



Mark R. Hogan
Secretary and CEO

July 27, 2019

Dr. Louis Woo
Special Assistant to Founder
Foxconn Technology Group
611 East Wisconsin Avenue
Milwaukee, WI 53202

Secretary Joel Brennan
Department of Administration
State of Wisconsin
101 East Wilson Street, 10th Floor
Madison, WI 53703

Dear Dr. Woo and Secretary Brennan,

Two years ago today, July 27, 2017, the State of Wisconsin, the Wisconsin Economic Development Corporation (WEDC) and Hon Hai Precision Industry Co., Ltd (aka Foxconn) entered into a Memo of Understanding (MOU) regarding the company's historic commitment to invest up to \$10 billion dollars and hire up to 13,000 family-supporting jobs.

As stated in the MOU, the "Intent of the Parties" was "that a long-term mutually beneficial relationship ... be established to implement a transformational and sustainable high-tech manufacturing and technology ecosystem in Wisconsin." Having had the privilege to be part of these discussions from day one, I was optimistic of what this could mean for future generations of Wisconsinites and I remain even more optimistic two-plus years later.

In recent days, I have received letters from both Governor Tony Evers (dated July 8, 2019) and Dr. Louis Woo (July 25, 2019). Although approaching it in different ways, both letters request greater certainty about the future of the project.

Governor Evers noted that, "because the project has evolved substantially from what was originally proposed, evaluated and contracted for, it is necessary to review the revised aspects of the project and evaluate how changes can most fairly benefit both the company and our state." Louis's letter indicated Foxconn is seeking, "WEDC's affirmation that such Significant Capital Expenditures made for our Gen 6 facility located in the EITMZ will count towards the calculation of Capital Investment Tax Credits."

On many occasions, I have indicated to both of you the importance of making certain any revised agreement would be acceptable to WEDC and the Evers' administration, and also provide Foxconn the best possible path forward to be successful in Wisconsin. The purpose of this letter is to summarize where I believe we are in the process and to offer suggestions as to how we might continue to work in a collaborative fashion to achieve the certainty that all of us want and to ensure the company has the flexibility and resources it needs for the project to be successful.

At this time, working together to achieve a mutually beneficial agreement is the alternative I believe makes the most sense for everyone involved. As WEDC's CEO and acknowledging WEDC's Board of Directors would need to approve any changes to the agreement, there are other alternatives I could pursue, including doing nothing at all. Although they will remain available, in my opinion these alternatives are not in anyone's best interests nor are they consistent with my philosophy of trying to do the right thing for the right reason.



It is important to acknowledge a couple of points prior to moving on. In Governor Evers' letter, he states his "Administration is committed to supporting Foxconn's success in Wisconsin to bring manufacturing jobs to an area of the state that has struggled for many years." As important, Foxconn has stated on several occasions it remains committed to its investment and job creation pledges. Based on my interactions with the Evers' administration over the past few months, and also with Foxconn officials since April 2017, I believe both are sincere in their comments.

Joel, you and I have had numerous conversations about Foxconn's decision to pursue the Gen 6 facility instead of the Gen 10.5, as its first major investment in Wisconsin. Governor Evers' letter highlights this change and also the impact it would have on the size and scope of the company's investment. I believe Governor Evers' quote (mentioned earlier in this letter) is consistent with your position that the change in scope of the project warrants a review of the contract terms.

You are well-aware I believe either project is consistent with the MOU's intent (as stated earlier in this letter) given they both provide the unique opportunity for Foxconn to bring a state-of-the-art industry to Wisconsin, an industry that currently only exists in Asia. I have also stated publicly on several occasions the contract provides the company the flexibility it needs to make the business decisions necessary for it to continue to be successful in a globally competitive environment. As important, however, the "performance-based" nature of the contract, and the resulting scalability, protects the taxpayers of Wisconsin.

But as I stated earlier, my goal is to reach a mutually beneficial agreement. With that in mind, it would be constructive for you to outline what the Administration's goals are considering the project change. More importantly, I would ask you to identify the specific requests you have regarding the contract and then communicate both the goals and the specific requests in writing to the company.

Louis, your letter requests WEDC to affirm that the Gen 6 capital investments made in the EITMZ will qualify for tax credits. My understanding is you would use this affirmation with current and potential investors as they consider investing significant additional dollars in Mount Pleasant.

I have stated on several occasions, including in this letter, my position regarding the change from Gen 10.5 to Gen 6. But as is the case with any other tax credit awards administered by WEDC, I believe the appropriate manner to accomplish your request, as well as any other changes Foxconn might be interested in pursuing, is through an amendment to the contract.

You and your associates are aware of WEDC's process and the requirement for us to have an updated application to consider an amendment request. An application would need to be completed by the three existing claimants (SIO, FEWI, and AFE) as well as any new claimants Foxconn would seek to have included in the contract. Upon receipt of the applications, we will move through our underwriting and approval process which would ultimately require an approval by WEDC's Board of Directors.

The requests I am making of the Administration and Foxconn in this letter do not require one to come before the other. Rather, it would be most productive to immediately begin discussions so we can arrive at a mutually beneficial agreement.

I greatly appreciate the cooperation, communication and relationship that I am privileged to have with both of you. I look forward to working with you in my final weeks at WEDC to reach an agreement, something that I am committed to and firmly believe is achievable. Thank you.

Regards,

