



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Joel Brennan, Secretary

November 22, 2019

Mr. Alan Yeung
Director, U.S. Strategic Initiatives
Foxconn Technology Group

Dear Mr. Yeung:

The comments in your November 18, 2019 letter about the State's support for business development and Foxconn's communications about the project with this Administration are inaccurate.

This Administration strongly supports economic development and job creation. The State has specifically demonstrated its commitment to Foxconn by investing hundreds of millions of dollars throughout 2018 and 2019 in infrastructure, job training, sales-tax exemptions, and other resources, such as issuing timely permits, to assist the Foxconn project. That does not mean, however, that the State is free to ignore the applicable law and contract provisions governing the tax-credit incentives. Nor are we free to ignore the interests of the State's taxpayers.

Your letter asserts that Foxconn has been communicating its decision to build and operate a Gen 6 facility (rather than the contractually required Gen 10.5 factory) "since 2018...especially [with] Governor Evers...". That simply isn't true. First, Governor Evers did not take office until early 2019 and had no communications with Foxconn about its project plans in 2018. Second, Foxconn was opaque about its project plans throughout 2018 and did not commit to any specific type of project different than the Gen 10.5 facility defined in the Contract.

In late January 2019, Dr. Woo (the State's top point of contact with Foxconn at the time) told Reuters, "In terms of TV, we have no place in the U.S. We can't compete. We're not building a factory." It wasn't until Dr. Woo visited Wisconsin and met with Governor Evers on March 11, 2019 that there was any direct communications to the State that Foxconn was dropping the Gen 10.5 factory in favor of a development that would include a smaller Gen 6 facility.

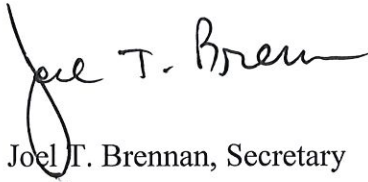
When Dr. Woo met with Governor Evers, Dr. Woo initiated the discussion about amending the contract, and the Governor sent the letter dated April 23, 2019 (referenced in your letter) in which he memorialized that discussion. Starting with Dr. Woo this spring, both Foxconn's leadership and the State recognized that it would be necessary for Foxconn to follow the process outlined by Secretary Mark Hogan for seeking to amend the Contract. The series of letters mentioned in your letter from April 2019 to the present (and the many meetings and other communications referenced therein), all reiterate the State's consistent encouragement for Foxconn to pursue the amendment process and to ensure that the new project is fully eligible for state tax incentives.

The amendment process encouraged by WEDC Secretaries Hogan and Hughes, and this Administration, should be viewed by Foxconn as a positive path. Unless we work together to “right size” the contract through the amendment process to fit the new project, there will be minimum job cutoffs, investment deadlines and claw-back risks that disadvantage Foxconn. Additionally, the cost to the state of incenting Foxconn to create the new jobs will likely be so much higher for the new project than for the one specified in the contract that there would never be a net benefit to the State, exposing both sides to valid criticism by the State’s taxpayers.

As we and WEDC have indicated in our prior communications throughout 2019, we want to work together with you to help make Foxconn’s new project as successful as possible. The ability to do that requires Foxconn to recognize that there are consequences arising from its unilateral decision to change projects well after the Contract was in place. We now need to react to your business decision by working together to tailor a revised contractual relationship – with terms fair to all sides – that will fit the new reality of what Foxconn has decided to build now and may do in the future.

As I presume you are aware, Secretary Hughes has been following up on her recent site visit with Dr. Lee and they are arranging to meet again early next week or as soon thereafter as Dr. Lee’s schedule permits. We hope and anticipate that they will be able to further advance their constructive dialogue.

Sincerely,

A handwritten signature in black ink that reads "Joel T. Brennan". The signature is written in a cursive style with a large, looping initial "J".

Joel T. Brennan, Secretary

Cc: Missy Hughes
Secretary/CEO
Wisconsin Economic Development Corporation