHIPS Program	
Investment Tax Credit (estimated)	
State and Local Government Grants	
State and Local Government Loans	
State and Local Tax Credits	
Other State and Local Government Incentives	
[Insert description]	
[Insert description]	
[Insert description]	
4. Other Sources of Funds (examples provided below)	0.00
Equipment Financing	
Sale Leaseback or Other Real Estate Financing	
Customer Funding	
[Insert description]	
[Insert description]	
[Insert description]	
5. Total Projects Funding	0.00



III. SOURCES AND USES OF FUNDS

Spreadsheet template



i On both the individual projects and summation sheet provide operating cash flow estimates

C Schedule C - Operating Cash Flows until Project breaks even on a Cash Flow basis

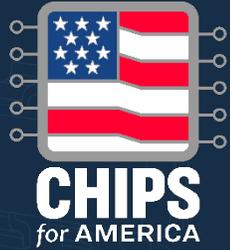
Detailed breakdown of estimated revenues, operating expenses, other operating income, other cash flow items and financing costs & taxes until project breaks even on a cash flow basis

Components

- 1. Total sales until projects break even on cash flow basis
- 2. Total operating expenses until projects break even on a cash flow basis
- 3. Other operating income until projects break even on a cash flow basis
- 4. Other cash flow items until projects break even on a cash flow basis
- 5. Total financing costs and taxes until projects break even on a cash flow basis

Schedule C: Project # - Schedule for Operating Cash Flows until Project breaks even on a Cash Flow basis

	Amount (USD)
1. Total sales until projects break even on cash flow basis	0.00
2. Total operating expenses until projects break even on a cash flow basis	0.00
[Insert description]	
Operating Income / Losses (excluding other operating income)	0.00
3. Other operating income until projects break even on a cash flow basis	0.00
[Insert description]	
Operating Income / Losses	0.00
4. Other cash flow items until projects break even on a cash flow basis	0.00
[Insert description]	
Earnings Before Interest and Taxes	0.00
5. Total financing costs and taxes until projects break even on a cash flow basis	0.00
Interest Paid to Service Debt	
Payments to Third-Party Partners	
Other Financing Costs	
[Insert description]	
[Insert description]	
[Insert description]	
Corporate Taxes	
Other Taxes	
[Insert description]	
[Insert description]	
[Insert description]	
Operating losses and other cash outflows until projects break even on a cash flow basis	0.00



III. SOURCES AND USES OF FUNDS

Spreadsheet template



i On the summation sheet, complete all applicable Free Response Questions

D Summation across projects – Free Response Questions

Six free response questions are included to allow the applicant to provide commentary

Questions (abbreviated)

- Question 1: Provide an explanation on how the equity injected into the project legal entity (by the applicant, its corporate parent or third-party partners) is funded...
- Question 2: If known, provide information on the key features and terms & conditions related to the debt funding raised by the applicant...
- Question 3: Explain how you estimated the value of the benefit from the Investment Tax Credit.
- Question 4: Are there any other state or local incentives that provide funding in a form that is not a direct grant or loan, such as reduced utilities costs, reduced taxes, etc.?

Question 1: Provide an explanation on how the equity injected into the project legal entity (by the applicant, its corporate parent or third-party partners) is funded. If debt is raised on the corporate parent's or third-party partner's balance sheet, outside of the project legal entity structure, and then downstreamed as equity, please provide details on the amount of debt attributable to this project.

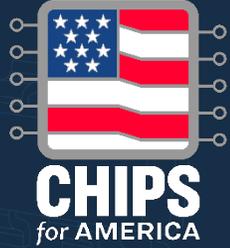
Question 2: If known, provide information on the key features and terms & conditions related to the debt funding raised by the applicant (e.g., Tenor, Fixed vs. Floating rate, Interest rate, Amortization features, pre-payment optionality).

Question 3: Explain how you estimated the value of the benefit from the Investment Tax Credit.

Question 4: Are there any other state or local incentives that provide funding in a form that is not a direct grant or loan, such as reduced utilities costs, reduced taxes, etc.? If yes, please describe and estimate incentive amount(s) through the life of the project, and through the time period until cash flows turn positive.

Question 5: Is there any other information related to Sources of Funds for the project or facilities that we should know?

Question 6: Is there any other information related to Uses of Funds for the project or facilities that we should know?



V. SUMMARY FINANCIALS

PDF



Excel



Materials Required



Dynamic, Integrated Spreadsheet
High-level summary of the expected revenues, costs, and cash flows for each project, including key income statement, cash flow statement, and balance sheet information

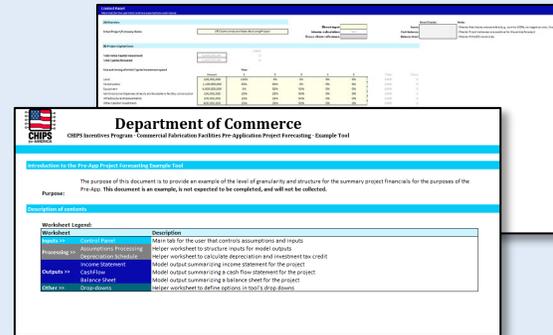


Narrative
Summary narrative and supporting evidence for key assumptions underlying the financial projections



Resources Available

Pre-application Example Financial Model



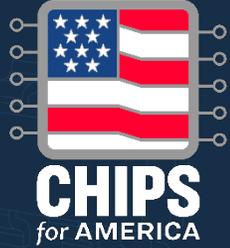
The tool may not appropriately meet the needs of all projects

Illustrative example of the level of granularity expected for the Summary Financials integrated spreadsheet

Usage of this specific tool is ***not*** a requirement for the pre-application submission

See *Pre-application Financial Model White Paper* for additional guidance on how to use the financial model tool

[Deep Dive on the next page](#)



V. SUMMARY FINANCIALS

Example Financial Model

PDF

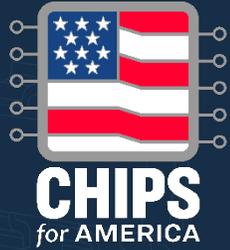


Excel



i No inputs are required for the processing and outputs worksheets

Worksheet	Description	
Inputs	<i>Control Panel</i>	Key project assumptions and inputs – <i>more detail on the next page</i>
Processing	<i>Assumptions Processing</i>	Processing worksheet that structures the inputs from the control panel to produce outputs in the financial statement
	<i>Depreciation Schedule</i>	Calculates the depreciation of the project's capital costs and the estimates the benefit from the Investment Tax Credit (ITC)
Outputs	<i>Income Statement</i>	Income, or profit and loss, statement that has been generated using the assumptions entered, revenues and operating expenses are shown in absolute terms
	<i>Cashflow</i>	Cash flow statement for the project; debt service coverage analysis, showing the project's ability to pay debt service in each period; and cash flow to equity, showing the cashflows for the equity position in the project
	<i>Balance Sheet</i>	Brings together all the flows, cash and non-cash, to show the “accumulation” of each type of asset and liability/equity at the end of each period



i Inputs may not appropriately meet the needs of all projects and applicants may want to reflect additional complexities in their materials

V. SUMMARY FINANCIALS

Example Financial Model - *Inputs, Control Panel*



A. Overview

Control Panel
Main tab for the user that controls assumptions and inputs

(A) Overview

Enter Project/Company Name: Direct input:
Interim calculation:
Cross sheet reference:

(B) Project Capital Costs

Total Initial Capital Investment: Check: 0
 Total Capital Allocated: Check: 0

Size and timing of initial Capital Investment spend

	Amount	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Check
Land	100,000,000	100%	0%	0%	0%	0%	100%	0
Construction	1,100,000,000	50%	50%	0%	0%	0%	100%	0
Equipment	6,000,000,000	0%	50%	50%	0%	0%	100%	0
Administrative Expenses directly attributable to facility construct	100,000,000	25%	25%	50%	0%	0%	100%	0
Infrastructure Improvements	100,000,000	25%	25%	50%	0%	0%	100%	0
Other Capital Investment	600,000,000	25%	25%	50%	0%	0%	100%	0

Ongoing annual capital investment (after facility initiates operation) Check: 0
 Annual cost as a % of initial capital investment spend:
 Start year:

(C) Project Revenue

Unit production capacity, Monthly: Check: 0
 Unit price in first year of production: Check: 0
 Annual change in unit price:

Unit production ramp up (% of total capacity)

Start year	End year	# years	Check
<input type="text" value="2"/>	<input type="text" value="4"/>	<input type="text" value="3"/>	<input type="text" value="0"/>

(D) Operating Costs

	Run Rate Cost	Annual change after production r:	Check
Materials / Consumables / Chemicals	500,000,000	-3%	0
Labor	400,000,000	0%	0
Utilities	200,000,000	-2%	0
SG&A	300,000,000	-5%	0
R&D	150,000,000	-8%	0
[Other Costs #1]	0	0%	0
[Other Costs #2]	0	0%	0
[Other Costs #3]	0	0%	0

(E) Debt Assumptions

	Senior debt	Subordinated debt	Check
Annual interest rate (%)	5.00%	8.00%	0
Tenor (years)	10	8	0
Amortization start (year)	4	4	0
Loan structure	Amortizing	Amortizing	0
Total loan amount	1,500,000,000	1,500,000,000	0
Loan disbursement start	1	1	0
Loan disbursement end	3	3	0
# years	3	3	0

B. Project Capital Costs

C. Project Revenue

D. Operating Costs

E. Debt Assumptions

Continued on the next page...



V. SUMMARY FINANCIALS

Example Financial Model - *Inputs, Control Panel*

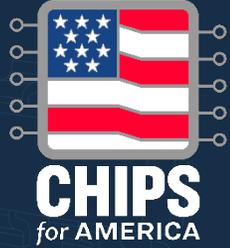
PDF



Excel



i Inputs may not appropriately meet the needs of all projects and applicants may want to reflect additional complexities in their materials



G. Tax Assumptions

(F) Project Financing Assumptions

Size and timing of Equity and Grant Contributions

	Amount	Year					Total
		1	2	3	4	5	
Equity Contributions	5,000,000,000	33%	33%	33%	0%	0%	100%
CHIPS Direct Funding Contributions	0	33%	33%	33%	0%	0%	100%
State and Local Incentives	0	33%	33%	33%	0%	0%	100%

F. Project Financing Assumptions

(G) Tax Assumptions

Overall Tax Rate	21%	Check	0
Investment Tax Credit (ITC)	25%		0
% of Qualifying Depreciable Capex for ITC	82%		0

(H) Depreciation Assumptions

	Years	Check	
Construction	15		0
Equipment	6		0
Administrative Expenses directly attributable to facility construction	6		0
Infrastructure Improvements	6		0
Other Capital Investment	6		0
Ongoing annual capital investment (after facility initiates operation)	6		0

H. Depreciation Assumptions

I. Working Capital Assumptions

(I) Working Capital Assumptions

Days in Receivables	30	Check	0
Days Inventory	30		0
Days in Payables	30		0
Months Debt Service to Restricted Cash	6		0

J. Distributions

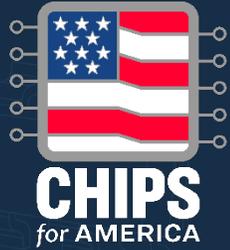
(J) Distributions

Year distributions start	5	Check	0
Minimum cash balance	150,000,000		0

	Year	1	2	3	4	5	6	7
Period Cash Balance (Pre Distribution)		1,937,916,667	2,210,353,556	3,236,610,581	4,045,177,960	4,806,144,563	813,325,771	714,016,667
Period Cash Balance (Post distribution)		1,937,916,667	2,210,353,556	3,236,610,581	4,045,177,960	150,000,000	150,000,000	150,000,000
Distribution		0	0	0	0	4,656,144,563	663,325,771	564,016,667

Cash Balance Check

0 0 0 0 0 0 0



VI. CHIPS INCENTIVES REQUEST



Materials Required



Web Form

A summary of the funding request and available credit ratings



Written Responses

- Narrative description for how the financial information submitted supports a conclusion that the CHIPS Incentives requested will incentivize the applicant to make investments in facilities and equipment in the U.S.
- Description of how the CHIPS Incentives requested were sized based on applicable analyses and why the request is appropriate



Resources Available

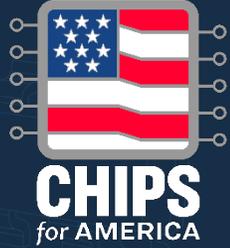
- Pre-Application Instructions

Deep Dive on the next page



VI. CHIPS INCENTIVES REQUEST

Web Form Instructions



CHIPS Incentive Request Summary

Indicate the type of incentive requested, requested dollar amounts and relevant terms associated with the request

CHIPS Direct Funding Request

CHIPS Loans Request

CHIPS Loan Guarantee Request

Credit Rating Summary

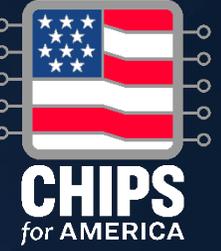
Provide the most recent credit ratings applicable to the borrowing entity and its corporate parent / sponsor

Borrowing entity for Project

Corporate Parent / Sponsoring Entity

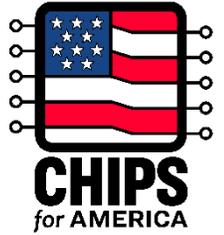
Credit Rating of Borrowing Entity

Credit Rating of Corporate Parent / Sponsoring Entity



Full Application

Financial Information Deep Dive



Financial Information for Full Application

Full Application

Financial Information

 **I. Financial Plan**

 **II. Sources and Uses of Funds**

 **III. Project Cash Flow, Balance Sheet, and Income Statement Projections**

 **IV. Scenario Analysis**

  **V. CHIPS Incentives Request**

 **VI. CHIPS Loan or Loan Guarantee Request**

I. Financial Plan

Detailed description of project financial plan, including sources and uses of funds, cash flow projections, key equity return and debt service metrics, CHIPS incentives request, sensitivity analyses, and supporting evidence for key assumptions

III. / IV. Project Cash Flow, Balance Sheet, and Income Statement Projections & Scenario Analysis

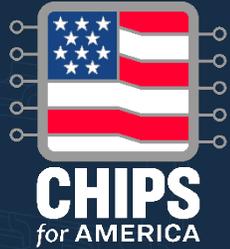
Project-level financial statements should include detailed cash flow, income and balance sheet statements for each facility, through the end of the facility's useful life, and stressing model parameters under a range of scenarios or assumptions

V. CHIPS Incentives Request

Summary and rationale of requested dollar amounts for CHIPS Direct Funding, how the financial information submitted supports program priorities and a description of specific efforts to date to bring other capital

Legend

 PDF Upload  Excel Upload  Web form



I. FINANCIAL PLAN



Materials Required

Financial Plan

Detailed description of project financial plan including,

- *Sources and Uses of Funds* – written summary of the project costs and capital sources
- *Cash Flow projections* – description and justification on the assumptions and methodology used for use the financial model
- *Key equity return and debt service metrics* – description and justification for metrics used in the financial model
- *CHIPS Incentives request* - narrative description of rationale and justification for the incentives request
- *Scenario Analyses* - description of rationale for the scenarios selected and summary of the financial resilience of each project

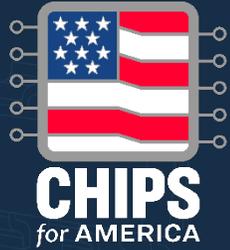
Pre-App and Full App Comparison

- Both Pre-App and Full App require a summary narrative for the financial information
- However, the Full Application requires a **financial plan per project proposed** and incorporates narratives on **cash flow projections, key equity return and debt service metrics** and the **sensitivity analysis**



Resources Available

- Commercial Fabrication Facilities Notice of Funding Opportunity
- Guiding Principles for Full Application Financial Model



III. / IV. PROJECT CASH FLOW, BALANCE SHEET, AND INCOME STATEMENT PROJECTIONS & SCENARIO ANALYSIS



Materials Required

III. / IV. Dynamic, Integrated Spreadsheet

Project-level financial statements should include detailed cash flow, income and balance sheet statements for each facility, through the end of the facility's useful life as well as a scenario analysis with stressing model parameters under a range of scenarios or assumptions

IV. Scenario Analysis - Narrative

Description of rationale for the scenarios selected and summary of the financial resilience of each project

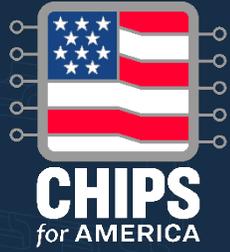
Pre-App and Full App Comparison

- Both Pre-App and Full App require dynamic, integrated spreadsheet for project financial information
- However, the Full Application also requires **more detailed inputs and assumptions**, the **addition of key performance and risk metrics**, and a range of embedded **scenario analysis**

Resources Available

- Guiding Principles for Full Application Financial Model

[🔍 Deep Dive on the next page](#)



III. / IV. PROJECT CASH FLOW, BALANCE SHEET, AND INCOME STATEMENT PROJECTIONS & SCENARIO ANALYSIS

PDF



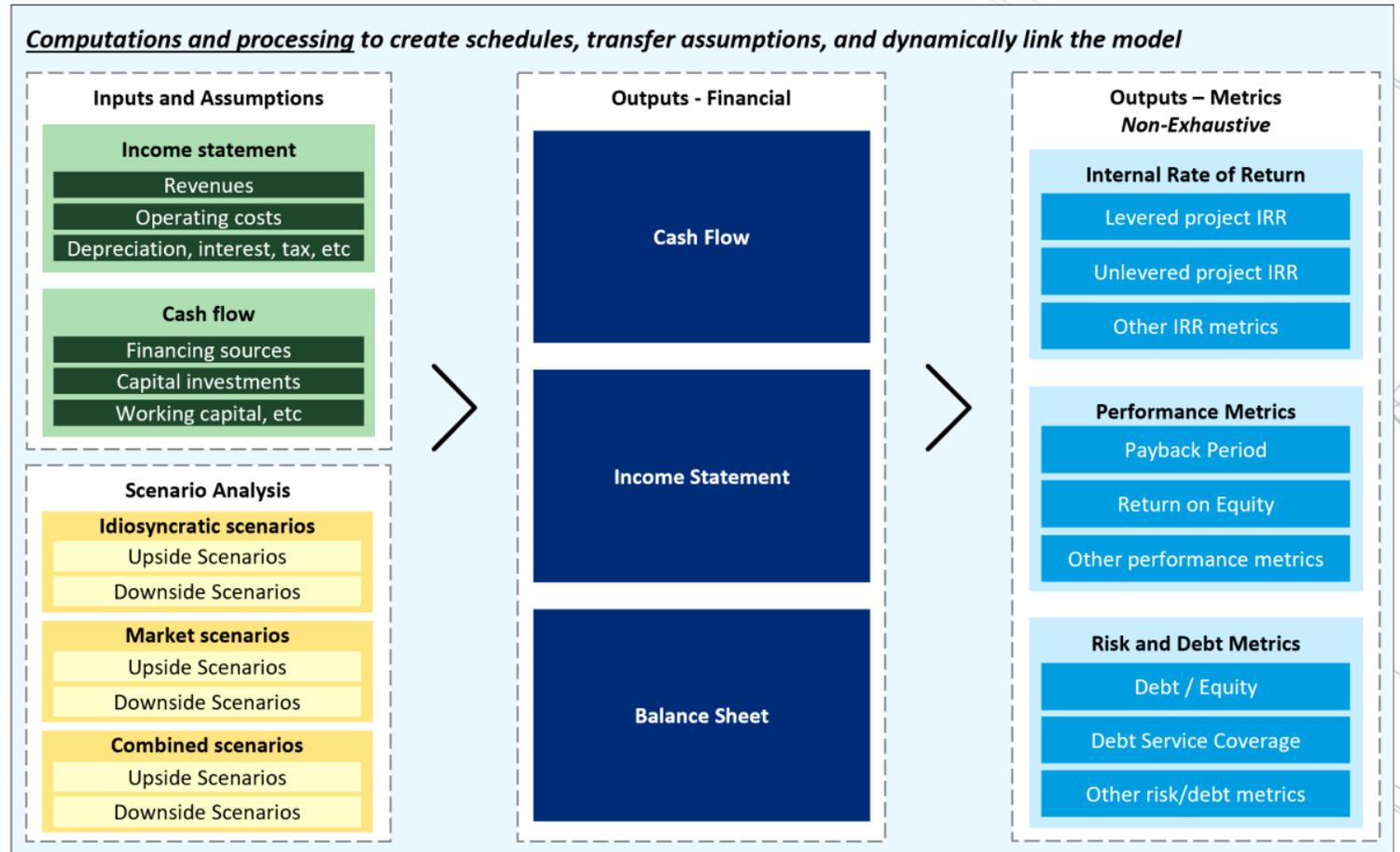
Excel

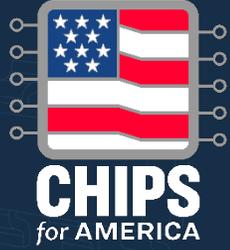


Guiding Principles

A Model Structure

Model worksheets should be fully dynamic and linked through formulas and calculations, rather than hardcoded values, to allow traceability across the various inputs, processing, and output spreadsheets





III. / IV. PROJECT CASH FLOW, BALANCE SHEET, AND INCOME STATEMENT PROJECTIONS & SCENARIO ANALYSIS

Guiding Principles

PDF



Excel



Principle

Description

Consistency

Assumptions should generally have a **consistent level of detail** across the model, informed by the **size and complexity of the project** and the **level of detail** the applicant uses to evaluate its business

Reasonableness

Assumptions should be **sensible** and **derived from reputable data sources**

Functionality

Assumptions should be broken down into a **comprehensive set of underlying drivers**, there should be **traceability** to all underlying components, such that they can be **validated and sensitized**

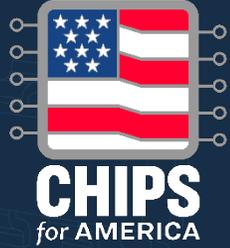
B

Granularity

Detailed financial inputs are critical for a comprehensive review of the project's financial strength



Submissions that lack sufficient granularity may require requests for additional information, which could cause delays in the review process



III. / IV. PROJECT CASH FLOW, BALANCE SHEET, AND INCOME STATEMENT PROJECTIONS & SCENARIO ANALYSIS

Guiding Principles

PDF



Excel

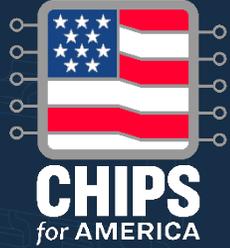


C

Metrics

Applicants should capture key outputs in the form of internal rate of return (IRR), financial performance metrics, and risk and debt service metrics

Principle	Description
<i>Relevance</i>	Metrics should reflect the most appropriate measures of performance and risk based upon the project type and underlying business
<i>Comprehensive</i>	Applicants should include all metrics needed to assess project risks and performance
<i>Standardized</i>	Metrics should be consistent with industry standards and best practices



III. / IV. PROJECT CASH FLOW, BALANCE SHEET, AND INCOME STATEMENT PROJECTIONS & SCENARIO ANALYSIS

PDF



Excel



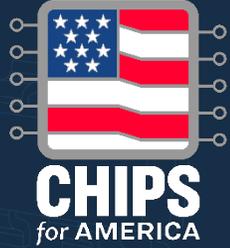
Guiding Principles

D

Scenario Design

Scenario analyses should flow through the end-to-end model to demonstrate the impact on the output financials as well as the risk, performance, and return metrics

Principle	Description
<i>Appropriateness</i>	Scenarios should reflect historical events or hypothetical situations to test how a project would perform under a range of possible outcomes with varying degrees of likelihood of occurring
<i>Variety</i>	Define and test a diverse range of scenarios and magnitudes to comprehensively assess key project risks and upsides.
<i>Impact</i>	Scenarios that are highest impact on the forecast should be prioritized to understand what the most material risks to the project are and how they impact the risk and return distributions
<i>Directionality</i>	Scenarios should show how the project performs under a variety of positive and negative scenarios to show the upside and downside ranges that may occur
<i>Timing</i>	Scenarios should assess impacts across the useful life of the facility to understand the stress at other points that may cause the project to become at risk



V. CHIPS INCENTIVES REQUEST



Materials Required



Spreadsheet Template

A summary of the funding request and available credit ratings



Narrative

Narrative description that includes the rationale for the incentives request, how the financial information submitted supports a conclusion that the CHIPS Incentives requested will incentivize the applicant to make investments in facilities and equipment in the U.S., description of how the CHIPS Incentives requested were sized based on applicable analyses and why the request is appropriate, and description of specific efforts to date to bring other capital

Pre-App and Full App Comparison

- Both Pre-App and Full App require summary of the funding request and accompanying narratives
- However, the Full Application requires **exact amounts** for the funding request in spreadsheet format as well as a **rationale for the incentives request** and a description of **specific efforts to bring other capital**

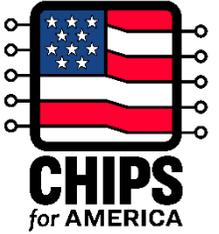


Resources Available

- Incentives Request Instructions
- Full Application Offline Incentives Request

Recap: Financial Information

Key Differences



	Pre-Application	Full Application
Sources and Uses of Funds & CHIPS Incentives Request	Figures provided are expected to be estimates and are permissible to be rough approximations for high-level cost categories	Figures expected to be completed on a best-efforts basis with exact amounts and additional breakdown of categories
Dynamic, Integrated Spreadsheet	High-level summary of the expected revenues, costs, and cash flows for each project	Detailed project cash flow, income statement, and balance sheet projections and relevant performance and risk metrics for each project Scenario analysis to explore potential outcomes and evaluate financial resilience of each project

HOW TO SUBMIT A PRE-APPLICATION



Pre-application is strongly recommended for current-generation, mature-node, or back-end production facilities



Earliest submission for leading edge applicants March 31, 2023

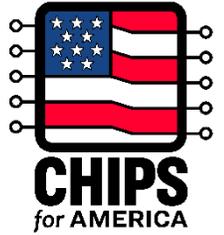
Earliest pre-application submission for current-generation, mature-node or back-end production facilities May 1, 2023



The pre-application may be submitted a minimum of 21 days following the submission of a Statement of Interest (SOI)

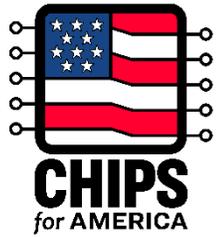


Submit the pre-application through applications.chips.gov



Next Steps

- Submit a Pre-Application & Full Application - *resources listed in the next page*
- Visit [CHIPS.gov](https://chips.gov) for additional resources
- Join our mailing list
- Contact us
 - askchips@chips.gov – general inquiries
 - apply@chips.gov – application-related inquiries



PRE-APPLICATION & FULL APPLICATION SUBMISSION RESOURCES AVAILABLE

PRE-APPLICATION RESOURCES

General

- [Pre-Application Instructions](#)

Sources and Uses of Funds

- [Pre-Application Sources and Uses Template](#)

Summary Financials

- [Pre-Application Example Financial Model White Paper](#)
- [Pre-Application Example Financial Model](#)

Environmental Questionnaire

- [Pre-Application Environmental Questionnaire](#)

FULL APPLICATION RESOURCES

General

- [Cover Page Instructions](#)
- [Guiding Principles for Full Application Financial Model](#)

Incentives Request

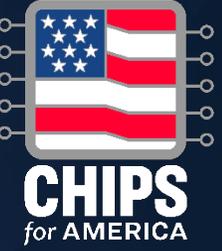
- [Incentives Request Instructions](#)
- [Full Application Offline Incentives Request](#)

Sources and Uses of Funds

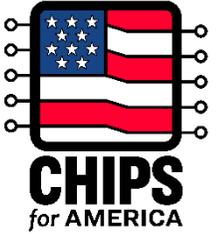
- [Sources and Uses of Funds Instructions](#)
- [Full Application Offline Template Sources and Uses](#)

Environmental Questionnaire

- [Environmental Questionnaire](#)



Question and Answers

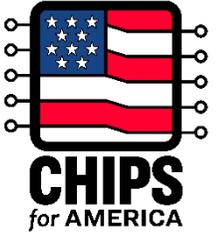


? Are operating expenses able to be covered by incentives? What classifies as reasonable direct operating expenses eligible for funding?

CPO incentives may be used to “pay reasonable costs related to the operating expenses” for an applicant’s stated project, such as **specialized workforce, essential materials, and complex equipment maintenance.**

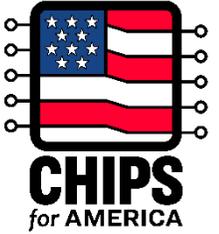
? Is third party financing required as part of the application or just encouraged?

Third party financing is not required, but it is preferred. The CHIPS Program Office will give **preference to projects based on the degree to which they have activated significant private capital, whether from the applicant and/or from third parties**, as a proportion of their total project cost. This will increase the scale of investment available and ensure that CHIPS funding complements private markets rather than crowding them out.



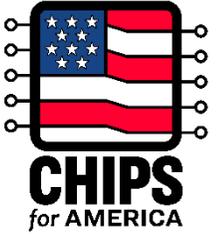
For the pre application, do we have to use the example financial model that the CPO has provided? Or is it OK to use our own model. If we are using our own model, is it OK for the model to be structured differently than the CHIPS example model?

The use of the example CHIPS financial model tool is not a requirement for the CHIPS optional pre-application submission. Any materials submitted that fulfill the requirements of the “Summary Financials for the Project” portion of the Pre-Application is acceptable. To the extent management models align with the guidelines for Financial Statements in the NOFO, we would encourage applicants to submit those models.



Our company is in the initial stages of determining whether we should undertake a new project. We are not at an advanced stage of planning yet, so any application we submit would lack granularity. How should we proceed?

The CHIPS Program Office anticipates that some potential applicants may be in earlier stages of developing the project(s) for which they intend to apply for CHIPS Incentives. Pre-applications are particularly useful in this scenario, as it enables the CHIPS Program Office to provide meaningful feedback to the potential applicant.

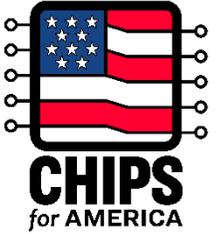


? What is the maximum award amount that I can apply for?

There is no set maximum for how much an applicant may request or receive in CHIPS Incentives. The Federal investment from the CHIPS Incentives Program in an individual project may not exceed \$3 billion unless it is certified to Congress that the larger investment is necessary to: (1) significantly increase the proportion of reliable domestic supply of semiconductors relevant for national security and economic competitiveness that can be met through domestic production; and (2) meet the needs of national security.

? Can a project receive more than one type of funding?

Yes, a CHIPS award may include a combination of direct funding (i.e., a grant, cooperative agreement, or other transaction), loans, and loan guarantees.



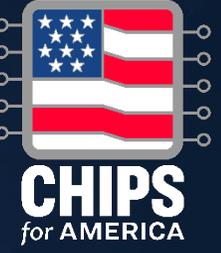
For the project revenue in the control panel of the example financial model, CPO requires the unit price in first year of production. In the semiconductor industry, wafer output from a manufacturing facility is frequently "sold" via internal company transfer. Is this the sort of sales information you are seeking, or are you trying to link or approximate output to finished product sales (which happens downstream, after other processing steps)?

The objective of the financial model is to capture the project's profitability as accurately as possible. Therefore, the unit price used to calculate the revenue of the wafer output should reflect the value of each individual wafer produced (e.g., the finished product sales after netting out any expected costs and related reasonable margins from the downstream processes, such as back-end processing). It may align with the internal company transfer "price", however, the applicant should clearly rationalize in their narrative why the selected "unit price" is appropriate for use. As a reminder, the use of the example CHIPS financial model tool is not a requirement for the CHIPS optional pre-application submission.



The example financial model asks for grants from state and local incentives under the project financing assumptions. Is this for grants only?

For the state and local incentives, this line item is intended to capture awards in the form of grants (or grant-like incentives). However, if a project is receiving other types of state and local incentives (e.g., tax benefits) those should also be reflected in the financial model. These capabilities are not currently in the example pre-app model and therefore may require the user to make modifications or use their own internal models. As a reminder, the use of the example CHIPS financial model tool is not a requirement for the CHIPS optional pre-application submission.



Thank you