

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Request to Approve Project for a Sales and Use Tax Exclusion¹

**EUV Tech, Inc.
No. 23-SM029**

Tuesday, July 18, 2023

Prepared By: *Katrina Walters-White, Program Analyst*

SUMMARY

Applicant – EUV Tech, Inc.

Location – Martinez, Contra Costa County

Industry – Production of Metrology Equipment for Semiconductors

Project – Upgrade of an Existing Semiconductor Metrology Equipment Manufacturing Facility
(Advanced Manufacturing)

| Value of Qualified Property | Estimated Sales and Use Tax Exclusion (“STE”) Amount ² |
|-----------------------------|--|
| \$9,632,985 | \$805,318 |

| Estimated Net Benefit ³ | Dollar Value | Points Earned |
|---|--------------------|---------------|
| Estimated Fiscal Benefits | \$2,048,800 | 2,544 |
| Estimated Environmental Benefits | N/A | 40 |
| Additional Benefits | N/A | 135 |
| Total | \$2,048,800 | 2,719 |
| Estimated Quantifiable Net Benefit | \$1,243,482 | |

Competitive Criteria Score – 55

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.36%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

THE APPLICANT

EUV Tech, Inc. (the “Applicant”) is a Delaware corporation that formed in 1997 and headquartered in Martinez. The Applicant primarily produces tooling used in semiconductor fabrication plants owned by major chipmakers like Intel, TSMC, Micron, IMB, and Samsung. As a leader in the metrology equipment industry, the Applicant also provide its customers complimentary services such as maintenance, system and component refurbishment, redesigns for operation flexibility, and internal research, development, and product design.

The Applicant received an income tax credit under the California Competes Tax Credit Program⁴ administered by the Governor’s Office of Business and Economic Development on April 27, 2023.

The major shareholders (10.0% or greater) of the Applicant are:
Rupert Perera (68%)

The corporate officers of the Applicant are:
Dr. Patrick Naulleau, CEO
Mr. Chami Perera, COO

THE PROJECT

The Applicant is requesting a sales and use tax exclusion (“STE”) award to upgrade its existing manufacturing facility located in Martinez that develops and builds metrology equipment used by semiconductor producers (the “Project”). The Project will include upgrades to the Applicant’s equipment and facilities, including its clean room, and to enhance product research and development. The Applicant states it uses micro and nano electronics, semiconductors, advanced materials, and additive manufacturing in its process. For example, during the development stage, high-power computer-aided designs stations are used to create 3D models of its tools, and while manufacturing, high precision control tools help drive 3D printers, mills, and lathes. To ensure the assembly process is accurate, instruments such as a coordinate measuring system and laser distance measuring tools and interferometers are implemented. Additionally, the Applicant’s process comes equipped with advanced sensors and monitoring systems that collect and analyze data in real-time to help optimize operations. The Applicant states it aims to reduce the amount of water usage generated through administration and operations. For instance, the Applicant plans to reduce energy efforts business wide by switching from fluorescent to LED bulbs, integrating automatic light switches and making changes to its current HVAC system.

⁴ California Code of Regulations, Title 10, Chapter 13, Article 1 (commencing with Section 8000).

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

| | |
|---|---------------------------|
| Optical Microscope | \$200,000 |
| Clean Hoods | \$5,000 |
| Optical Tables | \$6,000 |
| White light interferometers | \$50,000 |
| Aerosol Deposition Tool | \$15,000 |
| Airborne Particle Counter | \$25,000 |
| Target Qual Test Station (ENK) | \$150,000 |
| Clean Room 1 Replacement | \$500,000 |
| Cleanroom 4 | \$700,000 |
| Computer Numerical Control Router | \$12,000 |
| EUV N&K Phase Measurement Tool | \$7,000,000 |
| LPP Optical Test Bench | \$200,000 |
| In Line Particle Sensor | \$42,995 |
| Wafer Sense | \$28,995 |
| In Line Particle Sensor | \$42,995 |
| Expandable Vacuum Chamber for Metrology | \$100,000 |
| Laser Vibrometer | \$5,000 |
| Pellicle Cleaning Tool | \$300,000 |
| Calibration Masks | \$250,000 |
| Total | <u>\$9,632,985</u> |

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

According to the Applicant, it will finish retrofitting its R&D/product servicing space and begin to install new tooling in Q2 of 2023. Construction is expected to be completed by Q2 of 2024, and the Applicant Project should be fully operational with sufficient staffing by Q2 of 2025.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Project will require a general building permit for retrofitting activities. The Applicant anticipates receiving the building permit by Q3 of 2023.

COMPETITIVE CRITERIA SCORE

The Applicant received 55 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's Project is located in Contra Costa County, which has an average annual unemployment rate of 3.6%.⁵ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant zero points.
3. **Job Creation (40 of 75 points)**. The Applicant anticipates the Project will support a total of 80 production-related jobs at its Facility. CAEATFA estimates that approximately 4.02 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 40 points.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project's industry is not in an Emerging Strategic Industry, and, therefore, zero points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 2,719 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 40 points, which exceeds the 20-point threshold.

⁵ Unemployment rates are based on data available in October 2022.

- A. Fiscal Benefits (2,544 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$2,048,800, resulting in a Fiscal Benefits score of 2,544.

Environmental Benefits (40 points) The Project earned an Environmental Benefits Score of 40 The Applicant received points in the following categories:

1. **Environmental Sustainability Plan (5 of 20 points).** The Applicant has an environmental sustainability plan that states it will reduce energy consumption, air pollutants, and water usage.
 2. **Energy Consumption (25 of 30 points).** The Applicant anticipates the Project will result in a 25% reduction in energy consumption compared to the Applicant's previous manufacturing process. This is achieved by installing LED lights, utilizing more efficient fan filter units in the Applicant's clean rooms, and utilizing a house cooling water system instead of point of use cooling units.
 3. **Air Pollutants (10 of 30 points).** The Applicant anticipates the Project will result in a 10% reduction in air pollutants produced relative to the Applicant's previous manufacturing process. This is achieved by installing a centralized exhaust and air scrubber system, which more efficiently cleans the already compliant exhaust to ensure no particulates are released into the environment.
- B. Additional Benefits (135 points).** Applicants may earn additional points for their Total Score. The Applicant received 135 additional points.
1. **Production Jobs (40 of 75 points).** The Applicant anticipates the Project will support a total of 80 production-related jobs at its Facility. CAEATFA estimates that approximately 4.02 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 40 points.
 2. **Construction Jobs (20 of 75 points).** The Applicant anticipates the Project will support a total of 20 construction jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.
 3. **Unemployment (0 of 50 points).** The Applicant's Project is located in Contra Costa County, which has an average annual unemployment rate of 3.6%. When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant zero points.

4. **Research and Development Facilities (25 of 25 points).** The Applicant has verified that it has a facility located in California that performs research and development functions related to the production of semiconductor metrology equipment.
5. **Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with San Jose State University and Diablo Valley College for the purpose of assisting in the training of potential future workers.
6. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, and vision, bonuses, retirement contributions, profit sharing, education reimbursement, employee discounts and paid leave to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$4,816.49 and will pay CAEATFA an Administrative Fee of up to \$38,531.94.

RECOMMENDATION

Staff recommends the approval of Resolution No. 23-SM029-01 for EUV Tech, Inc's purchase of qualifying tangible personal property in an amount not to exceed \$9,632,985 anticipated to result in an approximate STE value of \$805,318.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH EUV TECH, INC**

July 18, 2023

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **EUV Tech, Inc.** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$9,632,985 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the

qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.