

Funding Opportunity – Commercial Fabrication Facilities

FACT SHEET:

Protecting U.S. Taxpayers

CHIPS funding will promote U.S. leadership in chipmaking, strengthen the semiconductor supply chain, and advance U.S. economic and national security. Achieving these goals requires a robust commitment to protecting taxpayer resources. The CHIPS Program Office will implement a number of safeguards to ensure that companies that receive funding are holding up their end of the bargain.

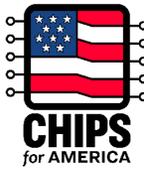
First, the application process is designed to ensure that the CHIPS Program Office provides the minimum amount necessary to incentivize investment, allowing CHIPS funds to support as broad a range of projects as possible. These provisions include:

- **Extensive due diligence.** Before receiving an award, each applicant will be required to submit a detailed financial model for its proposed project(s). The CHIPS Program Office will analyze the model against market data, conditions, and benchmarks; the historical performance and returns of comparable projects; relevant expert analysis; and other information, in addition to conducting thorough diligence.
- **Upside sharing.** The CHIPS Program Office will require recipients of more than \$150 million in direct funding to share with the U.S. government a portion of any cash flows or returns that exceed the applicant's projections above an established threshold. This requirement will be waived only in exceptional circumstances. The terms of upside sharing will be set on a case-by-case basis and will incentivize companies to ensure that their financial projections are as accurate as possible. Any upside sharing proceeds will go to support the purposes of the CHIPS Act and strengthen the U.S. semiconductor ecosystem.
- **Requiring companies to certify the accuracy of information provided to the government.** Companies will be subject to enforcement actions pursuant to criminal statutes related to the submission of false information to the government, the False Claims Act, and other applicable legal authorities.

Second, applications will be evaluated based on the extent to which they protect taxpayer resources.

Applicants will be assessed based on their commitments to:

- **Activate private capital.** The CHIPS Program Office will give strong preference to projects that have activated significant private capital, as this will increase the scale of investment available and ensure that CHIPS incentives complement — rather than crowd out — private markets.
- **Make investments in the U.S. semiconductor industry, with corresponding commitments regarding stock buybacks.** The CHIPS Program Office will give preference to applications that credibly commit to investing in the domestic semiconductor industry, including by building domestic R&D fabs or other domestic R&D facilities. In addition, the CHIPS Program Office will require all applicants to detail their intentions with respect to stock buybacks over five years, including whether they intend to refrain from or limit them. The CHIPS Program Office will evaluate applications based on the extent of the applicant's



commitments to refrain from stock buybacks. Applicants are also prohibited by law from using CHIPS funds for dividends or stock buybacks.

- **Give preference to state and local incentives packages that create positive spillover effects.** Applicants for CHIPS funds need to have been offered a state or local government incentive to be eligible for funding. But the CHIPS Program Office will not facilitate or participate in a race-to-the-bottom to divert vital state and local revenues to corporate bottom-lines. The CHIPS Program Office will give preference to projects that include state and local incentive packages capable of creating spillover benefits that improve regional economic resilience and support a robust semiconductor ecosystem beyond assisting a single company, such as incentives that include investments in workforce, education, site preparation, or infrastructure. The CHIPS Program Office will accord less weight to incentives, such as direct tax abatements, with less potential for spillover benefits.

Finally, the CHIPS Program Office will strictly monitor companies to ensure that they are using taxpayer dollars wisely.

- **Reporting requirements.** The CHIPS Program Office will require regular reporting from award recipients so that it can closely monitor whether applicant commitments are being upheld and program objectives have been achieved. The CHIPS Program Office will track the performance of each award via financial and programmatic reports that will generally be required no less than semi-annually.
- **Enforcing compliance with award terms.** The CHIPS Program Office will make sure that companies are complying with the terms of their award, including, as applicable, any commitments the applicant made as part of the application process. Failure to adhere to these terms may result, where appropriate, in the temporary withholding or suspending of payments, the suspension or termination of the award, the clawing back of funds made available under the award, the initiation of suspension or debarment proceedings in accordance with law, or other remedies to ensure the efficient and effective execution of the project.
- **Holding companies to construction and operational milestones.** CHIPS funding will be disbursed in tranches tied to project milestones in connection with capital expenditures, workforce development, and operational costs to ensure that companies make progress on their projects. In addition, if a project does not commence and complete by the target dates specified in an award, the CHIPS Program Office can progressively recover up to the full amount of the award.