

MEMORANDUM OF UNDERSTANDING
RACINE COUNTY
and
VILLAGE OF MOUNT PLEASANT, WISCONSIN
and
FE HOLDINGS USA, INC.

BACKGROUND

The State of Wisconsin and Wisconsin Economic Development Corporation (collectively, "Wisconsin") and Hon Hai Precision Industry Co., Ltd., and Foxconn Flying Eagle Project jointly executed a Memorandum of Understanding dated July 27, 2017, a true and complete copy of which is annexed to this Memorandum of Understanding ("MOU"), and referenced herein.

Racine County, Wisconsin ("County"), Village of Mount Pleasant, Wisconsin ("Village") and FE Holdings USA, Inc. ("Company") (the "Parties") have, through their authorized representatives, engaged in a series of discussions and exchanges, resulting in the preparation and joint execution of this MOU.

PURPOSE

The purpose of this MOU is to outline the intent of the Parties and the general understanding of the terms and responsibilities which, if achieved, would form the basis of and result in a comprehensive agreement by the Parties.

INTENT OF THE PARTIES

The Parties agree that a long-term mutually beneficial relationship should be established to implement a transformational and sustainable high-tech manufacturing and technology ecosystem in Village and County. To implement this historic relationship, the Parties agree as follows:

A. Company intends to:

1. Establish and operate a facility ("Facility") on approximately 2,271.43 acres (Areas I and II) within the boundaries of a Project Area of approximately 2,893.88 acres ("Project Area") (Areas I, II and III) in Village. Areas I, II and III are depicted on the attached map.
2. Within Area I, invest approximately \$10 billion to construct and equip the Facility, including approximately \$5.570 billion in direct construction expenditures and proceed to complete construction of the Facility within Area 1 over an approximate six (6) year period, commencing in 2018. This is conditioned upon timely obtaining all permits and approvals, acquisition and delivery of the land for the Facility in Area I, and development of all necessary infrastructure by County and Village, working in conjunction with the Wisconsin Department of Transportation ("DOT"), for the Facility.
3. Create approximately 13,000 new full-time jobs, the majority of which will be located in Racine County, in accordance with the same terms as in the Agreement between Company and Wisconsin Economic Development

Corporation (“WEDC”).

4. By January 1, 2022, provide a guaranteed minimum incremental value of \$1.4 billion within Area I and within the Tax Increment District (“TID”) to be established by Village, which guaranteed minimum value will continue during the 30-year life of the TID. This is conditioned upon timely obtaining all permits and approvals, acquisition and delivery of the land for the Facility in Area I and development of all necessary infrastructure by County and Village, working in conjunction with DOT, for the Facility.
5. Enter into a special assessment agreement with Village to pay a portion of the cost of the infrastructure improvements that will serve the Project Area. The amount of the special assessment shall be equal to the cost to County and Village of the land acquired in Area I, which is approximately \$50 million. The special assessments will be paid in 20 equal annual installments of principal plus interest, commencing with payment of the 2019 tax bill, subject to the provisions of paragraph B.6 below.
6. Provide up to \$60 million to the public joint venture (“Joint Venture”) discussed below, as and when needed by the Joint Venture, to cover payment of the cost to the Joint Venture of the land acquired for Company’s additional development in Area II. Company will provide these funds as and when needed by the Joint Venture, upon timely notification to Company.
7. For the land in Area III, acquisition of which will be through the Joint Venture, financed by conventional mortgage financing (the “Loan”), Company will: (a) pay or reimburse the Joint Venture for interest on the Loan; (b) share equally with the Joint Venture in any losses sustained; and (c) share equally with the Joint Venture in any profits.

B. Village intends to:

1. Establish the TID, including the Project Area, with a Base Year of 2018. Village will not take title to any land in the Project Area prior to January 1, 2018.
2. Provide and pay for, in cooperation with the County, required infrastructure improvements to serve the needs of the Project Area, estimated at \$300 million. This amount may be partially funded by amounts provided by other government entities, for infrastructure improvements.
3. Provide and pay for Village services and facilities required to support and serve the needs of the Project Area during the 30-year life of the TID, estimated at \$150 million.
4. Provide TID Revenues to County to reimburse County for its share of the cost to finance infrastructure improvements and the acquisition of Area I land.
5. Acquire the land for the development of the Facility within Area I, at a cost of approximately \$50 million, to be conveyed by Village to Company, without cost to Company. The land shall be conveyed to the Company in good title, free of all liens and encumbrances and other rights of possession, in environmental condition satisfactory to the Company, with all necessary zoning in place, with plans prepared for all necessary easements, roadways and utilities, with utilities installed or commitments for utilities to be installed, to the boundaries of each of Area I and Area II, and along the rights of way of new roadways which Village or County are installing through the Project Area, as shown on the final plans

for the Project Area.

6. Repay to Company from available TID Revenues, via Pay As You Go, the amount of the special assessments and interest, referred to in paragraph A.5.
7. Repay to Company from available TID Revenues, via Pay As You Go, the amount referred to in paragraph A.6.
8. Provide to Company from available TID Revenues, via Pay as You Go, annually over a consecutive ten (10) year period commencing in 2023 and ending in 2032, a forgivable loan to Company in the amount of up to \$10 million per year. Company may make an initial application covering all ten (10) prospective loans over the entire ten (10) year period. Company's eligibility for the amount to be forgiven and disbursed each year will be determined annually based upon mutually agreed upon benchmarks.
9. By December 1, 2017, create a Joint Venture with County for the acquisition of the land in Areas II and III.
 - a) Prior to January 1, 2028, convey to Company land in Area II required by Company for its own approved use for the additional development of the Facility, at no cost to Company. After January 1, 2028, the Joint Venture may convey the remaining land in Area II to third parties at market value with the proceeds of such sales to be distributed as required by this paragraph B.9.
 - b) The land in Area III will be held through the Joint Venture with acquisition cost financed by the Loan. If any land in Area III is sold to Company, such land will be sold at cost. Land in Area III sold to third parties will be sold at market value. All net sale proceeds will be applied to reduce the Loan balance and to pay or reimburse interest. After the Loan is fully paid, all subsequent sale proceeds shall be held by the Joint Venture for distribution as required by this paragraph B.9.
 - c) Any losses sustained will be shared equally between the Joint Venture and Company. The Joint Venture and Company will be reimbursed for such losses from available TID Revenues, via Pay As You Go.
 - d) Any profits will be shared equally between the Joint Venture and Company.

C. County intends to:

1. Participate in the Joint Venture as outlined in paragraph B.9.
2. Provide funds to finance its share of the infrastructure improvements described in paragraph B.2.
3. Provide funds to finance the acquisition of the land in Area I, as referenced in paragraphs B.4 and B.5.

MUTUAL ACKNOWLEDGEMENTS

It is the intent of the Parties that Company be in a position to commence construction of the first phase of the Facility within Area 1 on or before October 1, 2018. In order to meet this deadline, all of the Parties must act expeditiously to undertake their respective responsibilities

identified herein. Further, the Parties recognize that the terms of this MOU are subject to additional refinement and negotiations as well as the fiduciary and statutory obligations of the Parties. Accordingly, the Parties acknowledge the importance of finalizing a mutually agreeable and comprehensive agreement (the "Development Agreement") not later than October 31, 2017, to be signed as soon as possible thereafter, but in no event later than November 30, 2017, and hereby commit to assign the necessary resources to meet such timeframes.

The Company signatories to the Development Agreement will be the same as the principal Company signatories to the Agreement between Company and WEDC.

Date: 10-4-, 2017

RACINE COUNTY


Jonathan Delagrave, County Executive

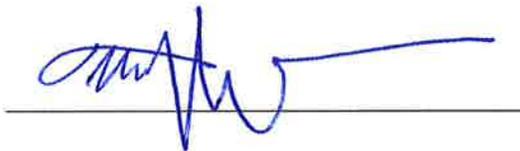
Date: 10-4, 2017

**VILLAGE OF MOUNT PLEASANT,
WISCONSIN**


David DeGroot, Village President

Date: 10-4, 2017

FE HOLDINGS USA, INC.





SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. Box 7863
MADISON, WI 53707

MEMORANDUM OF UNDERSTANDING
THE STATE OF WISCONSIN AND
HON HAI PRECISION INDUSTRY CO., LTD.

BACKGROUND

The undersigned, the Honorable Scott K. Walker, Governor of the State of Wisconsin ("Wisconsin"), Terry T. M. Gou, Chairman and CEO of Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), also known as Foxconn Technology Group (the "Company"), Mark R. Hogan, Secretary and CEO, Wisconsin Economic Development Corporation, and Louis K. Woo, Special Assistant to Chairman and CEO of Foxconn, first met in Washington, D.C. on April 28, 2017 to discuss the Company's interest in building two thin-film-transistor liquid crystal display ("TFT LCD") fabrication facilities in the United States, known as Foxconn Project Flying Eagle ("Flying Eagle"). The Company's proposed decision to consider locating these first-ever Flying Eagle facilities in the United States would reinvigorate American electronics manufacturing, improve the balance of trade, and attract further investment from suppliers and other industry participants in Wisconsin and in the United States.

PURPOSE

Since the initial meeting, the Company has issued a Request for Proposal ("RFP") for locating the TFT LCD fabrication facilities in the United States, and Wisconsin has responded with offers of financial support and incentives as described in the comprehensive proposal submitted to the Company on June 2, 2017, which was subsequently revised on June 26, 2017 and on July 12, 2017. Over the last few months, significant communications between representatives of the Company and Wisconsin have given the undersigned confidence that these efforts will result in the parties entering in to a long-term and mutually beneficial relationship.

The purpose of this Memorandum of Understanding ("MOU") is to outline the generally-agreed upon terms and the remaining responsibilities which, if achieved, would result in a definitive agreement and the Company locating the Project 818 fabrication facility ("FAB 818"), as outlined in the RFP, to Wisconsin. FAB 818 shall involve the construction, start-up, and ongoing operations of a TFT LCD facility producing glass substrates that shall serve a multitude of markets.

INTENT OF PARTIES

The parties agree that a long-term mutually beneficial relationship should be established to implement a transformational and sustainable high-tech manufacturing and technology ecosystem in Wisconsin. For the first phase of this historic relationship, the parties agree to as follows:

The Company acknowledges and agrees to:

- Invest up to \$US10 billion to construct FAB 818 in Wisconsin
 - Complete first phase of FAB 818 over four years and second phase of FAB 818 over two years for a total of six years to completion.
 - Create up to 13,000 jobs with an estimated average salary of \$53,875, over a period of up to six years.
- Continue to work with Wisconsin to pursue and establish other opportunities to invest in Wisconsin.
- Support Wisconsin's efforts to pass legislation to accommodate FAB 818.
- Work cooperatively with local, state, and federal officials to site and construct FAB 818, including providing a site plan that will address utility and transportation infrastructure requirements.
- Follow all applicable federal, state and local laws and regulations.

Wisconsin acknowledges and agrees to:

- Immediately pursue legislation in the Wisconsin Legislature to create an "Electronics and Information Technology Manufacturing Zone" ("Zone") that will be specific to FAB 818. Elements of the legislation will include:
 - Providing up to \$US3 billion in a state economic incentive package which will include a construction sales tax exemption and refundable Enterprise Zone credits for capital invested and jobs created (subject to satisfactory review of financial information and required approvals);
 - Modifying eligible advances percentages to 17% and 15% against qualified Wages and Capital Expenditures, respectively;
 - Extending the term of the Zone for up to 15 years;
 - Expanding Tax Incremental Financing ("TIF") limits (e.g. 12% assessed cap, expanding the life of the TIF, etc.) and flexibilities, and allowing the affected municipalities to use TIF in innovative ways to facilitate the development through reimbursements for infrastructure directly related to Flying Eagle and company expenditures incurred to build FAB 818;
 - Expediting permitting reviews in various Wisconsin governmental agencies, wherever possible and within the public interest, to align with the timeline needed to implement the project; and
 - Other changes deemed necessary by both parties to fully implement the project.
- Work with local and regional economic development authorities to enter into land sale contracts for a minimum of 1,000 acres. These contracts shall stipulate the purchase price

of each property and a due diligence period, and would then be assigned to, and executed by, the Company upon commencement of FAB 818.

- Support the Company in engaging federal (e.g. Wisconsin delegation, administrative agencies, etc.), state and local government authorities to facilitate the planning, construction, start-up, and on-going operations of FAB 818, in order to reduce project and operational costs and time to market, as well as to support the Company in its workforce and business development.
- Direct Governor Walker's cabinet members to remain fully committed and engaged in implementing the terms of this agreement and other opportunities to expand the relationship with the Company. Additionally, assign project managers throughout the term of the construction period to work with the Company and its affiliates.

MUTUAL ACKNOWLEDGEMENTS

The terms in this MOU are subject to final negotiations as well as the fiduciary and statutory obligations of both Wisconsin and the Company. The undersigned acknowledge the importance of finalizing the terms of a mutually-beneficial agreement no later than September 30, 2017, and are committed to assigning the necessary resources to meet the timeframe.

By and on behalf of State of Wisconsin:

By and behalf of Hon Hai Precision Industry Co., Ltd.:

Name: Scott K. Walker
Title: Governor
Date: July 27, 2017

Name: Terry T. M. Gou
Title: Chairman and CEO
Date: July 27, 2017

By and on behalf of Wisconsin Economic Development Corporation:

By and behalf of Foxconn Flying Eagle Project:

Name: Mark R. Hogan
Title: Secretary and CEO
Date: July 27, 2017

Name: Louis K. Woo
Title: Special Assistant to Chairman and CEO of Foxconn
Date: July 27, 2017

FLYING EAGLE PROJECT AREA MAP

