

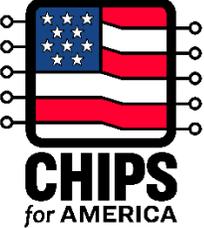
CHIPS for America

How Private Capital Can Chip In



October 27, 2023

Today's Speakers



Srujan Linga
Senior Investment &
Financial Structuring Director,
Head of Financial Structuring



Farha Faisal
Investment Director

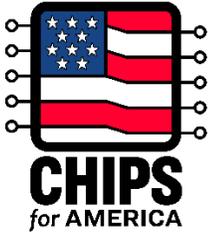


Caroline Sambuco
Investment Principal



Harry Finegold
Investment Principal

CHIPS for America Vision



Economic Security

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



National Security

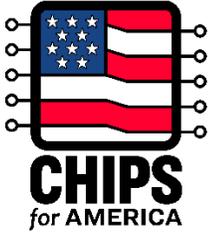
The CHIPS Act will support U.S. manufacture of high-quality and secure chips for defense and other critical infrastructure applications.



Future Innovation

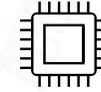
The CHIPS Act will spur innovation, increase competitiveness, and ensure long-term U.S. sector leadership.

Vision for Success: Materials and Equipment Facilities



Strengthen Supply Chain Resilience

- ✓ The **U.S. and its allies** will reduce **chokepoint risks** flowing from **geographic concentration**
- ✓ Supply chain participants will improve the **transparency of demand and supply** to **reduce the risks of production disruptions**



Advance U.S. Technology Leadership

- ✓ The U.S. will have **incentivized major U.S. equipment and materials suppliers** to **increase their footprints** in the U.S.
- ✓ **Non-U.S. suppliers** of the world's most advanced equipment, materials, and subsystems will also **establish large-scale footprints** in the U.S.

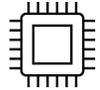
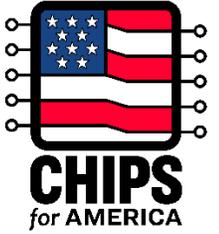
By the
end of the
decade...



Support Vibrant U.S. Fab Clusters

- ✓ Each **CHIPS-funded fab cluster** in the U.S. will be **supported by dozens of suppliers**, including many **investing in the U.S. for the first time**
- ✓ **State and local entities** encouraged to help **facilitate the expansion of these ecosystems**

Vision for Success: Commercial Fabrication Facilities



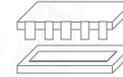
Leading-Edge Logic

- ✓ The U.S. will have at least **two new large-scale clusters of leading-edge logic fabs**
- ✓ **U.S.-based engineers** will develop the process technologies underlying the **next gen of logic chips**



Memory

- ✓ U.S.-based fabs will **produce high-volume memory chips on economically competitive terms**
- ✓ **R&D for next-generation memory** technologies critical to supercomputing and other advanced computing applications will be **conducted in the U.S.**



Advanced Packaging

- ✓ The U.S. will be home to **multiple high-volume advanced packaging facilities**
- ✓ The U.S. will be a **global leader in commercial-scale advanced packaging technology**

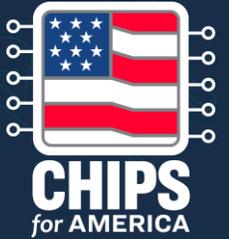


Current-Generation and Mature

- ✓ The U.S. will have **strategically increased its production capacity** for current-gen and mature chips
- ✓ Chipmakers will also be able to **respond more nimbly** to supply and demand shocks

By the
end of the
decade...

Program Priorities



Economic
and national
security
objectives



Commercial
viability



Financial
strength



Technical
feasibility
and
readiness

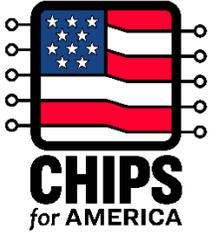


Workforce
development



Broader
impacts

Funding Opportunities



February 28, 2023

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

June 23, 2023

For large semiconductor materials and equipment facility projects \$300M+

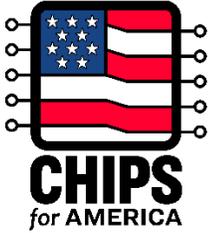
September 29, 2023

For smaller semiconductor materials and equipment facility projects under \$300M

To support the construction of semiconductor R&D facilities

The CHIPS Program Office has received over 500 statements of interest and 100 pre-applications and full applications

Funding Instruments



Funding Availability



Funding by Project

Direct funding expected to be **5-15% of project capital expenditures**

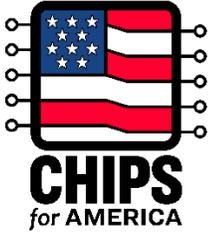
Expected total amount of a CHIPS Incentives Award (across loans, loan guarantees and grants) expected not to exceed **35% of project capital expenditures**

Loan Terms

- **No fixed limit** on the loans or guarantees that a project may receive (total amount of CHIPS incentives across loans, loan guarantees and grants expected to be below 35% of project CapEx)
- Loan guarantees are **not expected to cover more than 80%** of any third-party debt obligation

- **Tenor:** Potentially up to 20-25 years
- **Interest Rate:** based on cost of funds to Department of Treasury plus a portion of the spread to the market rate
- **Structure:** Corporate or project finance or hybrid option available
- **Amortization:** Corporate loans will have bullet maturities; Project finance loans need to be amortized

Funding – Smaller Supply Chain Projects



Funding Instruments

Total Funding

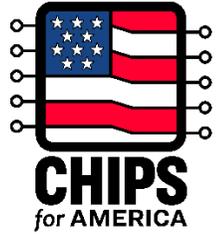
Funding by Project



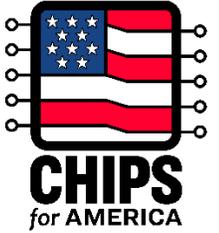
**In rare cases, applicants may receive an award of either 20% or 30% with demonstrating a compelling case for the project and that additional funding is necessary. Projects eligible for the Advanced Manufacturing Investment Credit will not receive an award of more than 20%.*

How Private Capital Can ‘Chip’ In

Examples of Private Capital Solutions to Support CHIPS Applicants



	Corporate Loans	Asset-Backed / Non-Recourse Project Loans	Consortiums / Joint Ventures	Sale Lease-Backs	Customer Supply Agreements Backed Financing
Potential Capital Providers	<ul style="list-style-type: none"> Institutional Capital Markets, Banks, Private Credit, Infrastructure Funds, Insurance Companies, Pension Funds, Sovereign Wealth Funds, etc. 	<ul style="list-style-type: none"> Institutional Capital Markets, Banks, Private Credit, Infrastructure Funds, Insurance Companies, Pension Funds, Sovereign Wealth Funds, REITs, etc. 	<ul style="list-style-type: none"> Parent Companies, Private Equity, Infrastructure Funds, Sovereign Wealth Funds, Pension Funds, etc. 	<ul style="list-style-type: none"> Infrastructure Funds, REITs, Insurance Companies, Pension Funds, Private Credit, etc. 	<ul style="list-style-type: none"> Customers, Banks, Private Credit, Insurance Companies, Structured Credit Funds, Diversified Asser Mangers, Private Equity, etc.
Description	<ul style="list-style-type: none"> Financial institutions provide direct corporate loans for semiconductor projects Loans could potentially be secured by assets such as Semiconductor equipment, inventory, IP, real-estate or other infrastructure 	<ul style="list-style-type: none"> Financial institutions provide asset-backed non-recourse project loans for semiconductor projects Loans supported by project cash flows and assets such as real estate, equipment, customer contracts, IP, inventory, etc. 	<ul style="list-style-type: none"> Financial institutions form consortiums or enter joint-ventures with semiconductor companies to build projects 	<ul style="list-style-type: none"> Financial institutions enter sale lease-back transactions involving equipment, real-estate, and other infrastructure assets 	<ul style="list-style-type: none"> Customers enter supply contracts with semiconductor companies to secure supply of semiconductors. Semiconductor Companies raise financing backed by such supply contracts
Potential CHIPS Support	<ul style="list-style-type: none"> U.S. Govt. could underwrite and provide a loan alongside private loan U.S. Govt. could provide partial loan guarantees to help facilitate the loan and improve economics to the applicant 	<ul style="list-style-type: none"> U.S. Govt. could underwrite and provide a loan alongside private loan U.S. Govt. could provide partial loan guarantees to help facilitate the loan and improve economics to the applicant 	<ul style="list-style-type: none"> In addition to grants, U.S. Govt. could provide capital via low-cost, long-duration loans or guarantee debt issued by such consortiums/JVs to improve the overall economic returns of such ventures 	<ul style="list-style-type: none"> U.S. Govt. could potentially provide low-cost loans to entities buying and leasing equipment or other assets to semiconductor companies to help facilitate the transaction and improve overall economics 	<ul style="list-style-type: none"> U.S. Govt. could potentially provide low-cost loans backed by such supply contracts to help facilitate transactions and improve overall economics



Next Steps

- Visit [CHIPS.gov](https://www.chips.gov) for resources, including:
 - Notice of Funding Opportunity
 - Vision for Success paper
 - FAQs and fact sheet
- Lender/Advisor Portal Resource - *Forthcoming*
- Please contact the CHIPS Program Office if you:
 - Have ideas about potential new financing structures
 - Would like to be included as an interested financial institution in the Lender/Advisor Portal to get connected with potential CHIPS applicants
- Contact us
 - financialinstitutions@chips.gov – financial institution / advisor inquiries
 - askchips@chips.gov – general inquiries
 - apply@chips.gov – application-related inquiries