

FOR CONSIDERATION

June 15, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Albany (Albany County) – International SEMATECH Manufacturing Initiative - JOBS Now Program & Upstate Regional Blueprint Fund – Capital Grants

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

General Project Plan

I. Project Summary

Grantee: The Research Foundation of State University of New York

Beneficiary
Company: International SEMATECH Manufacturing Initiative, Inc. (“ISMI”)

ESD* Investment: One JOBS Now grant of up to \$5,000,000, pending passage of the New York State budget, to be approved by the ESD Directors this date; and

Upstate ESD
Investment: One Upstate Regional Blueprint Fund grant of up to \$5,000,000, pending passage of the New York State budget, to be approved by the Upstate ESD Directors this date.

Both grants (up to \$10,000,000 total) to be used for a portion of the cost of the purchase of machinery and equipment and associated construction or renovations to accommodate machinery and equipment at the University at Albany’s College of Nanoscale Science and Engineering (“CNSE”) NanoTech Complex.

* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: Albany Nanotech Complex - 257 Fuller Road, Albany, Albany County

NYS Empire Zone
(or equivalent): N/A

Proposed Project: Purchase of machinery and equipment and associated construction or renovations to accommodate machinery and equipment to support the relocation of ISMI and the joint alliance between the University at Albany College of Nanoscale Science and Engineering (“CNSE”) and ISMI at the CNSE Albany NanoTech Complex aimed at generating innovations in leading-edge nanoscale semiconductor devices.

ESD Incentive Offer Accepted: November 17, 2009

Project Completion: March 2011

Number of Employees at Project Location*:

Initial employment at time of ESD Incentive Offer:	0
Current Employment Level:	11
Minimum employment on March 30, 2011:	100**

*SEMATECH currently has over 400 additional jobs at other locations proximate to the Albany Nanotech Complex in the Capital Region.

**New jobs may not be created by transferring employees from other NYS locations.

Grantee Contact: John Loonan, CNSE Vice President for Finance and Fiscal Management
NanoFab 300 East, 257 Fuller Road
Albany, NY 12203
Phone: (518) 956-7359
Fax: (518) 437-8603

Beneficiary Contact: Scott Kramer, President & CEO
2706 Montopolis Drive
Austin, Texas 78741
Phone: (512) 356-3500

Anticipated
Appropriation

Sources: JOBS Now - \$5 million (W934)
Upstate Regional Blueprint Fund- \$5 million (X008)

ESD Project Nos.: W934, X008

Project Team:	Project Management	Brendan Healey
	Legal	Jonathan Beyer
	Affirmative Action	Laverne Poole

Design & Construction Joseph Burkhard
Environmental Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>	
Machinery & Equipment	\$75,000,000	
Facility/Infrastructure Upgrade	5,000,000	
Operating Costs	<u>20,000,000</u>	
 Total Project Costs	 <u>\$100,000,000</u>	
 <u>Financing Sources</u>	 <u>Amount</u>	 <u>Percent</u>
ESD – JOBS Now Grant	\$5,000,000	5%
ESD – Upstate Regional Blueprint Fund Grant	5,000,000	5%
ESD – Assembly Grant (to be approved at a later date)	10,000,000	10%
ISMI Member Companies	<u>80,000,000</u>	<u>80%</u>
 Total Project Financing	 <u>\$100,000,000</u>	 <u>100.0%</u>

III. Project Description

A. Background

Grantee:

The Research Foundation of the State University of New York (the “Research Foundation”) is a private, 501(c)(3) not-for-profit educational corporation that administers externally funded contracts and grants for and on behalf of the State University of New York (“SUNY”). The Research Foundation is a separate, not-for-profit corporation, and as such is not supported by state appropriated tax dollars, nor does it receive support services provided to New York State agencies. The Research Foundation provides the administrative flexibility to respond quickly to the special demands of externally funded contracts and grants in a manner that facilitates their scientific or technical execution.

The Research Foundation has established and oversees the operation of sixteen corporations to facilitate university-industry-government partnerships and accelerate the growth of sponsored program and applied research opportunities at SUNY. By taking care of the day-to-day administration of sponsored programs, the Research Foundation allows principal investigators to devote more time to their research.

The University at Albany’s College of Nanoscale Science and Engineering is a global resource for research, development, education and economic outreach in the nanotechnology and nanotechnology-enabled disciplines and applications of the 21st century, including nanoelectronics, bioinformatics, renewable energy, infotonics, environmental technologies, telecommunications, and

biotechnology. CNSE serves as a critical enabler in establishing New York as the most competitive and attractive location for the high-tech industries of the 21st century, and leading to the creation of high paying jobs for New Yorkers.

Beneficiary:

International SEMATECH Manufacturing Initiative, Inc., a wholly owned not-for-profit subsidiary of SEMATECH, Inc., is a 501 (c)(6) membership consortium incorporated in the state of Delaware and is a global semiconductor technology development consortium that has effectively represented the semiconductor manufacturing industry on innovation issues since 1987. ISMI is the global semiconductor industry consortium responsible for the development and implementation of international computer chip manufacturing roadmaps and standards, including silicon wafer size and uniformity, tool and equipment architecture and automation, chemicals and materials purity and handling, and environmental health and safety (“EHS”) guidelines and guidebooks.

ISMI’s parent, SEMATECH conducts and sponsors state-of-the-art research, and is a highly regarded technology partner whose mission is to promote the interests common to all chipmakers. SEMATECH has extensive experience collaborating with equipment and materials suppliers, as well as government and academic research centers, to refine the tools and technology necessary to produce future generations of chips. SEMATECH’s members make up 50 percent of the worldwide chip market and its member companies include IBM, Intel, Hewlett-Packard, Texas Instruments, Global Foundries, Renesas (Japan), Samsung (Korea), Infineon Technologies (Germany), Philips (Netherlands), Panasonic (Japan), Toshiba and NEC.

In October 2009, CNSE and ISMI entered into an 18-month joint alliance program at the CNSE aimed at generating innovations in leading nanoscale semiconductor devices. As part of the project, ISMI will relocate its entire operations from Austin, Texas to the CNSE. ISMI will expand, consolidate, and relocate all of its current program-related activities, including programs in metrology, environmental safety and health, and wafer development. CNSE approached ESD to for assistance in order to make the project financially feasible. Shortly thereafter, ESD offered a \$5 million JOBS Now grant and a \$5 million Upstate Regional Blueprint grant. In addition, a \$10 million Assembly grant has been offered. CNSE accepted the assistance offer in November 2009. Without the grant, ISMI would not relocate its headquarters to New York.

Since 2005, the ESD Directors have approved \$460 million worth of grants toward the SEMATECH program at the CNSE. These grants will generate \$340 million in additional financial and in-kind contributions from SEMATECH. Of this \$460 million worth of assistance, in January 2008, the ESD Directors approved \$300 million worth of grants toward the SEMATECH program at CNSE. \$120 million of this grant has been disbursed. SEMATECH has retained 251 jobs and created 149 jobs as a result of this grant. The SEMATECH program at CNSE has been successful in the attraction of partnerships and research and development initiatives as demonstrated by their collaboration with leading industry suppliers such as Veeco, ASML, and Tokyo Electron. This same collaboration will benefit the ISMI program and further add to the semiconductor industry attraction to Upstate New York.

B. The Project

Approximately 14,000 square feet of space within the CNSE complex will be renovated. The project will include establishment of state-of-the-art infrastructure and acquisition of cutting-edge equipment for processing and prototyping activities.

The project will attract additional technology investments and participants and drive accelerated commercialization of advanced technologies. It will maintain and expand ISMI's role as the world's top technology leader in development and implementation of international computer chip manufacturing roadmaps and standards, including silicon wafer size and uniformity, tool and equipment architecture and automation, chemicals and materials purity and handling and environmental health and safety guidelines and guidebooks. It is anticipated that there will be 25 new employees at the Project Location and \$25 million of project expenditures by June 2010 and employment will grow to 100 new employees and project expenditures will equal \$100 million by March 2011.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$8,416,611;
- Fiscal cost to NYS government is estimated at \$20,000,000;
- Project cost to NYS government per direct job is \$258,003;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$78,136;
- Ratio of project fiscal benefits to costs to NYS government is 0.42:1;
- Fiscal benefits to all governments (state and local) are estimated at \$13,959,700;
- Fiscal cost to all governments is \$20,000,000;
- All government cost per direct job is \$258,003;
- All government cost per total job is \$78,136;
- The fiscal benefit to cost ratio for all governments is 0.70:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$83,138,528, or \$324,807 per job (direct and indirect);
- The economic benefit to cost ratio is 4.16:1;
- Project construction cost is \$5,000,000 which is expected to generate 48 direct job years and 76 indirect jobs year of employment;
- For every permanent direct job generated by this project, an additional 2.33 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is over 10 years.

Note: The benefit cost analysis results reported here reflect only the estimated impact of the direct employment commitment made by ISMI and the project's construction impact. The real benefit of this project is much greater in its potential to attract significant additional investment in R&D and in the commercialization of advanced technologies. The investments made by ISMI and other semiconductor manufacturers will generate significant secondary impacts through the demand for goods and services in the region.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

C. Financial Terms and Conditions

1. The Grantee or the Beneficiary Company shall reimburse ESD for all out-of-pocket expenses incurred in connection with the project upon execution of the grant disbursement agreement.
2. The Grantee and Beneficiary Company will be obligated to advise ESD of a materially adverse change in its financial condition prior to disbursement.
3. SEMATECH, Inc. will guarantee the grant repayment obligation of its subsidiary, International SEMATECH Manufacturing Initiative, Inc., in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. The Company or the Company's shareholders will contribute at least 10% in equity to the Project. Equity is defined as any non-debt source of capital, and should be auditable through Company financial statements or Company accounts, if so requested by ESD.
5. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
6. Up to \$10,000,000 will be disbursed to the Grantee in four installments as follows:
 - a) an Initial Disbursement of an amount equal to 30% of the grants (\$3,000,000) upon documentation of machinery and equipment project costs totaling \$5,000,000, documentation of total project costs totaling \$25,000,000, and documentation of the employment of at least 25 new ISMI Full-time Permanent Employees at the Project Location (Employment Increment of 25 new Full-time Permanent Employees), assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 30% of the grants (\$3,000,000) will be disbursed upon documentation of machinery and equipment project costs totaling an additional \$5,000,000 (\$10,000,000 total), documentation of total project costs totaling an additional \$25,000,000 (\$50,000,000 total), and documentation of the employment of at least 50 Full-time Permanent Employees at the Project Location (Employment Increment of 25), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 20% of the grants (\$2,000,000) will be disbursed upon documentation of machinery and equipment project costs totaling an

additional \$5,000,000 (\$15,000,000 total), documentation of total project costs totaling an additional \$25,000,000 (\$75,000,000 total), and documentation of the employment of at least 75 Full-time Permanent Employees at the Project Location (Employment Increment of 25), provided Grantee is otherwise in compliance with program requirements;

- d) a Fourth Disbursement of an amount equal to 20% of the grant (\$2,000,000) will be disbursed upon documentation of project costs totaling an additional \$25,000,000 (\$100,000,000 total), and documentation of the employment of at least 100 Full-time Permanent Employees at the Project Location (Employment Increment of 25), provided Grantee is otherwise in compliance with program requirements;

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after November 17, 2009 to be considered eligible project costs. All disbursements must be requested by no later than April 1, 2011.

- 7. ESD officers may reallocate the project funds to another form of assistance, at an amount no greater than \$10,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
- 8. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	0
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A	B
Reporting Date	Employment Goals*
February 1, 2011	0+W+X+Y+Z
February 1, 2012	0+W+X+Y+Z
February 1, 2013	0+W+X+Y+Z
February 1, 2014	0+W+X+Y+Z
February 1, 2015	0+W+X+Y+Z
February 1, 2016	0+W+X+Y+Z

**New jobs may not be created by transferring employees from other NYS locations*

W = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e. W=25, and Employment Goals shall equal $[0 + W = 25]$ if the First Disbursement is made, in the year such disbursement is made and for each year thereafter). If the First Disbursement has not yet been made then W=0.

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. X=25, and Employment Goals shall equal $[25 + X = 50]$ if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

Y = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Y=25, and Employment Goals shall equal $[25 + X + Y = 75]$ if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Y=0.

Z = Grantee's Employment Increment that will be the basis of the Fourth Disbursement of the Grant as described in section C.5 above (i.e. Z=25, and Employment Goals shall equal $[25 + X + Y + Z = 100]$ if the Fourth Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Fourth Disbursement has not yet been made then Z=0.

IV. Statutory Basis

JOBS Now Program:

The project meets the statutory requirement of a JOBS Now 100 Project because the Company will create at least 100 new full-time permanent private sector jobs. No residential relocation is required as there are no families or individuals residing on the site.

Upstate Regional Blueprint Fund:

This project is authorized under Section 16-q of the New York State Urban Development Corporation Act (the "Act") and satisfies the eligibility criteria in the Act and the rules and regulations for the Upstate Regional Blueprint Program. No residential relocation is required as there are no families or individuals residing on the site.

V. Design & Construction

D & C staff will review applicable drawings and specifications. Once the project goes into construction, D & C will, at its option, attend construction meetings and monitor construction fit-out progress. D & C will review and approve all change orders, contractor requisitions and verify that all requirements have been satisfied prior to the approval and release of ESD funds. D & C will review the completion of construction documents, project bidding and, at their discretion, visit the site before funds are distributed.

VI. Environmental Review

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VII. Affirmative Action

ESD’s Non-discrimination and Affirmative Action policy will apply. The Research Foundation and/or the beneficiary company, as applicable, is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VIII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

IX. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Cost-Benefit Analysis

June 15, 2010

Albany (Albany County) – International SEMATECH Manufacturing Initiative - JOBS Now Program & Upstate Regional Blueprint Fund – Capital Grants – Findings and Determinations Pursuant to Sections 16-q and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Empire State Development Corporation and the Upstate Empire State Development Corporation (collectively, the “Corporation”) relating to the International SEMATECH Manufacturing Initiative - JOBS Now Program & Upstate Regional Blueprint Fund – Capital Grants Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that there are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the Chairman and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to The Research Foundation of State University of New York two grants for a total amount not to exceed Ten Million Dollars (\$10,000,000), Five Million Dollars (\$5,000,000) each from the JOBS Now Program and the Upstate Regional Blueprint Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s)

be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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