

Financial Information – Full Application Sources and Uses of Funds Excel Template

Document Overview:

These instructions refer to the downloadable full application sources & uses of funds Excel template that can be found at this link: [link](#).

Applicants for the CHIPS Incentives program submitting a full application should complete this template according to the instructions in this document and upload a completed version.

Please refer to the CHIPS Incentives Program—Commercial Fabrication Facilities Notice of Funding Opportunity (CHIPS-CFF NOFO) section IV.I.7. Financial Information. Please also refer to the FAQs on the CHIPS website (at <https://chips.gov/frequently-asked-questions>) for general information on the full application.

Throughout the review process, the Department may request additional information and/or revisions regarding this submission

Instructions:

- Upload the completed sources and uses Excel template to the appropriate location within the Financial Information section of the full application portal.
- Applicants should complete this Excel template on a best-efforts basis.
- Please also complete the four required free response questions provided in the form, located at the bottom of the “S&U – Summation across projects” sheet.
- Shared costs related to infrastructure improvements, workforce development, and other areas should be allocated across projects, if applicable. Likewise, capital sources that are not strictly attached to a project (e.g., equity, bonds, government support) should be allocated across projects, if applicable.
- Please also refer to the Notice of Funding Opportunity (NOFO) Section IV.I.7 – Financial Information: Sources and Uses of Funds for an overview of the requirements for this portion of the application.

Using the Sources and Uses Excel template

- The Sources and Uses Excel document that the applicant completes and uploads to the full application portal should contain *at least* 1 tab for “S&U Project” and *only* 1 tab for “S&U – Summation across Projects”
- There should be a unique “S&U - Project” sheet for each project. The total number of sheets pertaining to “S&U – Project” should directly correspond with the total number of facilities proposed in the application. If there is only one project in this application, delete the “S&U – Project 2” sheet.
- For each “S&U - Project” sheet there are upfront sections to provide the Facility Name and Facility Description. The name and description should correspond with the facility name and description submitted in the pre-application, if applicable.

- The “S&U – Summation across Projects” sheet is used to aggregate the entries across all the projects
- Applicants may add additional rows as needed to any of the forms, and are also not required to enter descriptions for every row. If a line item does not apply to a project, the applicant may enter 0 or delete the line item.
- The applicant should first complete 1) all S&U - Project sheets applicable to their application and subsequently complete 2) the S&U – Summation across projects sheet and questions

1) Completing the Sources and Uses – Project sheet(s)

For each project sheet completed, provide a detailed list of the estimated costs for the project and the types and amounts of funding that will be used to cover those costs by completing Schedules A, B, and C.

Schedule A: The Uses Schedule should cover estimates for both hard/physical asset costs (e.g., buildings or equipment) and soft/implementation costs (e.g., legal or consultant services, fees, contingency etc.) in the cost estimate. Estimates can be made for high-level cost categories and do not require granular cost breakdowns; however, examples are provided below for what may be permissible to consider when estimating for a cost category. For each line item, enter the cost amount in USD and estimate the percentage of the amount that will be eligible for the Investment Tax Credit (ITC). Also, please refer to additional notes in this section for a list of costs that should be excluded from this schedule.

This section should include:

1. **Capital Investment costs** required to complete construction of the facility and initiate operations. This should include the following categories:
 - **Land**, which may include any costs associated with land acquisition (e.g., appraisal costs, right-of-way acquisitions, relocation expenses) and land improvements / site restoration (including site demolition and removal). Applicants may break out cost categories as needed and include other cost line items and additional rows as appropriate.
 - **Construction**, which may include, but is not limited to, labor and material for building construction. Also include costs associated with construction of the clean room, which may include, but is not limited to the delivery systems for air, water, and power, lighting equipment, and waste management systems. Applicants may break out cost categories as needed and include other cost line items and additional rows as appropriate.
 - **Equipment**; many fabs contain four distinct levels – clean room level, interstitial and fan deck, clean sub-fab level, and utility level – that are integral to their operation, and sites may potentially also have additional stand-alone facilities, purposed for R&D or prototyping, for example. As such, it is suggested that applicants break out their equipment costs across these five categories. For each, applicants may break out cost categories as needed and include other cost line items and additional rows as appropriate. If this structure does not apply to your facility, make appropriate changes to the form.
 - i. Clean Room Level Manufacturing Equipment, which may include, but is not limited to, applicable costs for equipment used for semiconductor manufacturing (including back-end production activities) and the installation of

may include, but are not limited to, equipment costs, construction of a training center, costs for training and education, wrap-around support costs, and childcare costs (note these are provided in the Excel template but are not required to be populated). Please provide other costs in the space provided that are expected to be a part of the workforce development plan submitted with the application.

Applicants should enter "0" for any line items that are not applicable to their project(s).

4. **Other Uses of Funds:** provide any uses of funds during the construction phase of the project and until cash flows turn positive, beyond the capital investments, operating losses and other cash outflows, and workforce development costs.
5. **Total Project Costs:** Ensure the Total Project Costs for the project is equal to the sum of line items 1 - 4 in the Use of Funds section. Total Project Funding in Schedule B must match the Total Project Costs in Schedule A.

Additional notes for Schedule A:

- A. **Investment Tax Credit Eligible Costs:** Please indicate the estimated percentage of costs that will be eligible for the Investment Tax Credit for each line item in this schedule. Rough approximations or high-level estimates are acceptable.
- B. **Excluded costs:** The following costs are excluded from inclusion in the Sources & Uses Excel template. These costs will not be evaluated during determination of CHIPS funding awarded to a project. This list is not exhaustive, and CPO reserves the right to determine on a case-by-case basis other costs that are excluded and communicate this with applicants. The excluded costs include:
 - Fees and commissions charged to applicant, including finder's fees, for obtaining Federal or other funds
 - Parent corporation or affiliated entity expenses and assessments that are not related to the project Goodwill, franchise, trade, or brand name costs
 - Dividends and profit sharing, including, but not limited to, stock repurchases
 - Costs that are excessive or are not directly required to carry out the project, as determined by CPO
 - Applicant-paid cost of issuing a CHIPS Loan or Loan Guarantee

Schedule B: The Funding Source Schedule should include estimates for all sources of funding that will contribute to the project. If there are multiple projects, allocate sources of funds appropriately.

1. **Equity Funding:** Include Sponsor Equity (i.e., applicant and/or corporate parent equity), Third-Party Equity, and any other forms of equity that is expected to be injected into the project. Please provide a description of the other forms of equity, if entered.
2. **Debt Funding:** Include all debt raised for the project.
 - This should include intercompany loans that may have been down streamed by the Corporate Parent to the applicant legal entity, intermediate entity, or third-party debt directly raised by the applicant legal entity.
 - Please also provide amounts and details for the unguaranteed portion of the third-party loans that will be applied for CHIPS Guarantees (e.g., if a third-party loan will

be requested to have 80% of the loan guaranteed by the CHIPS program, then provide the amount of the remaining 20% of the loan that will not be guaranteed).

- Provide a description any other forms of debt that are entered.
 - Do not include debt from CHIPS loans or portions of loans guaranteed by CHIPS program in this section.
3. **Government Support:** Include any funding received (or expected to be received) by the applicant for the project(s) from Federal, State, and Local governing bodies in the form of direct funding (e.g., grants), debt (e.g., loans, loan guarantees), tax credits, or other forms of incentives (e.g., land awards, subsidized utilities). Incentive amounts are expected to be directionally accurate given industry-normal risks and returns for a project of this nature.
- For CHIPS Direct Funding indicate the amount of direct funding that the entity is requesting.
 - For CHIPS Loans, indicate the total amount of CHIPS loans the entity is requesting.
 - For the line item “Third-party Loans Guaranteed by CHIPS Program,” please only include the portion of third-party debt that the entity is requesting to be guaranteed by the CHIPS Program. The portion of debt in this tranche not guaranteed by the CHIPS Program must be included in the “Debt Funding” section of this schedule.
 - For the Investment Tax Credit, indicate the expected value of the Investment Tax Credit benefit that will act as an additional source of funds for the project. The estimation should take into consideration the initial Investment Tax Credit received on the asset net of the loss of depreciation on the portion of assets receiving the credit (i.e., the portion of the asset earning the Investment Tax Credit cannot be depreciated for future tax benefits).
 - For Other State and Local Government Incentives, combine the amounts of incentives expected to be received from state governments and local governments for which the facility will be located, respectively. If the approximate amounts of support to be received is known, but the type of incentive is not yet determined (e.g., grant vs. tax credit), then enter the approximate total amount in the “Other State and Local Government Incentives” category.
 - For Other Federal grants, loans, or guarantees, include expected sources of funding from other federal agencies and departments
4. Any other sources of funding should also be noted and sized. This may include, but is not limited to, equipment financing, sale / leaseback or other real estate financing, and customer funding (e.g., customer pre-payments).
5. **Total Project Funding:** Ensure the Total Project Costs for the project is equal to the sum of line items 1 – 4 in the Sources of Funds section. Total Project Funding in Schedule B must match the Total Project Costs in Schedule A.

Schedule C: The Schedule for Operating Cash Flows until Project breaks even on a Cash Flow basis should provide a 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 (i.e., cash flows turn positive). All items in this schedule should pertain to cash inflows and outflows and may not include non-cash items. If non-cash items such as depreciation are included in

certain line items, they should be adjusted back in another line item, to ensure that the schedule only contains cash related items.

1. **Total sales until project breaks even on a cash flow basis:** Include only gross sales from normal business operations, and a contra revenue account for any expected price discounts to customers, if applicable.
2. **Total operating expenses until project breaks even on a cash flow basis:** Include estimates for all cash outflows associated with operating the facility. These may include
 - Direct costs of production, which may include, but are not limited to, costs for materials, consumables and chemicals, labor, and utilities. Depreciation expenses associated with direct costs of production may be included in the value provided, and then adjusted in the Other Cash Flow items.
 - Selling, General, and Administrative costs which may include, but are not limited to, costs for administration, marketing, carrying costs, and insurance
 - Research and Development related costs for manufacturing activities
 - Facility Maintenance, which may include, but is not limited to facility cleaning and repairs
3. **Other operating income until project breaks even on a cash flow basis:** Input and describe any other forms of operating income generated by the project beyond net sales.
4. **Other cash flow items until project breaks even on a cash flow basis:** Examples of these cash flows may include:
 - Expenses associated with replacing semiconductor manufacturing equipment
 - Expenses associated with performing upgrades or modifications to semiconductor manufacturing equipment, including the expenses to service or install equipment as part of the above activities.
 - Net Working Capital: net estimated liquid reserves required to meet current, short-term obligations.
 - Depreciation: Include a value for depreciation of equipment that may have been included in the direct costs of production, so that the impact of depreciation is netted out to zero between Direct Costs of Production and Depreciation. Depreciation is not a cash outflow and will be added back in the calculation of total operating losses and other cash outflows.
5. **Total financing costs and taxes until project breaks even on a cash flow basis:** estimate the interest paid to service debt and any corporate taxes that will be paid until project breaks even on a cash flow basis, as well as and any other taxes. These costs should include:
 - **Interest Paid to Service Debt:** Include an estimation based on how much debt will be assumed by the project, the expected interest rate, and amortization schedule.
 - **Payments to Third-Party Partners:** May include, but are not limited to operating fees, licensing fees.
 - **Other Financing Costs:** Provide a description of any other financing costs that are expected to be incurred.

- **Corporate Taxes:** Expected corporate taxes, which should include any tax obligations related to the Direct Funding and Grants that the applicant expect to receive.
- **Other Taxes:** Provide a description of any other taxes that are expected to be incurred.

2) Completing the S&U – Summation across projects sheet and questions

Instructions: The S&U – Summation across projects sheet should be an aggregation of the sources and uses across all of the projects within the application.

- If there is one project in the application, then the S&U – Project sheet should exactly match the S&U – Summation across projects sheet.
- If there are multiple projects, then for each cell in the S&U – Summation across projects sheet, add together the corresponding cells for each project sheet. This is to be performed in the exact same manner for each schedule.
- If optional rows were added in the project sheets, be sure to include the names and summed amounts of those line items in the S&U – Summation across projects sheet.

As part of this sheet, please also provide an answer in the Free Response Questions (if applicable). For reference, sample answers to the first four free response questions are provided below:

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.

Sample answer: *The equity injected into the project legal entity is funded from available cash from the Corporate Parent's corporate balance sheet, which is driven by a mix of equity raised on the Corporate Parent's books, retained earnings and debt raised on Corporate Parent's books. While we do not allocate debt to the project legal entities in business as usual, our typical mix of Debt to Equity on our corporate balance sheet is 0.3x, indicating that for every \$1 of funding, \$0.3 of it is funded by debt and the remaining is funded through equity (equity issuances and / or retained earnings).*

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).

Sample answer: *For this project, 2 types of debt are expected to be raised. 1) an amortizing CHIPS loan for \$300 Million with a twelve-year tenor, a 5-year interest deferral period, and a floating interest rate of +100 bps over LIBOR. 2) \$500 Million of 30-year corporate bonds with a 4% fixed coupon rate.*

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

Sample answer: *All facilities constructed, and equipment installed qualifying for the ITC will be placed no later than June 1, 2025. The total amount of the facility construction will be \$200 million, and the total amount of new equipment installed will be \$800 million, both of which are fully eligible for the Investment Tax Credit. Of the \$1 billion in relevant construction and equipment manufacturing-related expenses, 25% will be claimed through the ITC, resulting in an estimated \$250 million credit. This in turn will reduce the amount of*

depreciation we can claim on these assets by \$250 million, thereby reducing our tax benefit by \$52.5 million (21% of \$250 million). To that end, the net benefit that we received from the ITC is \$197.5 million.

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.

Sample answer: *The state in which the project will be constructed has authorized \$100 million in discounted Industrial Development bonds over a 10-year duration, leading to a cost savings of \$10 million through the life of the bond. The municipality in which the project will be constructed has pledged 30% reduction in costs for power (an estimated \$50 million value through the 25-year life of the project) and has waived all local income taxes for the first 5 years of production (an estimated \$25 million savings to the project in this timeframe). The incremental value of state and local benefits not captured in Schedule B total up to \$85 million.*