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.

Source: "Vision for Success: Commercial Fabrication Facilities," February 28, 2023
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

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

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...
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**

**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**

**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.**

**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
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**

- **Direct Funding**: $38.2B
- **Loan Guarantees**: up to $75B
- **Loans**

**Funding by Project**

- Direct funding expected to be 5-15% 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

<table>
<thead>
<tr>
<th>Funding Instruments</th>
<th>Total Funding</th>
<th>Funding by Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Funding</td>
<td>Up to $500 million in direct funding available in total</td>
<td>Direct funding expected to be 10% of project capital expenditures*</td>
</tr>
<tr>
<td>Additional announcements forthcoming to support credit provision</td>
<td>Launch a “lender marketplace” to connect loan-seekers with private sector institutions</td>
<td>CPO is also exploring other opportunities to provide credit</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th><strong>Corporate Loans</strong></th>
<th><strong>Asset-Backed / Non-Recourse Project Loans</strong></th>
<th><strong>Consortiums / Joint Ventures</strong></th>
<th><strong>Sale Lease-Backs</strong></th>
<th><strong>Customer Supply Agreements</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Potential Capital Providers</strong></td>
<td><strong>Potential CHIPS Support</strong></td>
<td><strong>Description</strong></td>
<td><strong>Potential CHIPS Support</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>• Institutional Capital Markets, Banks, Private Credit, Infrastructure Funds, Insurance Companies, Pension Funds, Sovereign Wealth Funds, etc.</td>
<td>• U.S. Govt. could underwrite and provide a loan alongside private loan</td>
<td>• Financial institutions provide direct corporate loans for semiconductor projects</td>
<td>• Customers, Banks, Private Credit, Insurance Companies, Structured Credit Funds, Diversified Asset Managers, Private Equity, etc.</td>
<td>• Customers enter supply contracts with semiconductor companies to secure supply of semiconductors. Semiconductor Companies raise financing backed by such supply contracts</td>
</tr>
<tr>
<td></td>
<td>• Financial institutions provide asset-backed non-recourse project loans for semiconductor projects</td>
<td>• Loans could potentially be secured by assets such as Semiconductor equipment, inventory, IP, real-estate or other infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Loans supported by project cash flows and assets such as real estate, equipment, customer contracts, IP, inventory, etc.</td>
<td></td>
<td>• Financial institutions enter sale lease-back transactions involving equipment, real-estate, and other infrastructure assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• U.S. Govt. could underwrite and provide a loan alongside private loan</td>
<td></td>
<td>• 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</td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td>• U.S. Govt. could provide partial loan guarantees to help facilitate the loan and improve economics to the applicant</td>
<td></td>
<td></td>
<td>• U.S. Govt. could potentially provide low-cost loans backed by such supply contracts to help facilitate transactions and improve overall economics</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Next Steps

- Visit 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