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CONFIDENTIAL

**ANNUAL EMPLOYMENT REPORT**  
**STRATEGIC INVESTMENT PROGRAM (SIP)**  
ORS 285C.615, OAR 123-623-4000 & 123-623-4100

After each property tax year (ending June 30) of benefiting from a SIP exemption, please fill out and return this form, not later than the following April 1 date, to:

Incentives, **Business Oregon**  
775 Summer Street NE, Suite 200  
Salem, OR 97301-1280  
Fax: 503-581-5115

**BENEFITING BUSINESS FIRM**

CONTACT PERSON <i>Stephanie Mannon</i>		E-MAIL ADDRESS <i>stephanie.mannon@micrchip.com</i>	
TITLE <i>Tax Analyst</i>		TELEPHONE NUMBER <i>(480) 792-7325</i>	
NAME OF BUSINESS FIRM <i>Microchip Technology Inc.</i>		FAX NUMBER <i>(480) 792-4150</i>	
MAILING ADDRESS (STREET/PO BOX) <i>2355 West Chandler Blvd.</i>		CITY <i>Chandler</i>	STATE <i>AZ</i>
		ZIP CODE <i>85224</i>	

**ELIGIBLE SIP PROJECT/PROPERTY**

GENERAL NAME/IDENTIFIER OF PROJECT, FACILITY, OPERATIONS <i>Microchip Technology Inc.</i>		CITY WHERE LOCATED <i>Gresham</i>	COUNTY WHERE LOCATED <i>Multnomah</i>
LOCATION (SITE ADDRESS/ES, ASSESSOR MAP/LOT NUMBER/S) <i>21015 SE Stark St., Gresham OR 97030</i>			
FIRST EXEMPTION YEAR <i>2002</i>	NUMBER OF LAST TAX YEAR (ENDING PREVIOUS JUNE 30) WITHIN EXEMPTION PERIOD - <i>8</i> out of 15	CUMULATIVE INVESTMENT, THRU MOST RECENT CALENDAR YEAR \$ <i>329,597,418</i>	
TOTAL REAL MARKET VALUE OF PROJECT PROPERTY* \$ <i>243,394,760</i>		ASSESSED VALUE OF EXEMPT PROPERTY* \$ <i>120,022,350</i>	
ASSESSED VALUE OF TAXABLE PROPERTY* \$ <i>122,987,370</i>	TOTAL PROPERTY TAXES PAID* \$ <i>1,937,086.93</i>	TOTAL PROPERTY TAX SAVINGS* \$ <i>1,890,388.02</i>	

- ATTACHED IS LOCATION & ASSESSED VALUE\* OF ASSOCIATED INVESTMENTS IN OREGON NOT COVERED BY SIP (OPTIONAL)

**LOCALLY COLLECTED FEES & PAYMENTS - DURING MOST RECENT CALENDAR YEAR**

NAME OF FEE/PAYMENTS	... RECIPIENT/DISPOSITION	... AMOUNT
Community Service Fee	County, local distribution	\$
<i>Community Service Fee</i>	<i>Multnomah County</i>	\$ <i>496,365.24</i>
		\$

- ATTACHED IS LIST SHOWING ADDITIONAL PAYMENTS UNDER SIP AGREEMENT OR FURTHER INFORMATION ABOUT THE ABOVE

**EMPLOYMENT IN ASSOCIATION WITH PROJECT - DURING MOST RECENT CALENDAR YEAR (SEE INSTRUCTIONS)**

NUMBER OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES BASED ON 2,080-HOUR YEAR:

NEW HIRES/JOBS CREATED - <i>112</i>	ACTIVELY RETAINED JOBS - <i>0</i>	PASSIVELY RETAINED JOBS - <i>322</i>
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AVERAGE ANNUAL TAXABLE INCOME (OREGON WAGES, SALARY, ETC.) PAID TO EMPLOYEES:

NEW HIRES/JOBS CREATED - \$ <i>29,510</i>	ACTIVELY RETAINED JOBS - \$ <i>0</i>	PASSIVELY RETAINED JOBS - \$ <i>47,728</i>
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AVERAGE ANNUAL COMPENSATION, TAXABLE INCOME PLUS DISCRETIONARY FRINGE BENEFITS:

NEW HIRES/JOBS CREATED - \$ <i>38,363</i>	ACTIVELY RETAINED JOBS - \$ <i>0</i>	PASSIVELY RETAINED JOBS - \$ <i>62,046</i>
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BREAKDOWN OF THREE MOST COMMON OCCUPATIONS FOR THE ABOVE NEW HIRES/JOBS CREATED:


FTEs	AVERAGE ANNUAL TAXABLE INCOME	FTEs	AVERAGE ANNUAL TAXABLE INCOME	FTEs	AVERAGE ANNUAL TAXABLE INCOME
<i>1. 91</i>	\$ <i>24,122</i>	<i>2. 5</i>	\$ <i>50,544</i>	<i>3. 4</i>	\$ <i>65,910</i>

**ANNUAL EMPLOYMENT REPORT: OREGON STRATEGIC INVESTMENT PROGRAM (SIP)**

- ATTACHED IS SUPPORTING INFORMATION ON EMPLOYMENT AND SO FORTH (OPTIONAL, UNLESS OTHERWISE STIPULATED)
- ATTACHED IS AN EXPLANATION AND IDENTIFICATION OF INFORMATION PROVIDED HERE THAT IS FINANCIALLY OR OTHERWISE SENSITIVE, AND FOR WHICH SPECIFIC CONFIDENTIALITY IS EXPLICITLY REQUESTED BY THE SUBMITTER OF THIS FORM

**DECLARATION**

I have examined this document and attachments to it. To the best of my knowledge, they are true, correct and complete in every material respect. If any such information changes, I will notify the department and submit proper written amendments.

<b>SIGNATURE</b> X 		<b>DATE</b> 3/23/11
<b>PRINTED NAME</b> Eric Bjornholt	<b>TITLE OF AUTHORIZED COMPANY REPRESENTATIVE</b> CFO	

**Instructions:**

The Oregon Business Development Department makes this form available as prescribed by law, so that business firms receiving a Strategic Investment Program (SIP) property tax exemption can report employment and other data. It pertains to any SIP project with exempt property in the most recently completed tax year, whether based in a strategic investment zone (SIZ) or not. In addition to program analysis and evaluation, the data serves to inform the calculation of state personal income tax revenue arising from the SIP project. Respectively, in the case of exemptions beginning in or after the 2008–2009 property tax year, the Oregon Department of Administrative Services will estimate and distribute 50 percent of that revenue to local governments.

For further information and explanation in using this form, please feel free to contact:

Incentives, *Business Oregon*  
 Phone: 503-986-0123,  
 toll-free: 866-467-3466,  
<http://www.oregon4biz.com/>

This annual report, due on or before April 1, corresponds to the tax year that concluded on June 30 midway through the preceding calendar year. Therefore, by way of example, for an exemption received in the 2009–2010 tax year running from July 1, 2009, to June 30, 2010:

- Business Oregon must receive this report no later than April 1, 2011, to avoid revocation of the exemption.
- If the SIP exemption began in the 2008–2009 tax year, then the corresponding tax year would be 2 out of 15.
- The property value/taxation figures do not relate to the most recent assessment or tax billing (for 2010–2011), but rather the one more than a year earlier. As needed to confirm such figures, please contact the county assessor.

The investment encompasses all property acquired, constructed and so forth since submission of the SIP application to the state and subject to SIP tax treatment; it is only property new to the zone for an SIZ-based project.

The statutory “community service fee” is the one equaling 25 percent of property tax savings, up to a cap of \$0.5 or

\$2 million depending on rural/urban location. Any other fee or payment would be solely a function of the local SIP agreement with the county/city.

Jobs are counted as full-time equivalents (FTEs) based on a work-year of 2,080 hours for the business firm’s employees or hires, for whom the firm would have the obligation of paying withholding taxes under Oregon law (ORS chapter 316), regardless of the person’s residency in this state. “Taxable income” is the amount that would be used to compute current withholdings of state income taxes.

Exclude anybody working for/as an independent vendor, contractor and so forth, other than a general operator of the entire project. Also, carefully consider what jobs to associate with the project, as distinct from potentially other business firm operations, including those using another SIP exemption. The firm may limit this only to people employed at the same site as project property, or it may include employees working elsewhere at locations within the county or comparable proximity, as the firm deems appropriate. In any case, relevant employees or jobs for purposes of this form must engage in or directly support the project’s operations, in that other operations represent not more than 25 percent of the person’s time spent performing work.

Newly created jobs are ones, for which the job position opened only since the state SIP application was made, and that still exist in the preceding calendar year. “Actively retained” (preexisting) jobs are those that the firm determines would have definitely been eliminated before the exemption’s first tax year if not for re/investment in the SIP project. “Passively retained” refers to such preexisting jobs or positions, for which there is significant probability that they would not have existed at the end of the last applicable tax year were it not for the project.

“Compensation” is calendar-year remuneration that in addition to taxable income comprises financial benefits such as life insurance, medical coverage or retirement plans. Do not include free meals, club membership, workplace amenities, etc., or any benefit mandated by federal, state or local law (e.g., FICA, worker’s compensation, unemployment insurance–UI).

**From:** [Fish Arthur](#)  
**To:** [Stephanie.Mannon@microchip.com](mailto:Stephanie.Mannon@microchip.com)  
**Subject:** RE: SIP Annual Employment Report - Microchip Technology Inc.  
**Date:** Monday, May 16, 2011 3:08:41 PM

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On second thought, Stephanie, you need not worry about the confirmation/corrections below, although next year largely the same figures would be reported.

Please do reply on my sharing with local officials.

Art.

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**From:** Fish Arthur  
**Sent:** Thursday, May 05, 2011 3:07 PM  
**To:** [Stephanie.Mannon@microchip.com](mailto:Stephanie.Mannon@microchip.com)  
**Cc:** Fish Arthur  
**Subject:** RE: SIP Annual Employment Report - Microchip Technology Inc.

Stephanie,

Thank you for the hand-completed form received here on March 30. Sorry, for not having responded sooner. The employment and most other information look great.

It is a common point of confusion with this, but by law, the reported property value and property tax numbers are supposed to be for the 2009–2010 tax year, which would, I think, be 7 out of 15 years. Your figures are evidently for 2010–2011.

More than a year ago, the assessor reported:

- Taxes Paid as: \$1,882,848
- Tax Savings: \$1,588,541.

Please confirm/correct the above numbers and let us know the figures for:

- Assessed value of taxable property: [probably around \$119 million]
- Assessed value of exempt property: [estimated, of course]
- Total project real market value: [which may exceed the sum of the above]

Alternatively, you are welcome to resubmit a revised form any time soon.

Finally, Warren Fish of Multnomah County and Shannon (Lopez) Stadey with Gresham are interested in seeing a copy of this report, which is not otherwise a problem from our end, but I hope to get your permission to share it with them in confidence.

Regards,

Arthur Fish, Incentives Coordinator |  [Oregon Business Development Department]  
503-986-0140 | [www.oregon4biz.com](http://www.oregon4biz.com) | Fax: 503-581-5115

(State Lands Building Suite 200, 775 Summer St NE, Salem OR 97301-1280)

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**From:** Fish Arthur  
**Sent:** Wednesday, March 16, 2011 12:06 PM  
**To:** Stephanie.Mannon@microchip.com  
**Cc:** Fish Arthur  
**Subject:** RE: SIP Annual Employment Report - Microchip Technology Inc.

Stephanie,

Thank you for your call. Attached is a MSWord document for filling out the form.

In addition you can find further information regarding employment definitions and so forth addressed in: [OAR 123-623-4100](#).

Regards,



Arthur Fish, Incentives Coordinator | [www.oregon4biz.com](#) | Fax: 503-581-5115  
(State Lands Building Suite 200, 775 Summer St NE, Salem OR 97301-1280)

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**From:** Stephanie.Mannon@microchip.com [mailto:Stephanie.Mannon@microchip.com]  
**Sent:** Tuesday, March 15, 2011 3:40 PM  
**To:** arthur.fish@state.or.us  
**Subject:** SIP Annual Employment Report - Microchip Technology Inc.

Hi Arthur,

We just spoke on the phone regarding the SIP Annual Employment Report; specifically the "Employment in Association with Project" section. At your convenience, could you please send me a word doc. of the report as well as additional instructions and guidance to fill out the form.

Again, thank you so much for your help.

Kind regards,

Stephanie Mannon  
Microchip Technology Inc.  
Tax Analyst  
(480) 792-7325