

# CHIPS Act – NOFO#2

Notice of Funding Opportunity#2 released June 23,  
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# Notice of Funding Opportunity #2 (NOFO2)

- As of June 23, 2023, the scope of the current funding announcement has been expanded to also seek applications for the construction, expansion, or modernization of **commercial facilities for semiconductor materials and manufacturing equipment facilities for which the capital investment equals or exceeds \$300 million.**

# Quick Review - CHIPS Act Steps

# Quick Review - CHIPS Act Program Objectives

- Strengthening the security and resilience of the semiconductor supply chain, including by mitigating gaps and vulnerabilities
- Providing a supply of secure semiconductors relevant for national security
- Strengthening the leadership of the United States in semiconductor technology
- Growing the economy of the United States and supporting job creation in the United States
- Bolstering the semiconductor and skilled technical workforces in the United States
- Promoting the inclusion of economically disadvantaged individuals and small businesses
- Improving the resilience of the semiconductor supply chains of critical manufacturing industries

# Quick Review - Steps

- Statement of Interest – **EVERYONE - NOW**
  - Short description of the project by responding to specific questions in the application portal
  - Can be submitted by all potential applicants now
  - Should also register with System for Award Management ([SAM.gov](https://sam.gov))
- Pre-Application – When? Depends on Category – **See Dates Next Slide**
  - More detailed description with financial information about the applicant and plans for the project
  - Optional but highly encouraged
  - Department will provide feedback

# Steps

- Full Application:
  - Required for all applicants
  - More detailed information about the applicant and the project
  - Should take into account feedback from Pre-Application
  - **Should not be filed until receipt of feedback on Pre-Application**
- Preliminary Memorandum of Terms
  - Nonbinding term sheet offered if the Department wants to move forward with your application

# Steps

- Due Diligence
  - Department will conduct due diligence on you and the project if reasonably likely to receive award
  - Will include environmental review
- Award Preparation and Issuance
  - Receipt of legal documents and money
  - Money will come in tranches tied to certain milestones determined based on the details of the project

# Steps - Key Dates

- February 28, 2023:
  - all entities that anticipate applying for CHIPS Act funding whether through this NOFO or a later one may begin submitting their *Statements of Interest*. Statements of interest must be submitted at least 21 days prior to submitting a Pre-Application or Full Application.
- March 31, 2023:
  - Pre-Applications and Full Applications may begin to be submitted *for leading-edge projects only*.
- May 1, 2023:
  - Pre-applications may begin to be submitted (rolling basis) for *current-generation, mature-node, and back-end manufacturers*.
- June 26, 2023:
  - Full applications may begin to be submitted (rolling basis) for current-generation, mature-node, and back-end manufacturers.

# Key Dates Continued

- **NEW - September 1, 2023: (NOFO2) (But note: SOI+21 Rule – get your SOI in NOW)**
  - Pre-Applications may begin to be submitted (rolling basis) for semiconductor materials and manufacturing equipment facilities for which the capital investment equals or exceeds \$300 million (NOFO2).
- **NEW - October 23, 2023: (NOFO2)**
  - Full applications may begin to be submitted for semiconductor materials and manufacturing equipment facilities for which the capital investment equals or exceeds \$300 million.
- **“At a Later Date” (Fall 2023 or later?)**
  - (NOFO3) for applications relating to semiconductor materials and manufacturing equipment facilities **under \$300 million well as R&D facilities.** (Mike note: not required, but consider joint applications).

# Eligibility for NOFO2

Commercial facilities for materials used to manufacture semiconductors and semiconductor manufacturing equipment, provided that the capital equals or exceeds \$300 million

What Does It Mean?

# What is New?

- **Semiconductor Materials Facilities** for the manufacture or production, including growth or extraction, of materials used to manufacture semiconductors, which are the **chemicals, gases, raw and intermediate materials, and other consumables** used in semiconductor manufacturing. Specific examples include but are not limited to polysilicon; photoresists and ancillaries (developers, strippers, litho solvents, and anti-reflective and hardmask layers); sputter targets (including tantalum, titanium, and aluminum); and materials specifically used in quantum information systems (such as hafnium and niobium). Applications for the construction, expansion, or modernization of commercial semiconductor materials facilities will be eligible for this NOFO **only if the capital investment, as defined in Section IV.I.7, equals or exceeds \$300 million.**

# What is New? cont.

- **Semiconductor Manufacturing Equipment Facilities** for the physical production of **specialized equipment integral to the manufacturing of semiconductors and subsystems that enable or are incorporated into the manufacturing equipment.**  
Specific examples of semiconductor manufacturing equipment include but are not limited to deposition equipment, including chemical vapor deposition, physical vapor deposition, and atomic layer deposition; etching equipment (wet etch, dry etch); lithography equipment (steppers, scanners, extreme ultraviolet); wafer slicing equipment, wafer dicing equipment, and wire bonders; inspection and measuring equipment, including scanning electron microscopes, atomic force microscopes, optical inspection systems, and wafer probes; certain metrology and inspection systems; and ion implantation and diffusion/oxidation furnaces. Applications ...will be eligible for this NOFO **only if the capital investment, as defined in Section IV.I.7, equals or exceeds \$300 million.**

# Priorities restated in the NOFO#2

- Semiconductor Materials and Manufacturing Equipment Facilities
  - The extent to which the proposed project strengthens *supply chain resilience* by **reducing vulnerabilities** associated with geographic concentration, supply-chain bottlenecks, and/or production in foreign countries of concern
  - The extent to which the proposed project helps *build productive and self-sustaining semiconductor ecosystems*, including by **clustering** with semiconductor fabrication facilities or otherwise improving the competitiveness and innovativeness of the U.S. semiconductor ecosystem
  - The extent to which a proposed project advances *economic security* by **locating critical manufacturing in the United States** and contributing to the U.S. innovation ecosystem

# Eligibility Requirements – NOFO#2 repeats these

- Covered Entities: private entities or consortia of private and public entities that can demonstrate the ability to substantially finance, construct, expand, or modernize an eligible facility
- To incentivize investment in facilities and equipment in the United States
- Would not occur without CHIPS financing
- New construction or expansion or modernization
  - Projects that involve *relocating* a material amount of equipment, facilities, or production from one facility in the United States to another facility, new or expanded, *are disfavored*. (absent articulating a strong reason [like clustering])

# Eligibility Requirements cont.

- Must have a documented interest in constructing, expanding, or modernizing an eligible facility
  - Covered **incentive** from a state or local jurisdiction where the project is located (in Arizona, ACA)
  - Commitments to **worker and community investment**, including training and education/employment opportunities to expand and **opportunities for economically disadvantaged**
  - Secure commitments from higher education to provide **workforce training**
  - Have an “**executable plan**” - Documented workforce needs and produced a strategy to meet workforce needs

# More on “executable plan”

- Determined the types of semiconductor technology it will produce at the proposed facility
- Developed an “executable plan” to identify and mitigate relevant semiconductor supply chain security risks
- Have policies and procedures to combat cloning, counterfeiting, and relabeling of semiconductors

# Economically Disadvantaged Individuals

- – Individuals whose ability or opportunity to compete in the economy has been impaired due to an individual's
  - membership in a group that has been subjected to racial or ethnic prejudice or cultural bias within American society;
  - gender;
  - veteran status;
  - limited English proficiency;
  - disability status;
  - long-term residence in an environment isolated from the mainstream of American society;
  - membership in a Federally or state-recognized Indian Tribe;
  - long-term residence in a rural community;
  - residence in a U.S. territory;
  - residence in a community undergoing economic transitions (including communities impacted by the shift toward a net-zero economy or deindustrialization);
  - individuals without a college degree; or
  - membership in another “underserved community,” as defined in Executive Order 13985.

# How the \$300 million is calculated?

- Project Costs: Project costs should include, but are not limited to, those noted below:
  - Capital Investment: Costs required to complete construction of the project and initiate operation:
    - Land (purchase or LT lease)
    - Construction (e.g., labor and material),
    - Equipment,
    - Infrastructure improvements (e.g. utility plants, access to infrastructure, and wastewater treatment plants), and
    - Administrative expenses directly attributable to the project construction (e.g., legal, engineering, and permitting fees).
  - Mike's Discretionary: Workforce development is not included in the capital investment, but I suggest you show them the Plan + the Number for W.Dev.

## Final Thoughts

- Statement of Interest – NOW (+21 rule)
- Join with others? Multiple comments
- First news: only 300 SOIs filed!

# Important Links

- [CHIPS.gov](https://chips.gov)
  - Central hub for all information and applications under the CHIPS Act.
- [First NOFO](#)
  - The Notice of Funding Opportunity released February 28, 2023 related to semiconductor manufacturers.
- [Application Portal](#)
  - The online portal applicant will use to submit the Statement of Interest, pre-application, and full application.
- [Frequently Asked Questions](#)
  - An FAQ put together by the Department in connection with the first NOFO answering many common questions about eligibility and the application process.

# Contact Information

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# CHIPS Act – Expanded Supply Chain Funding Opportunity

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# Vision for Success

- Articulates strategic objectives for supply chain funding
  - In addition to substantive requirements
  - Objectives of funding = **soft requirements**/theme for applications
    - Not specific requirements
- Applies to NOFO expansion & Fall 2023 NOFO for supply chain
  - Fall 2023 <300 million – different application designed for small businesses, but same vision/objectives

# NOFO Distinctions

- **First NOFO**

- Front- and back-end fabrication facilities
- Incentivize manufacturing investment
- Primarily geared to U.S. Applicants
- Focus on chipmakers

- **Expanded NOFO**

- Semiconductor materials and manufacturing equipment suppliers
- Suppliers unwilling or unable to move to the United States
- Encourages Non-U.S. Applicants
- Focus on acute supply chokepoints
- **\*Applicants that will move organically to the U.S. due to new U.S. fabs unlikely to be funded**



# Strengthening Supply Chain Resilience

# Overview

- **Objective** - Reduce chokepoint risk flowing from geographic concentration
  - Targeted funding = heighten standard to qualify
- Focus on:
  - Asia/Pacific
  - Other regions subject to geopolitical instability (i.e., Ukraine)
    - **NOTE:**
      - NOFO does not seek a self-sufficient semiconductor supply chain
      - Encourages investments from leading non-U.S. suppliers
        - Must be for domestic facilities
    - Increase supply of critical supplies:
      - Bonus: funding for increased domestic production (vs. new production)

# Coordination with other U.S. Government Agencies

- Supply issues that are NOT being addressed by other U.S. government agencies
  - Consider whether there is other funding available? (i.e., DoD)
- Supplies that CANNOT be provided by U.S. allies
  - (i.e., Canada, Australia, New Zealand, Japan, European Union, U.K.)
- Alternatives?
  - Consider applying as part of a consortium instead

# Increase Transparency

- **Reminder**: First NOFO requires applicants to list and map all key suppliers
  - Expanded NOFO applicants should expect to provide detailed information on customers
  - Information can be marked as confidential = not publicly disclosed
- Consider:
  - Cross industry supply chain information sharing to identify shortage risk
  - Potential overlap with First NOFO applicants
  - CHIPS Act NOT intended to fund shortage risks unless:
    - Industry is unable to address specific supply-chain risk
      - **Only in rare cases will funding be approved**



# Advancing U.S. Technology Leadership

# Domestic Suppliers

- Funding seeks to support/expand pre-existing domestic suppliers
  - Including, but not limited to: 1) electronic gases; 2) wet chemicals; 3) deposition; and 4) chemical mechanical planarization materials
    - **Focus on:** collaboration between chipmakers and suppliers
      - Testing and feedback from leading-edge chipmakers
- Applicants want to show a symbiotic relationship with chipmaker customers
  - Also – **advanced** equipment manufacturers

# Non-U.S. Suppliers

- NOFO seeks:
  - Suppliers that will establish large-scale footprints in the United States for the first time
    - Applicants should show they will:
      1. Contribute to the domestic innovation ecosystem
      2. Bring new strategic capabilities to the United States
      3. Import know-how and related technologies
    - **Engagement with U.S. allies**
      - Consider whether funding will diversify supply chain?
        - (i.e., small number of suppliers in one country likely to get funding)
    - **Workforce Development:** willingness to recruit and hire U.S.-based engineers



# Supporting Fabrication Clusters

# State and local entities

- Continued emphasis on public investments and non-financial services and resources to support suppliers
  - **Qualifying Covered Incentive**
  - More on this in ACA section
- Incentives for suppliers that:
  - Benefit a wide set of firms
  - Streamline permitting
  - Build critical infrastructure (i.e., electric or water utilities)
  - Invest in a strong and diverse workforce

# Consortium

- Should consider due to targeted funding
- Options:
  - Collaborate with main applicant(s) (First NOFO)
  - Join science park or regional one-stop shops established by local and/or state entities
- Generally, Dept. of Commerce expects open and continued dialogued with applicants
  - Expanded NOFO - dedicated staff to support the formation of clusters = submit SOI



# Arizona Commerce Authority Incentives

# Requirement - Recap

- Applicants **must** provide a letter from a state or local **government entity** evidencing offer of a qualifying covered incentive
  - In Arizona – this is primarily the Commerce Authority (ACA), but can be other local economic development departments
- Incentive must have been received or formally offered
- May include:
  - Construction incentives
  - Workforce-related incentives

# ACA Process

- Requires submission of detailed project and financial information via **2023 AZ Project Questionnaire**
  - Answers need not be exact – assumptions are expected
  - Approximately one week lead time for ACA to review
- ACA's CHIPS Act Taskforce
  - Not required, but enrollment provides valuable information and guidance to applicants

# Requested Information

- **Real Estate**

- Site location
- Key project dates
- Metrics on utilities usage

- **Employment**

- Total new jobs
- Base and average salaries
- Health benefits

- **Capital Expenditures**

- Land vs building
- Lease payments (if applicable)
- Clean room vs other construction
- Machinery and equipment

Project (NAME)		Project Assumption Summary					
Today's Date		Real Estate					
First Year of Employment or Capital Investment		2023					
First Calendar Quarter of Employment							
<b>Site Location Preferences</b>		Preference	Comments				
Urban/Rural Location (if applicable)		Urban/Rural					
City or Metro Area (if applicable)		City/Metro					
Rail Access							
Rail spur on site		Yes/No					
Intramodal		Distance in Miles					
Distance to Freeway		Distance in Miles					
Proximity to Airport		Yes/No					
Regional or International Service?		Reg/Int'l					
Distance to Airport		Distance in Miles					
Land Size (Acres):		Acres					
Building Size (SF)		Sq. Feet					
Prefer Existing Facility or Bulk/No-Bulk (BTS)		Existing/BTS					
Purchase/Lease		Buy/Lease					
Ceiling Height Required		Feet					
<b>Use/Zoning</b>		Building Use	Building SF	Calculated %			
Primary use type		Primary Use			#DIV/0!		
Additional use type		Add'l Use			#DIV/0!		
Additional use type		Add'l Use			#DIV/0!		
Additional use type		Add'l Use			#DIV/0!		
Outdoor Storage		Yes/No	Outdoor SF of acres		N/A		
		Total			#DIV/0!		
<b>Import/Export</b>		Yes/No					
Sales Outside Arizona		Identify %					
		%					
<b>Key Project Dates</b>		Date or Quarter	Year				
Site Selection Date							
Operational Date							
Full Production Date							
<b>UTILITIES (Required for Industrial / Manufacturing projects)</b>			1sq/Week	*2013-21-1-161			
Weekly Hours of Production Operations							
			2023	2024	2025	2026	2027
<b>Electric Consumption</b>		KWh/Year					
Load Factor		%					
Gas Consumption - Average (see notes - red triangle)		Average Therms/Month					
Delivery Pressure							
Gas Consumption - Total at Peak (Includes Major NG Using Equip.)		MMBtu/Hr					
Phase describe major NG using equipment							
Water Consumption		Peak Gallons/Day					
Wastewater Requirement		Peak Gallons/Day					
		Insert description of major NG using equipment here					

AZ Project Questionnaire  
(Real Estate Tab)

# Things to Consider

- Ensure that all incentives sought match-up in information (local, FTZ, CHIPS Act, etc.)
- Potential for leverage of other federal government funding opportunities (SBIR, etc.)
- Team or consortium approach
- Ensuring letters of support/commitment match up to requirements
- Workforce Development Partners – how is supply chain going to support wider program initiatives?
- Ensure compliance programs in-place to track requirements
- Timely applications
- Patience

# Thank you

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## Questions?



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