

Texans For Public Justice

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(BY FAX)

May 24, 2010

Governor Rick Perry
State Capitol, Room 2S.1
Austin, Texas 78701

Lt. Governor David Dewhurst
State Capitol, Room 2E.13
Austin, Texas 78701

Speaker Joe Straus
State Capitol, Room 2W.13
Austin, Texas 78701

Gentlemen,

As the three public officials who oversee the Texas Enterprise Fund, we urge you to investigate whether Sematech, Inc. has complied with all the terms of the \$40 million state grant it received in 2004.

After Sematech pocketed \$40 million in tax dollars, credible evidence suggests that it has been quietly abandoning the Lone Star State for greener pastures in New York. The development agreement that two of you signed requires the company to “maintain its base of active operations and principal place of business within the State of Texas for seven years,” and “to maintain an average of 400 Texas employees.” During this period Sematech agreed to obtain state permission before it would “transfer core managerial or operational functions currently based in Texas outside of Texas, establish any significant facility outside of Texas,” or “negotiate with any foreign national or domestic state or local governmental entities” to do any of the above.

Sematech then entered into a 2007 development agreement with the Research Foundation of the State University of New York (SUNY) to “establish the headquarters and administrative, programmatic and technical operations of International Sematech at the [SUNY] facilities in Albany,” according to a copy of that agreement. In this deal, Sematech pledged to invest upwards of \$300 million in Albany. There is strong evidence that Sematech already has transferred considerable operational capabilities and personnel (including its CEO) from Austin to Albany. Coupled with the sale of its southeast Austin fabrication plant, it appears likely that Sematech has not kept the Austin employment commitments in its TEF contract.

To safeguard taxpayer interests, Texas must determine whether or not Sematech complied with all the terms of its \$40 million contract. This would include, but not be limited to, an independent audit of Sematech’s workforce size during the contract period. If Sematech has not complied with its agreement, you have an obligation to do everything in your power to enforce compliance or recover the scarce funds that failed to deliver the benefits promised to taxpayers.

Sincerely,

Craig McDonald
Director