

Funding Opportunity – Commercial Fabrication Facilities Guide: Sources and Uses Template Instructions: Semiconductor Materials, Semiconductor Manufacturing Equipment and Wafer Manufacturing Facilities

OMB Control #0693-0094, Expiration Date 09/30/2023

These instructions refer to the downloadable Sources & Uses Excel Template for Semiconductor Materials, Semiconductor Manufacturing, and Wafer Manufacturing Projects that can be found in the full application portal and at this link: <https://www.nist.gov/document/full-application-sources-and-uses-funds-template-semiconductor-materials-semiconductor>

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 pre-application portal should contain at least 1 sheet 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 facility reported in the Project Plan section. The total number of sheets pertaining to “S&U - Project” should directly correspond with the total number of projects 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 other portions of the application.
- The “S&U – Summation across Projects” sheet is used to aggregate the entries across all the projects.

- 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.

Completing the Sources and Uses Excel Template(s)

For each **project** sheet, 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. Then, complete the summation tab to aggregate sources and uses for all projects.

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 can include the following categories:

- **Land**, which may include, but is not limited to, costs associated with land acquisition, site restoration, land improvements, cost of appraisal, right-of-way acquisitions, relocation expenses and payments, demolition and removal costs, or other costs associated with land.
- **Construction**, which may include, but is not limited to, labor, material, and other costs associated with construction of the facility. Any costs to build a clean room should be included within construction.
- **Equipment**, which may include, but is not limited to, costs related to initial equipment purchases or modernization costs, installation expenses, spare parts, and other equipment-related costs.
- **Infrastructure Improvements**, which may include, but is not limited to, costs to construct or improve utility plants required for the facility; costs associated with gaining access to infrastructure such as roads, water, power etc.; wastewater treatment plants; fencing; and other infrastructure.
- **Administrative expenses directly attributable to the facility construction**, which may include, but is not limited to legal fees, engineering fees, licensing and permitting fees, architecture fees, bond fees, safety and environmental protection costs, costs associated with receiving CHIPS funding, inspection fees, insurance costs, capitalized interest, and other related expenses.
- **Other Capital Investment**, which may include other costs not mentioned.

Potential applicants should enter “0” for any costs that are not applicable to their project(s).

2. **Operating losses and other cash outflows until project breaks even on a cash flow basis**: (i.e., cashflows turn positive and the facility can sustain itself without any additional funding from investors). Please complete Schedule C: “Schedule for Operating Cash Flows until Project breaks

even on a Cash Flow basis” and provide a breakdown of operating revenues and operating costs that have been estimated in this line item.

Potential applicants should enter “0” for any line items that are not applicable to their project(s).

3. **Workforce development costs:** Provide a schedule showing estimated spending by the applicant on workforce development activities to support the proposed project. Some examples 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. Please provide other costs in the space provided that are expected to be a part of the workforce development plan submitted with the pre-application.

Potential applicants should enter “0” for any line items that are not applicable to their project(s).

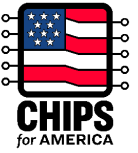
4. **Other Uses of Funds:** Provide any uses of funds during the construction phase of the project and until cash flows turn positive, beyond the capital investments, operating losses and other cash outflows, and workforce development costs.
5. **Total Project Costs:** Ensure the Total Project Costs 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 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, intermediate entity, 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 downstreamed 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 State and Local Grants, loans, and tax credits, 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.

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 net sales from normal business operations.
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, human resourcing functions, 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 equipment, expenses associated with performing upgrades to equipment, or modifying 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 is not limited to operating fees, licensing fees, and price discounts.
 - **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.

S&U – Summation across projects sheet

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 down streamed as equity, please provide details on the amount of debt attributable to this project.

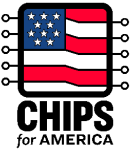
Sample answer: *The equity injected into the project legal entity is funded from available cash from the Corporate Parent's corporate balance sheet, which is driven by a mix of equity raised on the Corporate Parent's books, retained earnings and debt raised on Corporate Parent's books. While we do not 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.*

Burden Statement

A Federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with an information collection subject to the requirements of the Paperwork Reduction Act of 1995 unless the information collection has a currently valid OMB Control Number. The approved OMB Control Number for this information collection is 0693-0094. Without this approval, we could not conduct this information collection. Public reporting for this information collection is estimated to be approximately 125 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information collection. All responses to this information collection are mandatory to be eligible for CHIPS Act Funding. Send comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing this burden to the National Institute of Standards and Technology at Cierra Bean, Business Operations Specialist, askchips@chips.gov.