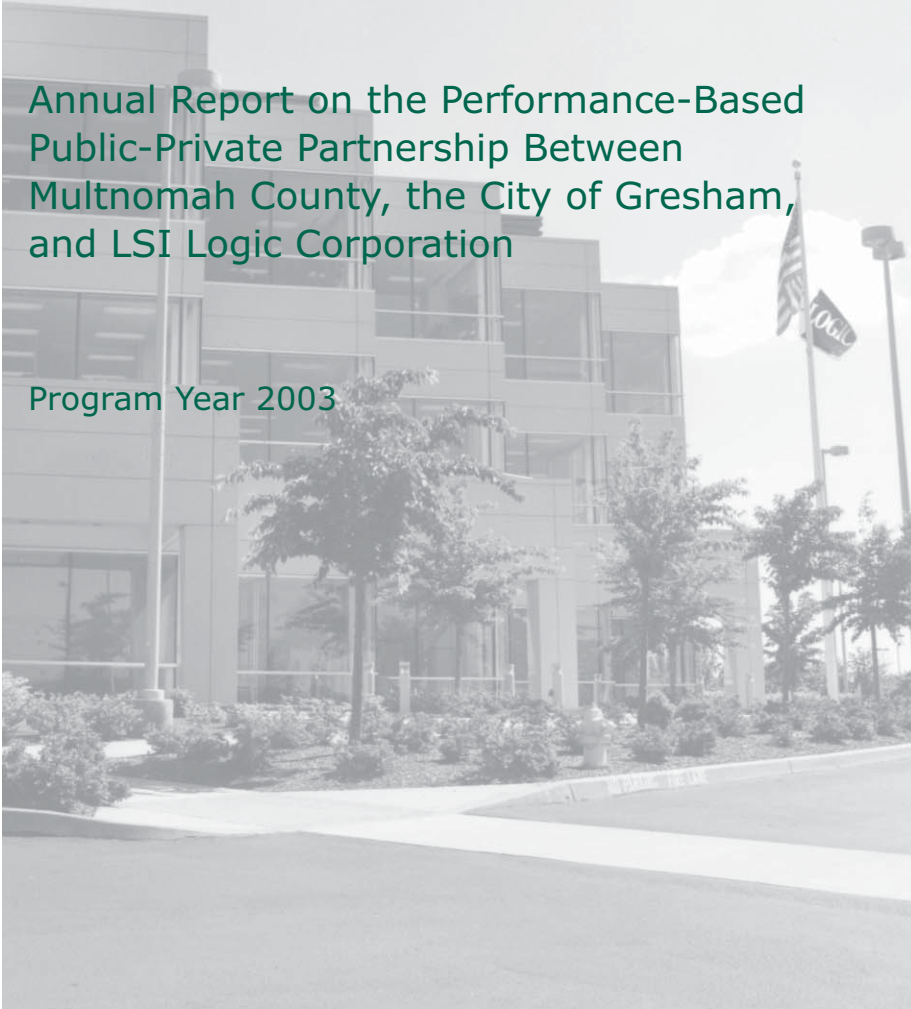


Multnomah County Strategic Investment Program

Annual Report on the Performance-Based
Public-Private Partnership Between
Multnomah County, the City of Gresham,
and LSI Logic Corporation

Program Year 2003



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Introduction

In 1995, Multnomah County and the City of Gresham developed an innovative public-private partnership with LSI Logic Corporation, under the State of Oregon's Strategic Investment Program (SIP). This partnership led to the construction of LSI Logic's Gresham campus, now the nexus of manufacturing activity for the California-based company, and the establishment of one of East County's most visible and significant corporate presences. With the sale last year of LSI Logic's plant in Tsukuba, Japan, Gresham is now home to the company's sole production facility. While weathering the economic turmoil of the unpredictable semiconductor industry, LSI Logic has remained committed to its obligations under the SIP.

Through the Strategic Investment Program, the state permits counties to provide property tax relief for large, capital-intensive investments such as the one made by LSI Logic. This abatement of property taxes allows Multnomah County to compete nationally, and even globally, for highly sought-after high-technology investment. It attracted Arizona-based Microchip Technology as well, which purchased the Fujitsu Microelectronics campus under the Strategic Investment Program in 2002. A report on the status of that SIP agreement will be available in early 2005.



Multnomah County SIP

Under the terms of the SIP, LSI Logic pays property taxes on the first \$100 million of assessed property value (with the threshold increasing 3% per year) and receives a tax exemption on valuations above this threshold. The company pays an annual community service fee, equal to 25 percent of the abated taxes up to a maximum of \$2 million per year, which is distributed by agreement between Multnomah County and the City of Gresham.

Multnomah County took an innovative approach to creating a partnership with LSI Logic, integrating important county goals into the SIP agreement and setting a high standard for corporate citizenship. The public goals of Multnomah County incorporated into the SIP agreement are:

- creating job opportunities
- providing child care support
- encouraging alternative transportation
- building a world-class workforce
- strengthening secondary and post-secondary education
- expanding the pool of affordable housing
- encouraging the purchase of locally produced or sold goods and services
- promoting environmental stewardship

During the past eight years, the public-private partnership established by the SIP agreement between Multnomah County, the City of Gresham, and LSI Logic has had a variety of tangible benefits to the community. Where do we stand?

Creating job opportunities

At the end of 2003, LSI Logic counted 795 full-time employees at its Gresham campus. In 2003 the semiconductor industry finally emerged from the record downturn that began in 2001. While business conditions were improved, LSI Logic maintained a cautious approach toward spending in its efforts to restore profitability. Early in 2003, the company reduced its permanent workforce by 25 employees, but no manufacturing specialists were affected. Due to the need for increased flexibility in managing its workforce, LSI Logic instituted a temporary-to-hire model for manufacturing specialists in 2003. Under this new model, manufacturing specialists are initially hired into temporary positions through a subcontractor, Pro Unlimited. LSI Logic's intent has been to convert temporary manufacturing workers to regular employees within a reasonable period of time, and they have succeeded in doing so, converting 36 temporary manufacturing specialists to regular positions in 2003.

Wages

The Gresham campus total payroll was \$34.5 million (not including fringe costs). The average wages as of 12/31/03 were as follows (not including new hires):

Nonexempt workers: \$38,859

Exempt workers: \$89,199

Multnomah County average covered wage (2002): \$38,239

JOB CLASSIFICATION	AVERAGE SALARY	2003 SALARY RANGE
Administrative	\$43,506	\$32,011 – \$54,517
Technician	\$70,638	\$30,701 – \$74,838
Manufacturing	\$40,793	\$20,869 – \$71,250
Professional	\$91,057	\$31,491 – \$188,125
Engineering	\$90,146	\$50,000 – \$128,911



The base hourly wage for an entry-level manufacturing specialist begins at \$9.50 per hour (\$11.02 when compressed shift and scheduled overtime rates are applied).

Promotion and Retention

Twenty-seven percent of manufacturing specialists in the Operator II category received promotions, and another 54 percent received special salary increases. Three technicians were promoted and two received special salary increases. In 2003 LSI Logic achieved its goal of 92 percent retention at the Gresham campus.

Benefits

LSI Logic provides a comprehensive benefits package to all its full-time employees, and to part-time employees on a pro rata basis. Benefits include an option of several health plans; dental, vision, and mental health coverage; basic life insurance coverage; an employee assistance program; pre-tax medical and dependent-care accounts; tuition reimbursement for ongoing education; child care discounts; free TriMet transit passes; and other transportation benefits.

Providing child care support

LSI Logic offers a free dependent-care resource referral program administered by Family Care, Inc. Family Care provides assistance with referrals, counseling, education, and workshops.

A 50 percent subsidy for child care costs is available to LSI Logic employees whose annual household income is between \$25,009 and \$35,450, depending on the number of family members. Four local child care facilities offer discounts to LSI Logic employees. Twenty-one children were participants at these facilities in 2003. LSI Logic also provides emergency back-up child care resources and support.

Employees may request a shift change or adjustment to alleviate child care issues. In 2003 all five such requests were granted.

Encouraging alternative transportation

LSI Logic offers TriMet Passport stickers at no charge to any employee who requests one. In 2003, 496 Passport stickers were distributed to employees. Free shuttle service is provided from the campus to the Gresham City Hall MAX station. Through an online process, employees can request shuttle service to Portland International Airport. A total of 377 airport shuttle trips were completed in 2003.

Carpooling is also encouraged, through the provision of 34 reserved carpool parking spaces and carpool permits for those who request them. Bike lockers are also available. If employees miss their carpool, or if inclement weather or TriMet's schedule affects their ability to get home, LSI Logic provides a guaranteed ride home taxi voucher.

Performance at a Glance

	Meets	Exceeds	Requires Correction	Completed or N/A
Job Creation				
Contract Employees	•			
Retention		•		
Promotion	•			
Wage Ranges	•			
Weighted Avg. Payroll	•			
Employer-Paid Benefits		•		
Employee Healthcare Costs	•			
Healthcare Coverage		•		
First Source Agreement	•			
First Source Funding*				•
Child Care				
Subsidies		•		
Providers		•		
Shift Accommodation	•			
Survey	•			
Transportation				
TriMet Passes		•		
Carpool Spaces		•		
Alternative Option	•			
Bike Racks, Facilities	•			
Guaranteed Ride Home	•			
Employee Information	•			

Multnomah County SIP

	Meets	Exceeds	Requires Correction	Completed or N/A
Community Service Fee	•			
Additional Contributions				
Strategic Workforce Development Program	•			
School-to-Work		•		
Entry-Level Training	•			
Ongoing Employee Education		•		
Funding for Training and Education**				•
Housing	•			
Local Procurement	•			
Infrastructure and Public Services	•			
Environmental Management System				
Toxics/Hazardous Material Minimization		•		
Water Conservation and Quality		•		
Air Quality	•			
Solid Waste Reduction/ Recycling		•		
Energy Conservation		•		

*No FSA payments were required in 2003.

**Funds totaling \$600,000 were required in the first six years of the SIP agreement; this obligation has been met.

Additionally, the Alternative Transportation Incentive Program, housed in the company's Environmental Health and Safety department, offers gift certificates to employees who use alternative transportation.

Employee profile

Sheri Bolinger had been looking for work for several months when she saw an ad in the newspaper with entry-level openings at LSI Logic. Previously having admired the facility while driving by, she decided to respond. She was directed to SE Works, a place she was already familiar with as an employment resource, for prescreening. Within a few weeks she was hired, through Pro Unlimited, as a manufacturing specialist. In less than three months, she was offered a regular position with LSI Logic. "It happened much faster than I thought it would," says Sheri. A David Douglas High School graduate, Sheri likes the fact that her compressed schedule allows her to spend concentrated time with the six children in her family. And she was pleasantly surprised by the variety and the learning opportunities her job offers. "Things are always changing, and I'm learning a lot," she says. "I can't think of anything about the job that I don't like."



**Building a world-class workforce;
strengthening secondary and post-
secondary education; providing educational
opportunities to enhance upward mobility**

Fostering the development of a highly skilled workforce is a collaborative effort that requires the participation of the public and private sectors. LSI Logic contributes in a variety of ways to supporting Multnomah County's goals of building strong educational and workforce systems.

Ongoing Employee Education

LSI Logic's education assistance program provides tuition reimbursement to employees who participate in ongoing education (reimbursement is 100 percent for public colleges and universities and 50 percent for private institutions).

In 2003 104 employees received educational assistance, including 29 for two-year degree programs, 42 for four-year degree programs, and 19 for post-graduate degree programs. LSI Logic employees also participated in over 17,899 hours of company-provided training in 142 categories.

Internal Internship Program

LSI Logic instituted an innovative internal internship program at the Gresham campus in 2003. The internship program was developed to increase retention among employees, many of whom used the company's educational assistance program to further their education but did not have the experience needed to get promoted. Through the program, employees gain valuable experience that can help them move up in the company. It also creates an internal hiring pool for managers. Nine internships have been completed since the program began in June 2003, and seven internships were in progress in 2004. The program has been so successful that LSI Logic plans to expand it to other company sites.

SUN Schools Program

In 2003 LSI Logic entered into a partnership with the SUN Community Schools program at Clear Creek Middle School in the Gresham-Barlow School District. The SUN Schools program is a county effort to broaden the educational resources within the community, bring coordinated services into schools, and develop schools as “community centers” in their neighborhoods.

LSI Logic sponsored several events at the school in 2003:

- LSI Logic Speakers Bureau – Teachers were given the opportunity to request guest speakers and presenters from LSI Logic to supplement their classroom curriculum. Two speakers came to the school and made presentations before a total of 42 students.
- Women in High Tech Student Luncheons – A group of 10 female students had lunch with four female employees from LSI Logic (engineers and operators) to learn more about careers in technology fields and the many different directions math and science education can lead. These lunches have proved very popular with Clear Creek students, and they continue to take place.
- Thinking Beyond Eighth Grade – The goal of this event was to better prepare eighth grade students for high school and beyond by orienting them to different program offerings at the high school, familiarizing them with the job outlook in the technology field, and discussing job readiness skills. Students and parents chose from concurrent workshop sessions that were repeated throughout the evening. A total of 164 people (89 adults and 75 youth) attended. LSI Logic provided money for refreshments, a \$150 door prize, and three speakers for the event.

LSI Logic trainer Gerard Fleck looks on as a student dons the “bunny suit” uniform worn in the industry at Careers Calling Day



According to Tiffany Purn, the SUN program manager at Clear Creek, the partnership with LSI has been a huge asset to the school. “Employees at LSI have been quick to volunteer and help out in whatever way they can, trying out new things to see how they work, and offering great feedback. They are generous monetarily—bringing pizzas with them to luncheons and donating Sony Playstations to raffle off at large events like the Thinking Beyond Eighth Grade event—but more importantly are generous with their time and energy.”

Careers Calling Day

Mt. Hood Community College organized this event for eighth graders from East County school districts to learn about different career options from practitioners in a wide variety of fields. LSI Logic participated in the daylong event, in which several staff introduced 90 eighth graders to careers in the semiconductor industry and stressed the importance of math and science education. Multnomah County provided critical funding to support this event through the Strategic Investment Program’s Community Resources Fund.

Internships

LSI Logic sponsored 11 MECOP (Multiple Engineering Co-operative Program) students from Oregon State University in six-month internships from a variety of engineering disciplines.

Multnomah County SIP

MECOP is a collaboration between several Oregon universities and private firms that hire engineering graduates. The program offers students the opportunity for real-world experience to supplement their academic curriculum and better prepare them for the workforce. In addition, LSI Logic also provided seven internships to master's level students from the University of Oregon and Portland State University.

Career Pathway Technology Project

As part of its SIP contract, LSI Logic contributed \$100,000 each year for the first six years of the agreement toward education and training for the high-tech industry (1996-2001). These funds have been dedicated to the Career Pathway Technology Project, a collaboration between the SIP partners and east Multnomah County educational institutions designed to increase the number of high school students pursuing high-tech careers. The objective of the Pathway Project is to deliver innovative technical coursework for east Multnomah County high school students that is academically rigorous and benchmarked to industry standards. The project includes substantial emphasis on recruitment and support of low-income and English-as-a-Second-Language students. Mt. Hood Community College serves as the contracted service provider for the project. Through the project's scholarship program, students from the participating high schools are selected each year to receive \$1,000 scholarships applicable toward tuition at any Oregon public college or university.

County Chair Diane Linn presents Lidiya Bosovik with a college scholarship as part of the Career Pathway Technology Project



Expanding the pool of affordable housing

Each year LSI Logic contributes to a Community Housing Fund that Multnomah County uses to expand affordable housing options for a variety of populations within the county. Most recently funds were granted to assist with the development of Prescott Terrace, a 45-unit low-income housing complex in NE Portland that will provide supportive housing for individuals and families with a member who has a mental illness or substance abuse disability. Thus far, LSI Logic's annual housing contributions, combined with initial payments of \$500,000 each from LSI Logic and Fujitsu Microelectronics (whose SIP agreement has since been terminated), SIP-generated funds have contributed to the development of over 450 units of affordable housing in Multnomah County.

Encouraging the purchase of locally produced or sold goods and services

Despite gradually improving business conditions in the semiconductor industry, LSI Logic continued its efforts to limit expenditures in the area of procurement. Expenditures on local procurement in 2003 totaled \$72.7 million. While production materials consumption actually increased over 2002, this was partially offset by improvements in pricing. Spending on construction and infrastructure dropped by nearly \$9 million from 2002 to 2003. However, LSI Logic added 33 new local suppliers to its portfolio of regional vendors in 2003. On a cumulative basis, LSI Logic's partnership with Oregon suppliers of goods and services has resulted in company expenditures of over \$700 million.

Multnomah County SIP

Below is a summary of LSI Logic's actual expenditures in the region for 2003:

Multnomah County	\$16,415,929
Oregon, non-Multnomah County	\$52,292,951
Total Oregon	\$68,708,880
Clark County	\$ 3,983,390
Total Region	\$72,692,270

Promoting environmental stewardship

In 2003, LSI Logic continued its participation in both the Oregon Department of Environmental Quality's Green Permits program and the federal EPA's National Environmental Performance Track. The company submits annual performance reports for each program. Both programs are designed to recognize companies that have formal environmental management systems in place and demonstrate a commitment to continually improving environmental performance. LSI Logic remains in full compliance with all applicable federal, state, and local environmental requirements.

Each department at LSI Logic is responsible for completing one environmental improvement project evaluation annually. These projects were focused in five areas: chemical reduction/pollution prevention; water conservation; energy conservation; solid waste reduction; and transportation and trip reduction. Nineteen projects were submitted, ranging from process changes reducing chemical use to heating and cooling system adjustments reducing energy consumption. Employees also volunteered their time on outside environmental projects, including native habitat restoration efforts in East County.

After conducting an audit of the environmental programs at the Gresham site, the City of Gresham honored LSI Logic with a G.R.E.A.T. Business Award in 2003. The award recognized LSI Logic for outstanding efforts in conserving energy and water, reducing waste, and protecting our waterways.

LSI Logic also earned “Green Partner” status from Sony Corporation in 2003. The designation came after a team from Sony completed an audit of LSI Logic’s environmental management systems and material control. The company received near-perfect audit scores and was recognized by Sony as far ahead of its other suppliers in terms of environmentally friendly corporate specifications and procedures. LSI’s achievement of Green Partner status is significant since Sony is a major customer and has committed to purchasing parts only from approved Green Partner suppliers.

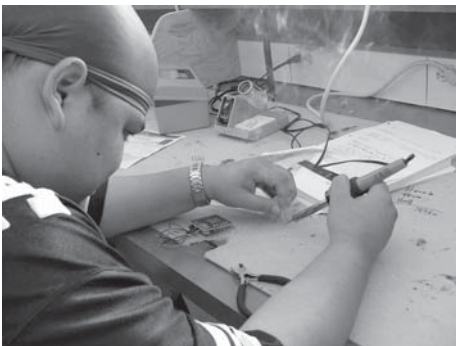
Below is a summary of the results of the efforts to reduce the environmental impacts at the Gresham campus in 2003:

2003 ENVIRONMENTAL IMPACT REDUCTIONS	
Gallons of Chemical Reduction	11,680
Gallons of Wastewater Treatment Chemical Reduction	146,801
Pounds of Gas Reduction	6,965
Gallons of Spent Chemicals Recycled	54,027
Pounds of Hazardous Waste Reduced	96
Gallons of Water Saved	182,725
Kilowatt-Hours of Energy Saved	1,896,020
Cu. Ft. of Natural Gas Reduction	31,222,360
Pounds of Air Pollution Prevented	15,049
Pounds of Solid Waste Reduced	27,419
Trip Miles Avoided	218,557

Conclusion

We are pleased that we can say LSI Logic's presence has had a significant impact in helping the county achieve each goal originally laid out in the SIP agreement. Throughout the process, the participation of our partner agencies and organizations has been instrumental to this success. Our workforce development and educational partners—Mt. Hood Community College, SE Works Neighborhood Jobs Center, and Workforce Connections—have been at the table since the inception of LSI Logic's SIP agreement in 1995, and have continually adapted to the changing needs of the program.

In 2003, economic conditions were clearly improved over the previous several years, and this upturn was reflected in the hiring of several dozen new manufacturing workers at LSI Logic's Gresham site. As a whole, however, the semiconductor industry is proceeding more cautiously than during the boom of the late 1990s, a period of explosive—and ultimately unsustainable—growth in the industry. The open communication between the company, Multnomah County, and the City of Gresham keeps our partnership strong as we move forward. The public also has access to a wealth of information about the SIP through our website: www.multnomahsip.org.



*Jackson Manyvong
works on a project in
his electronics class at
the Lents Tech Center,
located in Marshall
High School*

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Oregon Department of Environmental Quality
SE Works One Stop
Workforce Connections/East County One Stop

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COUNTY**

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