

FOXCONN IN WISCONSIN MADE IN AMERICA:

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FOXCONN/WEDC CONTRACT: OVERVIEW AND KEY CONTRACT DETAILS

KEY POINTS

- Job creation and retention drive every aspect of Foxconn's potential tax incentives.
- All tax credits are "pay as you grow." Foxconn must create jobs and invest capital in Wisconsin before it is eligible for any tax incentives.
- The tax incentives must be earned. Foxconn will only earn the maximum amount of tax benefits, \$2.85 billion, after it has created and maintained 13,000 jobs and invested \$9 billion.
- Prior to receiving tax credits each year, Foxconn is required to hire an independent CPA that will use industry standards to attest to the job creation and capital investment reports submitted to WEDC.
- There are stringent provisions in place to ensure Foxconn meets the terms of the contract as well as clawback provisions if the company defaults on the contract.
- Foxconn reaffirms its strong commitment to the state to providing Wisconsin residents with significant job opportunities and will also provide an annual report on its Wisconsin-based supply chain purchases.

CAPITAL INVESTMENT TAX CREDITS

- Credits will be equal to 15% of all eligible capital investments.
- To earn the full amount of credits, Foxconn must make \$9 billion in capital investments.
- Although construction is expected to take up to five years (through 2022), the tax credits related to investment will be paid out over seven years (2019-2025).
- Subject to limits, unearned tax credits in a given year can be carried forward to subsequent years.
- Foxconn has annual job-creation thresholds that it must meet for it to receive the maximum capital investment tax credits. If the company does not meet those thresholds, the capital investment tax credits will be reduced by the same percentage the company missed the minimum by – regardless of the level of capital investment. Those levels are:

YEAR	NUMBER OF FTE JOBS REQUIRED TO RECEIVE MAXIMUM CAPITAL INVESTMENT CREDITS	MAXIMUM CAPITAL INVESTMENT TAX CREDITS (in millions)
2019	520	\$193
2020	1,820	\$193
2021	3,640	\$193
2022	5,200	\$193
2023	7,150	\$193
2024	7,800	\$193
2025	8,450	\$193

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JOBS TAX CREDITS

- Credits will equal 17% of wages for all eligible full-time employees over a 15-year period.
- Credits can be earned on the wages of employees earning at least \$30,000 annually. Credits will be paid on wages up to \$100,000 per employee.
- The company must pay an average annual salary of \$53,875 to qualify for tax credits. Foxconn must maintain the number of jobs its creates through 2032.
- Subject to limits, unearned tax credits in a given year can be carried forward to subsequent years.
- Minimum annual job-creation levels must be met for Foxconn to receive any credits. There are also annual limits on the amount of jobs tax credits the company can receive.
- The total estimated maximum amount of jobs tax credits the company could earn if it only met the minimum job thresholds listed below is approximately \$1.06 billion.

YEAR	MINIMUM FTE JOBS TO RECEIVE ANY CREDITS	FTE JOBS TARGET TO RECEIVE FULL CREDITS	MAXIMUM AMOUNT OF FULL CREDITS (CUMULATIVE) (in millions)
2018	260	1,040	\$10
2019	520	2,080	\$29
2020	1,820	5,200	\$76
2021	3,640	9,100	\$160
2022	5,200	13,000	\$281
2023	7,150	13,000	\$401
2024	7,800	13,000	\$522
2025	8,450	13,000	\$643
2026	9,100	13,000	\$765
2027	10,400	13,000	\$887
2028	10,400	13,000	\$1,009
2029	10,400	13,000	\$1,131
2030	10,400	13,000	\$1,254
2031	10,400	13,000	\$1,377
2032	10,400	13,000	\$1,500

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ACCOUNTABILITY/TRANSPARENCY

- Foxconn must submit annual performance reports to WEDC that document job creation and capital investment that must be attested to by an independent Certified Public Accountant using industry standards.
- The contract contains default language that includes numerous clawback options for tax credits that are awarded. These include if the company:
 - Supplies false or misleading information.
 - Leaves the zone to conduct the same business outside of the zone.
 - Ceases operations within the zone and does not restart operations within 12 months.
 - Fails to maintain employment and capital investment levels as required in the contract through 2032.
- In the first five years of the contract, Foxconn could be declared in default if any of the first three provisions listed above occur. In that case, 100% of the tax credits would be clawed back.
- Acknowledging the impact the construction phase will have over the first five years, failure to meet targeted jobs required (as the last provision above describes) through 2022 would not put the company in default.
- After the first five years, the company could be declared in default if the number of jobs falls below certain thresholds. After the fifth year, the annual thresholds and the maximum amount of tax credits that could be clawed back are:

YEAR	MINIMUM JOB THRESHOLD	MAXIMUM CLAWBACK FOR NOT MEETING JOBS TARGETS (in millions)	MAXIMUM CLAWBACK FOR VIOLATING OTHER PROVISIONS (in millions)
2018-22	N/A	\$0	100% of credits verified to date
2023	5,850	\$500	\$965
2024	6,500	\$500	\$965
2025	6,500	\$500	\$965
2026	6,500	\$400	\$772
2027	6,500	\$350	\$675
2028	6,500	\$300	\$579
2029	6,500	\$250	\$386
2030	6,500	\$250	\$386
2031	6,500	\$250	\$386
2032	6,500	\$250	\$386

In the case of default, the contract includes three guarantors who will ultimately be responsible for the clawback payments:

- Hon Hai Precision Products will be responsible for 75% of the clawback amount.
- Foxconn Chairman and CEO, Mr. Terry Gou, as an individual, will provide a personal guaranty for 25% of the clawback amount. This 25% will also be guaranteed by SIO International, a private company in which Mr. Gou indirectly owns approximately 89%.