



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Joel Brennan, Secretary

August 28, 2019

Mark R. Hogan
Secretary and CEO WEDC
201 W. Washington Ave.
P.O. Box 1687
Madison, WI 53701

Re: The Foxconn Project

Dear Mark:

Given that WEDC and the Administration work collaboratively on contract compliance and negotiation issues with Foxconn, I thought it best to write you separately from my August 23, 2019 letter to Foxconn's Alan Yeung and Dr. Jay Lee. You were copied on that letter.

Earlier this year, Foxconn representatives began publicly discussing plans to construct a project in the Racine-area EITM Zone that differs significantly from the Gen 10.5 FAB specified in its 2017 contract with the state. Although Foxconn has provided various general estimates about its new project, it has not yet confirmed many of the specifics. Based on the August 8, 2019 meeting you and I attended with Foxconn representatives in Milwaukee and our August 14, 2019 meeting with Foxconn's new leadership and Governor Evers, we can both agree that Foxconn's plans for the project remain fluid.

You have suggested in the past that a viable option might be to allow the project to proceed without changing the Contract. You have taken the position that some changes are not necessarily required because you believe the 2017 Contract is a one size fits all "performance-based agreement." We disagree. The sole "performance" to be measured under the 2017 Contract is for the Gen 10.5 project defined in the Contract. Multiple provisions of the 2017 Contract require Foxconn to "perform" by building and operating the defined Gen 10.5 project on the terms and deadlines specified.

As noted in my August 23, 2019 letter to Mr. Yeung and Dr. Lee, the Administration believes the present project is outside the terms of the 2017 Contract. Encouraging the new project to proceed without revising the agreement would likely limit the ability of the company to fully access and retain credits. We believe that it would be productive to modify the contract to address Foxconn's decision to change the project and provide the company with the incentives necessary to develop its evolving project. We have communicated that belief to Foxconn and intend to continue down that path in the coming months.

Sincerely,

Joel T. Brennan,
Secretary, Department of Administration